

SUSTAINABILITY GOVERNANCE SCORECARD

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**ARGÜDEN
GOVERNANCE
ACADEMY**

Good Governance for
Quality of Life

SUSTAINABILITY GOVERNANCE SCORECARD

ASSESSMENT OF 2018 DISCLOSURES
OF GLOBAL SUSTAINABILITY LEADERS



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ACADEMY**

Good Governance for
Quality of Life

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DISCLAIMER

This Report has been prepared based on publicly available information disclosed by the companies in our research sample for the reporting year of 2018. Website information was reviewed in the year 2019, the same year when 2018 activities were reported.

The analysis is based on the information that the companies have disclosed. We have not checked for or pursued independent verification of disclosed information and accepted the disclosed information as trustable and accurate.

The detailed findings of our analysis for each company have been shared with the Investor Relations departments prior to publication to provide an opportunity for review and feedback. Inputs we received from the companies have been considered before finalizing the scores.

PREFACE

Sustainability is critical not only for the livelihood of the humanity and the planet, but also for the long-term success of the corporation. Yet, typically sustainability is seen as a side issue that needs to be addressed alongside running the business, rather than totally shifting the way the business is conducted.

A growing number of stakeholders, particularly investors are increasingly focusing on the role corporate boards play in providing guidance and oversight over a company's sustainability strategy and performance.

The funds managed by over 500 signatories of Principles for Responsible Investment (PRI) surpassed 100 trillion USD in 2020. The signatories commit to incorporate environmental, social, and governance (ESG) factors into their investment decisions; to better manage risk and generate sustainable long-term returns.

Kofi Annan's 1999 Davos speech, where he had stated that the world's most pressing problems cannot be solved by governments alone and it is time for the civil society, academia, and business to pitch in, has led to the establishment of UN Global Compact the following year.

In 2012 during the Rio+20 meetings, the five founding partner exchanges of the Sustainable Stock Exchanges (SSE) initiative*, made a voluntary public commitment to promote improved ESG disclosure and performance among listed companies in their markets.

Awareness on what is necessary for a sustainable future as well as commitment to action is also on the rise. Sustainable Development Goals (SDGs) were approved by almost 200 countries as a common framework to focus on actions for a sustainable future, in 2015. Since then, a growing number of companies commit to SDGs and prioritize sustainability issues at the CEO and board level.

This increasing awareness of the importance of sustainability is shifting the focus of the corporation from **"The business of business is business"** to **"Doing good is good business"** and from **"short-term profits"** to **"long-term purpose"**.

Increasing number of leading corporations are publishing sustainability reports. However, generally the reports do not provide an integrated picture of how the firm conducts its business, but rather provide selective results linking them with areas of public attention, such as the Sustainable Development Goals on an ex-post basis, rather than setting and sharing targets and performance.

A shift in the mentality in how to address the sustainability efforts of the corporations is needed: Focusing on the opportunity to make a difference and embracing responsibility for potential influence over the whole value chain, rather than taking a defensive approach to show that you are doing is good, to defend against negative publicity.

The fact that most corporations who have started to focus on sustainability publish two separate reports, one for the financials and another for sustainability efforts is an indication of how the companies are not fully integrating sustainability issues into their business processes. Integrated reporting is trying to address this issue.

*Borsa Istanbul, B3 S.A. (Brasil, Bolsa, Balcão – São Paulo Stock Exchange), Johannesburg Stock Exchange, Nasdaq, and The Egyptian Exchange.

The International Integrated Reporting Council (IIRC), chaired by Mervyn King, was launched in 2010. Integrated Reporting intends to elicit material information from the organizations about their strategy, governance, performance, and prospects in a clear, concise, and comparable format. Integrated reporting refers to representation of the financial and non-financial performance of a company in a single report. This helps in providing a greater context to the non-financial data such as how the company performs on environmental, social, and governance (ESG) parameters, how sustainability is embedded in the core business strategy and processes.

Since 1991, the EFQM Model became the most commonly utilized framework to make the process of landing effective change in the organizations. The EFQM Model was renewed in 2020. Built on design thinking, the new 2020 Model has shifted from being a simple assessment tool to one that offers a vital framework and methodology to help with the changes, transformation, and disruption that individuals and organizations face every day. As such it advocates a 'leaders at every level' approach to ensure strong decision-making, collaboration and teamwork in every team and every project. The Excellence Movement have always focused on getting things done and on the quality and depth of execution. By shifting the focus from the organization to the ecosystem and to purpose, vision, and agile strategies, the EFQM Model 2020 provides a great tool to help deploy the required change in the culture and systems of an organization for integrating sustainability into the way the business is conducted.

All these developments do not only demonstrate that the way we conduct business needs to change in a dramatic way, but also provide the tools to get the job done. Negative and positive externalities should cease to be externalities and become an integrated part of corporate decision making. Focus needs to shift from short-term results to long-term impact. Leadership needs to be about not only managing your own organization but also positively influencing the stakeholders in the ecosystem as well as assuming responsibility to improve the business climate. While there are several CEOs taking the lead in this mentality transformation**, the progress has been slow.

Good governance is the key to the sustainability of sustainability efforts. Therefore, Argüden Governance Academy has developed the Sustainability Governance Scorecard® to identify how the best companies (Global Sustainability Leaders) govern and conduct their sustainability efforts. This impact research aims to bring insight and information to the attention of decision makers to motivate action and improve effectiveness of implementation. Our approach is intended to be utilized as an **improvement tool for better governance of sustainability issues.** The SG Scorecard does not aim to measure the companies' sustainability performance but seeks the presence of an environment and a climate of sustainability governance where sustainability efforts can flourish. The report includes best-practice examples of various sustainability governance steps to accelerate learning from peers.

We hope that the SG Scorecard will help improve the state of the world by speeding up peer learning from the global leaders.

**Such as Paul Polman, former CEO of Unilever and the current Chairman of the Global Compact Foundation and Indra Nooyi, former CEO of PepsiCo.

Gizem Argüden
Dr. Yılmaz Argüden

EXECUTIVE SUMMARY

The global pandemic has made the interconnected of the world and made the need more visible for all actors to cooperate for a more sustainable future. The global nature of problems we face requires a more holistic, stakeholder-centric, and long-term impact-oriented view of the role of the corporation in today's society. The corporations' response to emerging sustainability challenges will determine not only their long-term viability and competitiveness, but also the viability of the planet and its inhabitants.

Sustainability is no longer a “nice to have” issue for companies, but a crucial element for preparing for the future. To move toward a more sustainable future, we need to have organizations that assume their sustainability responsibilities and act on them. Corporations—with their resources, efficiency, innovation capabilities, and access to talent—have the opportunity to be at the forefront of this change. To achieve this, companies need to embark on a broad transformational change journey and lead the way in re-evaluating their traditional performance models to encompass ESG issues and ecosystem-level thinking for a more sustainable future.

Integrating sustainability into performance management to move towards a more sustainable future requires a continuous improvement mindset and cooperation between boards, management, investors, regulators, and civil society. To aid them with this effort, we analyzed 212 Global Sustainability Leaders (GSLs) that are part of Sustainability Stock Exchanges Initiatives from 7 countries and 10 sectors (Appendix 1). We analyzed the publicly available data through a ‘governance lens’ to identify and share insights from the GSLs on how they provide governance to their sustainability efforts and to share best-practice examples to accelerate learning from peers.

SGS 2020 results show that GSLs have improved on several fronts compared to the previous year. However, there is still significant room for improvement in the effectiveness of execution and accountability of their sustainability programs and significant opportunity to learn from peers to accelerate progress. Below we summarize the key conclusions:

- 1. Enhance board leadership for sustainability:** Boards set the tone at the top and board leadership and good governance are essential for sustainable value creation in the long run. This is possible through setting the right governance mechanisms, ensuring the board has the composition and skills to lead sustainability and tying executive compensation to sustainability metrics to incentivize management towards sustainable value creation in the long run.

2. **Move from storytelling to rigorous numbers:** What gets measured gets improved. There is need to move beyond checking boxes and marketing material to embedding ESG considerations into strategy and operations. Reporting should cover material ESG areas and provide evidence on targets, results, and evaluation of results to signify a learning loop (including trends, benchmarks). There should be a mindset shift towards looking at the whole (short-term, long-term, all relevant ESG issues, supply chain and ecosystem, individual and global goals) rather than just reporting on parts. The scope of reporting should be comprehensive and include all employees, geographies, supply chain and ecosystem. This requires more rigorous target-setting and measurement of material issues by companies, regular feedback from investors on what matters for decision-making and unification of reporting frameworks, at least at the sector-level.

3. **Adopt a stakeholder-centric view and assume responsibility for your ecosystem:** License to operate in today’s world requires responsible leadership – companies who actively manage sustainability benefit both the company and the society. Reaching sustainable development goals requires setting-up a multi-layer multi-year process and requires cooperation from stakeholders. When crafting their sustainability approach, companies must move to a more stakeholder-centric model and widen their view to encompass their ecosystem and long-term impact.

Sustainability Governance Scorecard[©]

Responsible Boards

Skill Matrix	Guidance
Executive Compensation	Oversight

Sustainability Performance

KPIs	Targets	Results	Results Evaluation
Scope of Implementation		Link to SDGs	



In this Report, we present a how-to guide on governance of sustainability and provide peer-to-peer learning opportunities based on good practices shared by the Global Sustainability Leaders on how they approach their sustainability efforts. These examples are presented in the relevant chapters throughout the Report.

Responsible Boards

Skill Matrix

Board members need to have the right skills to provide guidance and oversight to the sustainability plans of the corporation. The Board needs to have sufficient expertise to understand the decision-making processes of key stakeholders, have members who are familiar with evolving sustainability standards and practices, and sufficient diversity to adequately evaluate different dimensions, perspectives, and risks of sustainability issues. A skills matrix identifies the skills, knowledge, experience, and capabilities desired of a board to enable it to meet both its current and future challenges and realize its opportunities. **Compared to last year's report, sustainability skill in at least one board member increased from 31% to 40% and sharing skills matrix has increased from 21% to 36%.**

Executive Compensation

In order to focus management behavior on capturing opportunities from sustainability and ensure that sustainability practices are adopted as everyday practice in decision-making, Boards need to make management explicitly accountable for the company's sustainability impact. Best-in-class companies align executive compensation with strategic sustainability targets to sharpen management's focus and incentivize management to prioritize sustainability. **Even the GSLs have significant room for improvement in this area. All companies in our research sample share executive compensation, 90% share link of executive compensation to financial targets, but only 28% share link to sustainability targets.**

Guidance

Board Leadership is key for setting the company's direction and ensure long-term value creation for the company and its ecosystem. Responsible Boards ensure that sustainability issues are integrated into the company's strategy and reflected in its policies and practices. The Board must ensure that policy covers all relevant ESG dimensions and all relevant stakeholder

groups including employees, supply chain and communities. Having the right policy is not enough, it should be regularly reviewed to be improved, and the right people and processes should be in place for implementing policy commitments. **All GSLs have adopted ESG policies in E (climate change, energy, waste & packaging), S (health & safety) and G (executive compensation). There is room for improvement in E (responsible sourcing, hazardous materials, biodiversity), S (inclusiveness, data security, customer privacy, stakeholder engagement) and G (board diversity, succession planning).**

Oversight

The board's oversight role requires setting up an effective internal control mechanism, ensuring independence of audit and strict compliance, monitoring ethics and business conduct within the company and its value chain, and transparency in external reporting and disclosure. Effective tracking of sustainability performance and communication to the board is essential for improving oversight of sustainability. Board structures for sustainability governance should be defined at the Board level and can include direct Board Oversight or Sustainability Committee. **All GSLs defined oversight structures & board committees to address sustainability risks and opportunities. Compared to last year, independent audit coverage of ESG issues for GSL increased from 72% to 84% and independent audit coverage for supply chain increased from 23% to 54%.**

Sustainability Performance

KPIs, Targets, Results, Results Evaluation

What gets measured gets improved. To improve performance management in sustainability, companies, investors, and regulators/standard-setters must cooperate to improve the reliability, consistency, and comparability of reporting metrics across material ESG issues. Companies must identify KPIs for material ESG issues, set targets, report on progress, and evaluate results to consistently get better at managing sustainability. Sectoral collaboration is required to define what matters for each sector. Consistent feedback from investors on the value and usefulness of metrics for decision-making would improve the effectiveness of this process.

As part of our research, we evaluated whether a company sets policy, KPIs and targets and shares results and evaluation of results across specific ESG categories. **We find that 85% of GSLs consistently report on environmental topics, 82% on social topics and 74% on governance topics. Climate Change and Energy are the most consistently reported environmental topics, there is significant room for improvement in consistent reporting in Responsible Sourcing, Hazardous Materials and Biodiversity.**

There is a gap between policy and target-setting for Diversity & Inclusion and Human Rights issues. Target-setting and results-assessment must be improved for governance areas: We find that 65% report consistently on Executive Compensation, 21% on Board Diversity and only 10% on Compliance (Ethics, Anti-corruption).

Results Coverage

Best-in class companies ensure comprehensiveness of measurement and implementation throughout the value chain including the supply chain, the product lifecycle, all stakeholder groups, all levels of the organization and all geographies. All stakeholders must be empowered and moving towards the same direction in order to achieve sustainability goals. Transparency on targets and results provides the basis of communication and cooperation between relevant stakeholder groups. **Among the GSLs, 89%, 85%, and 84% share targets across ESG issues respectively, but only half of these companies set targets and share results for their supply chain.**

Increasingly, companies must assume responsibility not just for the impact of their own operations but also manage their ecosystem if they are to thrive in the long run. To do this effectively, companies must set targets and share results covering the environmental ecosystem, the communities in which they operate and partnerships through which they address global goals.

Link to SDGs

The Sustainable Development Goals (SDGs) define global sustainability priorities and aspirations for 2030 and seek to mobilize global efforts around a common set of goals and targets. SDGs have a significant impact on the environment, social, and governance structure in which business will operate in the future. There is an increasing number of companies, both public and private, committing to the Sustainable Development Goals (SDGs). However, business reporting on credible contributions to SDGs is falling short and there is still an intention-action gap. **Compared to last year, the share of GSLs that link their strategy with SDGs increased from 62% to 73% and results disclosure increased from 48% to 59%.** Aligning incentives with the world we want in the future requires changes in the system. For this systems change, Global Sustainability Leaders (GSLs) need to take leadership to act fast and scale-up progress. If we are to reach the global goals in 2030, companies should step-up to set targets, measure outcomes and partner for scale-up.

The global nature of problems requires non-traditional partnerships across corporate, social, and public spheres as well as among competitors within the same industry. There is also needed to increase action and partnership around creating the right climate for sustainability through institution-building. **We find that engagement of GSLs with SDG16: Peace and Justice**

Strong Institutions increased from 20% to 27%. Promoting the rule of law; fighting corruption, bribery, and organized crime; protecting fundamental freedoms and non-discriminatory laws and policies; and in short ensuring responsive, inclusive, participatory, and representative decision-making at all levels (good governance) should be a priority of not only all citizens, but particularly the business leaders as well.

Sustainability Journey

Purpose and Value Creation Model

A value creation model defines the companies' purpose and forms the basis of a companies' vision for long-term value creation. Best-in-class companies identify a corporate purpose that encompasses sustainability goals and build a culture around it. A clear statement of purpose united executives, directors and investors on the company's priorities and creates the link between strategy and capital allocation decisions. Integrated reporting is a holistic tool to help companies tell the story of how they create value now and, in the future, and provides a solid framework for communicating the company's sustainability approach to different stakeholders.

Companies can use Integrated Reporting as a transformative tool for continuously getting better at managing sustainability. **We find that 92% of companies that have Integrated Reporting share their value creation model, whereas less than 75% of companies from all other standards share their value creation model.**

Stakeholder Engagement and Materiality

Engaging stakeholders is key to obtaining the social license to operate in the 21st century. Best-in class companies adopt a long-term comprehensive view of their stakeholders to encompass external stakeholders (environment, supply chain, communities), and engage their stakeholders to identify material ESG issues. Materiality assessment allows companies to focus on issues which are most relevant to the firm's core value proposition, in order to mobilize resources for a step-change in selected areas. Publishing a materiality matrix including assessment of materiality for the company as well as its stakeholders, is a good communication tool to align management, investors, and other stakeholders on what matters in the short-term and the long-term. **We find that 80% of GSL shared a list of material sustainability issues, 69% shared prioritization based on materiality for company, 54% shared assessment of material issues for stakeholders, and 52% shared a materiality matrix.**

Supply Chain Sustainability

Many companies' greatest sustainability risks and opportunities are in their supply chain. As a result, companies must set standards, manage risk, and invest in the development of their supply chains for a step-change in sustainability impact. This may involve utilizing their purchasing power to encourage, audit, collaborate with and provide benchmarking, and learning opportunities with its suppliers on key sustainability issues. **We find that 77% of GSLs share their assurance process for supply chain covers ESG issues (69%, 75%, and 70%), but less than half of those that do, share their supply chain results across ESG issues (29%, 31%, 19%). There is clearly room for more rigorous audit and more transparency.**

Continuous Learning and Development

Sustainability is a continuous journey. To improve the quality of the journey, a learning mindset and environment are essential. To ensure progress is sustained over the long-run, companies must establish a learning loop for continuous improvement and create a climate of learning with measurable indicators (trends, benchmarking). Lessons learned should be utilized to improve decision-making processes, skill gaps and required mindset changes need to be addressed through trainings and sustainability practices need to be integrated into the company's processes. Furthermore, development trainings and development opportunities should cover employees in all geographies, supply chain and communities. **93% of GSLs report social sustainability trainings, while 75% report governance (compliance) and only 60% report environmental trainings. Companies must invest in training their management, workforce and supply chain on climate change, energy efficiency, waste & packaging, and water stewardship as well as compliance on ethics, anti-corruption and supply chain standards.**

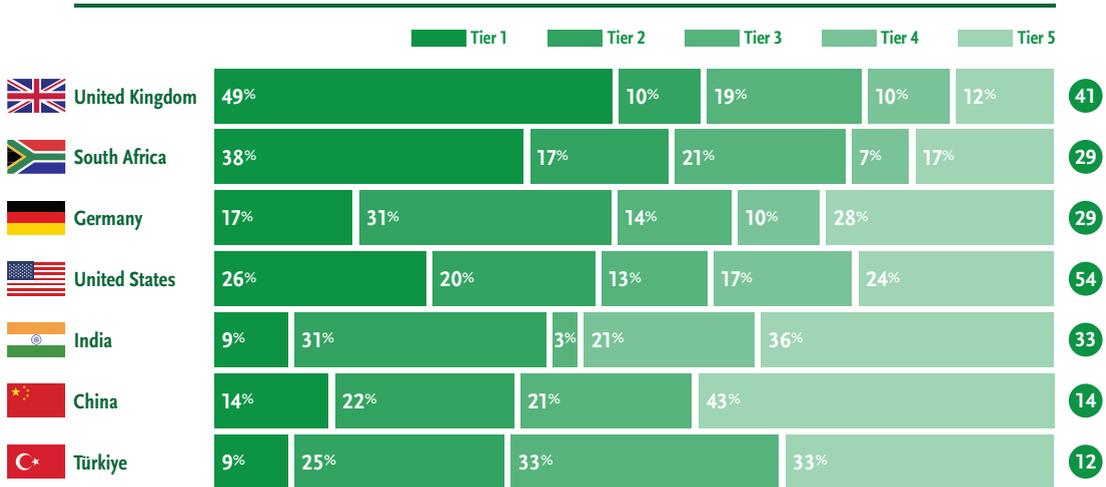
OVERALL RESULTS

The **Sustainability Governance Scorecard** consists of four main pillars including board **guidance, implementation** and coverage, board **oversight** and continuous **learning**. We seek to identify whether **Global Sustainability Leaders** set policies, build structures and incentivize people to provide good governance (guidance and oversight) over their sustainability efforts, assess whether the coverage of their sustainability efforts is comprehensive in terms of stakeholders, value chain and geographies, and whether continuous improvement is embedded in their efforts through a learning loop. We have divided 212 GSLs into 5 Tiers based on the assessment of these criteria.

We find that there are country and sector-wise differences in sustainability governance quality. We also conclude that adopting global initiatives (ie: UNGC, GRI, SASB, IR) make reasonable differences in sustainability governance quality and can help accelerate progress towards better sustainability reporting.

CHART 1: TIERS BY COUNTRY

Percentage of Sustainability Leaders by Origin in Each Tier



Based on Argüden Governance Academy's research for Sustainability Governance Scorecard®

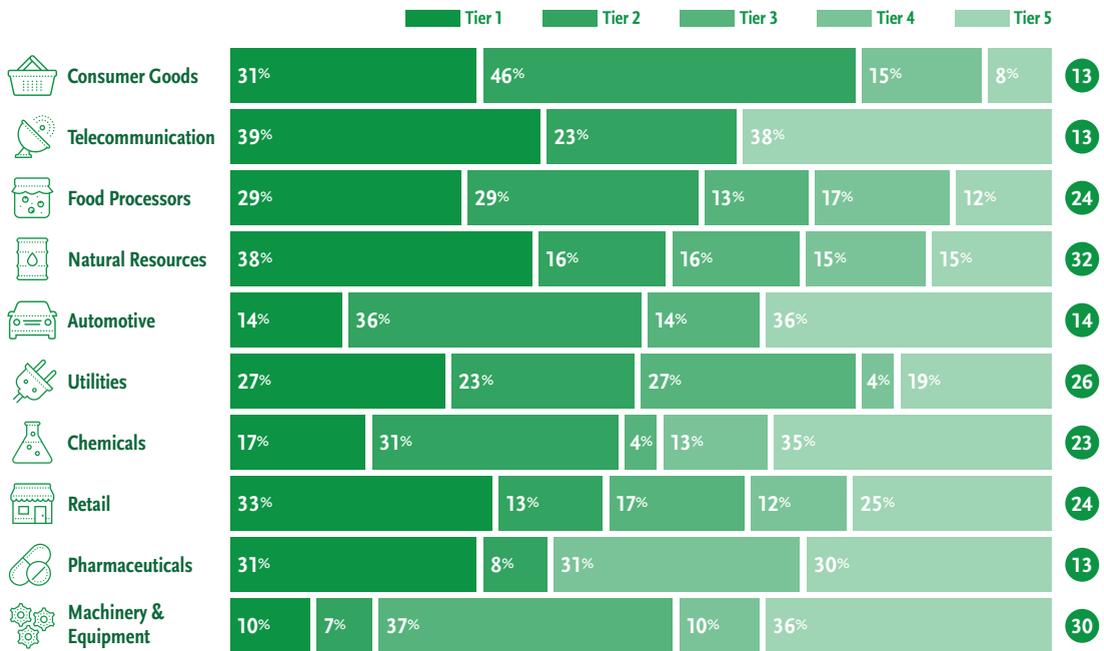
● Number of companies in sample

- Half of the GSLs in United Kingdom (UK) are in the Tier 1. In comparison to our 2019 Report*, the percentage of UK Companies in Tier 1 increased from 30% to 49%.
- More than half of the GSLs in South Africa are either in Tier 1 or Tier 2. Half of the GSLs in Germany are either in Tier 1 or Tier 2. They are followed by companies in United States, India, China, and Türkiye, respectively.
- The accelerator effect of global initiatives about sustainability governance is evident. In United Kingdom, more than half of the GSLs are signatories of the **United Nations Global Compact (UNGC)**. In South Africa, adopting **Integrated Reporting (<IR>)** makes a reasonable difference for sustainability governance. In Germany, more than 80% of companies adopted **GRI** reporting. In United States, more than 40% adopted **SASB** reporting and 65% of SASB Reporting companies are either in Tier 1 or Tier 2.

* SGS 2019 includes analysis of the sustainability reports and disclosure of companies for 2017.

CHART 2: TIERS BY SECTOR

Percentage of Sustainability Leaders by Sector in Each Tier



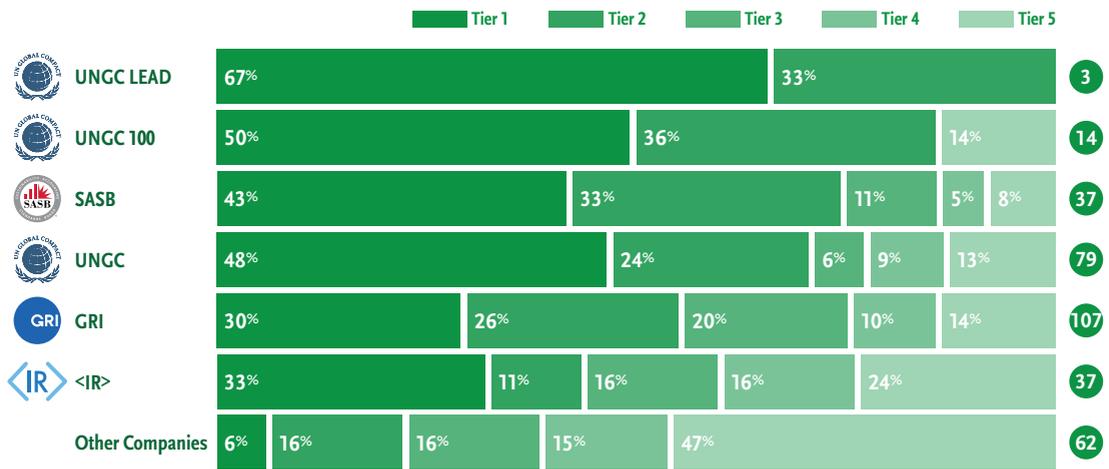
Based on Argüden Governance Academy's research for Sustainability Governance Scorecard®

● Number of companies in sample

- More than 50% of the GSLs in Consumer goods, Telecommunications, Food processors, Natural resources are either in Tier 1 or Tier 2.
- In comparison to SGS 2019, the percentage of Tier 1 and Tier 2 companies within Telecommunication sector almost doubled, increasing from 36% to 62% and the share of Tier 1 and Tier 2 companies in Consumer Goods increased from 50% to 77%.

CHART 3: TIERS BY INITIATIVE

Percentage of Sustainability Leaders by Initiative in Each Tier



Based on Argüden Governance Academy's research for Sustainability Governance Scorecard®

● Number of companies in sample

- Adopting global initiatives or approaches make reasonable differences in the sustainability governance quality of the GSLs.
- Among the GSLs, all of the UNGC Lead Companies are in the first or second Tier.
- 76% of SASB Reporting companies are either in the Tier 1 or Tier 2.
- 50% of UNGC 100 Companies and 33% of the <IR> Reporting GSLs are Tier 1 companies.
- More than 50% of GRI Reporting companies are either in Tier 1 or Tier 2.

Top Performers in each Country amongst Tier 1 Companies

 United States	 United Kingdom	 India	 Germany	 South Africa	 China	 Türkiye
<u>Campbell Soup</u> Cummins Hess Corp Ingersoll-Rand Newmont Mining	<u>B+T Group</u> <u>Coca-Cola HBC</u> Severn Trent <u>Tesco</u> <u>Unilever</u>	Dr Reddy's Laboratories <u>Mahindra & Mahindra</u> Tata Motors	Adidas BASF Evonik Industries Henkel Metro	Anglogold Ashanti BHP Billiton <u>Exxaro Resources</u> Gold Fields Woolworths Holdings	China Mobile CLP Holdings	Coca-Cola İçecek

Companies are written in alphabetical order, Highlighted ones are the “top performers” of Sustainability Governance Scorecard®

Top Performers in each Sector amongst Tier 1 Companies

 Automotive <u>Mahindra & Mahindra</u> Tata Motors	 Chemicals BASF Croda International Evonik Industries Linde Plc	 Consumer Goods Adidas Henkel Reckitt Benckiser Grp <u>Unilever</u>	 Food Processors <u>Campbell Soup</u> <u>Coca-Cola HBC</u> Coca-Cola İçecek Diageo Hershey's	 Machinery & Equipment Cummins Ingersoll-Rand Xylem Inc
 Natural Resources Anglogold Ashanti <u>Exxaro Resources</u> Gold Fields Hess Corp Newmont Mining	 Pharmaceuticals AstraZeneca Bristol-Myers Squibb Dr Reddy's Laboratories GlaxoSmithKline	 Retail Gap Inc Kingfisher Pick n Pay Stores <u>Tesco</u> Woolworths Holdings	 Telecommunication <u>B+T Group</u> China Mobile MTN Group Vodacom Group Vodafone Group	 Utilities CLP Holdings Exelon Corp National Grid Severn Trent United Utilities

Companies are written in alphabetical order, Highlighted ones are the “top performers” of Sustainability Governance Scorecard®

Sustainability Governance Scorecard[©]

	TIER 1	TIER 2	TIER 3	TIER 4	TIER 5
 <p>China 14 Companies</p>	<p>China Mobile CLP Holdings</p>	<p>China Everbright Intl ENN Energy Holdings Vipshop Holdings</p>	<p>China Gas Holdings China Resources Gas Grp Guangdong Investment</p>		<p>China United China Yangtze Power Dongfang Electric Corp HK & China Gas LONGi Green Energy Shanghai Electric Group</p>
 <p>Germany 29 Companies</p>	<p>Adidas BASF Evonik Industries Henkel Metro</p>	<p>AB InBev Beiersdorf BMW Covestro Deutsche Telekom Hugo Boss Lanxess Puma Telefónica Deutschland</p>	<p>GEA Group Osram Siemens Germany Zalando</p>	<p>Bayer Brenntag Symrise</p>	<p>Continental E.On SE Freenet Group HELLA K+S KION Group Linde AG RWE</p>
 <p>India 33 Companies</p>	<p>Dr Reddy's Laboratories <u>Mahindra & Mahindra</u> Tata Motors</p>	<p>Ashok Leyland Bharti Airtel Gail India Godrej Consumer Products Havells India Hero MotoCorp Marico Maruti Suzuki NTPC Tata Chemicals</p>	<p>UPL</p>	<p>Cipla Dabur India Hindalco Industries NMDC Nestle India Titan Company Vedanta</p>	<p>Asian Paints Avenue Supermarts Britannia Industries Cadila Healthcare Coal India Colgate-Palmolive Exide Industries Lupin Motherson Sumi Systems Siemens India Sun Pharma Tata Global Beverages</p>
 <p>South Africa 29 Companies</p>	<p>Anglo American Kumba Anglogold Ashanti BHP Billiton <u>Exxaro Resources</u> Gold Fields Harmony MTN Group Pick n Pay Stores Sibanye Stillwater Vodacom Group Woolworths Holdings</p>	<p>Aspen Pharmacare Glencore Richemont Sasol Tiger Brands</p>	<p>Anglo American Platinum Clicks Group Impala Platinum MMI Holdings Pioneer Foods South32</p>	<p>Omnia Holdings The Foschini Group</p>	<p>AECI Kumba Iron Ore Mr Price Group Telkom SA SOC Truworths International</p>

Companies are listed alphabetically in each tier

Sustainability Governance Scorecard[®]

	TIER 1	TIER 2	TIER 3	TIER 4	TIER 5
 <p>Türkiye 12 Companies</p>	<p>Coca-Cola İçecek</p>	<p>Ford Otosan Migros Ticaret Ülker Bisküvi</p>	<p>Anadolu Efes Aygaz Tofaş Tüpraş</p>		<p>Petkim Türk Telekom Turkcell Zorlu Enerji</p>
 <p>United Kingdom 41 Companies</p>	<p>Antofagasta Associated British Foods AstraZeneca <u>B+T Group</u> Centrica <u>Coca-Cola HBC</u> Croda International Diageo GlaxoSmithKline Kingfisher Marks & Spencer Group National Grid Reckitt Benckiser Group Rio Tinto Severn Trent <u>Tesco</u> <u>Unilever</u> United Utilities Group Vodafone Group Wood Group</p>	<p>Burberry Group Coca-Cola European Partners Royal Dutch Shell SSE</p>	<p>CNH Industrial Greggs IMI NEXT Pennon Group Smiths Group Spirax Sarco Weir Group</p>	<p>Hikma Pharmaceuticals Morrisons Ocado Rotork</p>	<p>B&M Johnson Matthey Sainsbury's Tate & Lyle WHSmith</p>
 <p>United States 54 Companies</p>	<p>Best Buy Bristol-Myers Squibb <u>Campbell Soup</u> Cummins Exelon Corp Gap Inc Hershey's Hess Corp Ingersoll-Rand Kellogg's Linde Plc Newmont Mining Sempra Energy Xylem Inc</p>	<p>3M Co Air Products & Chemcom Colgate-Palmolive Co ConocoPhillips General Mills Intl Flavors & Fragrances Mondelez International Oshkosh Corp Schlumberger TE Connectivity Waste Management Inc</p>	<p>AES Corp Eaton Corp Edison International Entergy Corp General Motors Liberty Global Molson Coors Brewing</p>	<p>AbbVie Inc Alcoa Corp American Water Works Archer-Daniels-Midland Baker Hughes Caterpillar Conagra Brands Emerson Electric Hain Celestial Group</p>	<p>Aptiv Deere & Co Dover Corp DuPont Ecolab Honeywell International IDEX Corp Johnson Control Intl Lennox International Parker-Hannifin TechnipFMC Tesla Zoetis</p>

Highlighted companies are the “top performers”

PART 1: RESPONSIBLE BOARDS

SKILLS MATRIX (BOARD SKILLS AND COMPOSITION)

Board members need to have the **right skills** to provide guidance and oversight to the sustainability plans of the corporation. The Board needs to have sufficient **expertise** to understand the decision-making processes of key stakeholders, have members who are familiar with evolving **sustainability** standards and practices, and sufficient **diversity** to adequately evaluate different dimensions, perspectives, and risks of sustainability issues.

A **skills matrix** identifies the skills, knowledge, experience, and capabilities desired of a board to enable it to meet both its current and future challenges and realize its opportunities. Disclosing a skill matrix is good governance and offers an opportunity for considered reflection on whether the board has the right skills and diversity for providing guidance and oversight on sustainability.

Recommendations

1. **Link business requirements to board qualifications and make sustainability a board priority.** Responsible boards make sustainability a leadership priority and ensure they have the **right people (skills and diversity)** to provide leadership and direction on sustainability (EXAMPLE: COCA COLA HBC)
2. **Publish a skills matrix:** A skills matrix identifies the skills, knowledge, experience, and capabilities desired of a board to enable it to meet both its current and future challenges and realize its opportunities. A comprehensive skill matrix should include business priorities, skill and experience of board members in table format, information to assess diversity, management experience, relevant industry and geographical experience as well as sustainability skills relevant for the companies' priorities. (EXAMPLE: EXARRO)
3. **Focus on sustainability as a board member skill:** Sustainability-related skills requirements can cover a wide range of ESG issues, which are necessary for board members to understand the sustainability risks and impacts across the corporation's value chain and how this might impact the business model and competitive positioning of the corporation. Boards also need to have the skills and experience to provide guidance on sustainability driven innovation and value creation opportunities.

4. **Increase diversity to manage sustainability:** Managing sustainability is complex and requires multiple perspectives to be represented for the board to effectively engage in strategic discussions and make long-term business decisions. We find that best-in-class companies ensure that their boards are fit to drive change towards a sustainable business by having **diverse boards and assess diversity across multiple dimensions** including age, tenure, gender, ethnicity, cultural background; geographic, functional and industry experience. (EXAMPLE: ZOETIS)
5. **Foster productive dialogue:** Having the right skills, experience and diversity is the first step – but there must be productive dialogue within members of the board to reap the benefits of diversity. This requires experienced, collaborative, and responsible board members, and a strong board culture based on trust. Proper examination of diversity of mind would need a review of board proceedings to see if different alternatives and their potential impacts are evaluated and challenged with respect to risk and reward, short-term and long-term effects, and effects on different stakeholders.

Key Findings

A **skills matrix** identifies the skills, knowledge, experience, and capabilities desired of a board to enable it to meet both its current and future challenges and capture opportunities. Disclosing a skill matrix is good governance and offers an opportunity for considered reflection on whether the board has the right skills and diversity for providing guidance and oversight on sustainability.

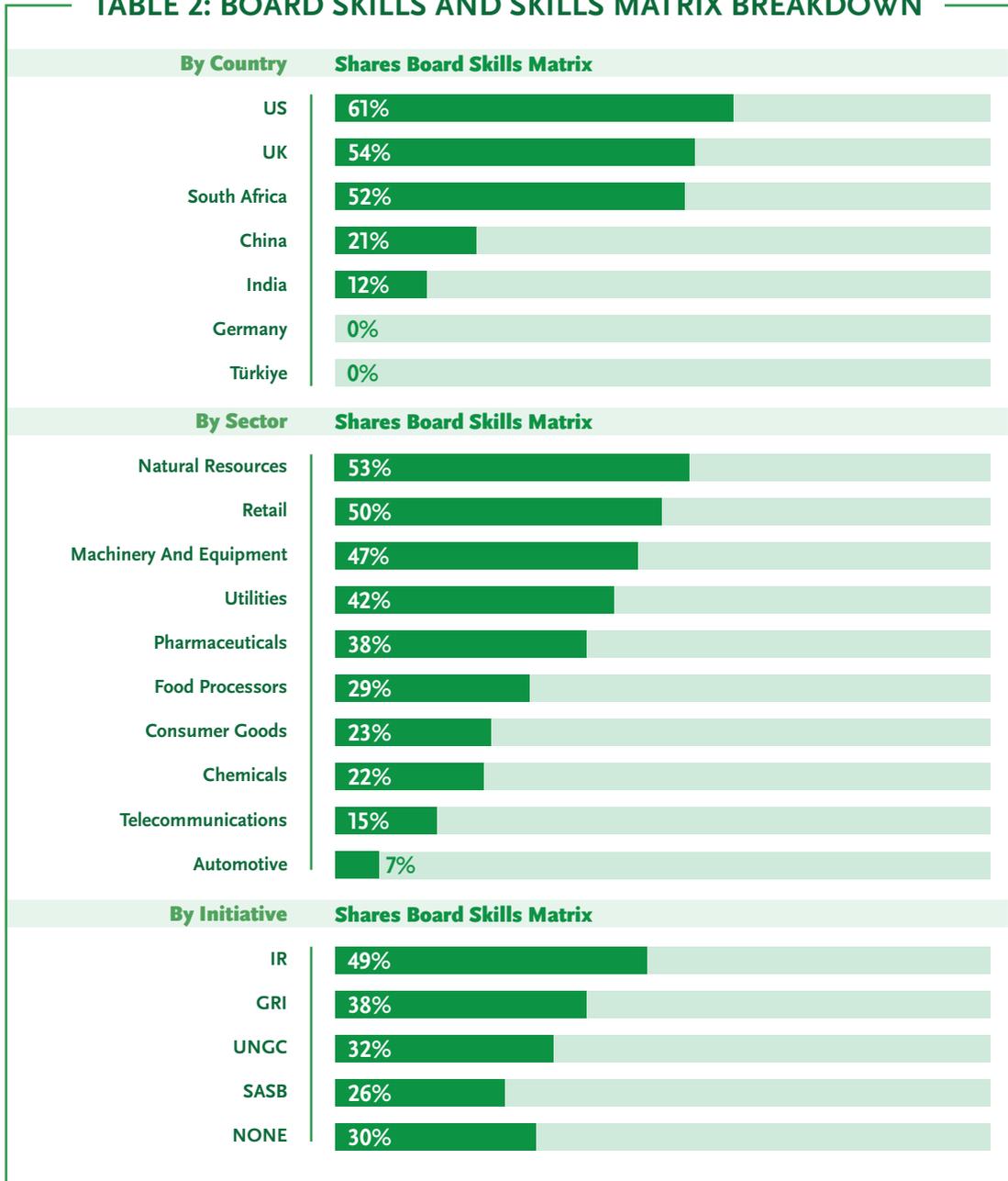
TABLE 1: BOARD SKILLS AND SKILLS MATRIX

Skills Matrix	SGS 2019	SGS 2020
At Least One Member has Sustainability as Skill	31%	40%
Publishes Skills Matrix	21%	36%
Sustainability as Skills in Skill Matrix	6%	8%

Our research reveals that the assessment of functional skills and the use of skill matrices is still not widespread, even among leading companies – but there is promising increase:

- Companies that have at least one board member with sustainability as skill increased from 31% to 40%,
- Skill matrix increased from 21% to 36%, sustainability as skill in skill matrix is only 8%.

TABLE 2: BOARD SKILLS AND SKILLS MATRIX BREAKDOWN



- Highest share of skill matrix in Natural Resources and Retail, lowest in Telecommunications and Automotive,
- >50% of companies in the US, UK, and South Africa publish a skills matrix, while none of the companies in Germany and Turkey do,
- Half of the companies that have Integrated Reporting publish a skills matrix.

Good Practice Examples

SKILLS MATRIX



Food Processors



UK



Coca-Cola Hellenic Bottling Company

General qualifications required of all Directors

Coca-Cola HBC's Board Nomination Policy requires that each Director is recognised as a person of the highest integrity and standing, both personally and professionally. Each Director must be ready to devote the time necessary to fulfil his or her responsibilities to the Company according to the terms and conditions of his or her letter of appointment. Each Director should have demonstrable experience, skills, and knowledge which enhance Board effectiveness and will complement those of the other members of the Board to ensure an overall balance of experience, skills, and knowledge on the Board. In addition, each Director must demonstrate familiarity with and respect for good corporate governance practices, sustainability and responsible approaches to social issues.

Business characteristics	Qualifications, skills and experience	Directors
Our business is extensive and involves complex financial transactions in the various jurisdictions where we operate	Experience in finance, investments and accounting	12
Our business is truly international with operations in 28 countries, at different stages of development, on three continents	Broad international exposure, and emerging and developing markets experience	12
Our business involves the manufacturing, sale and distribution of the world's leading non-alcoholic beverage brands	Extensive knowledge of our business and the fast-moving consumer goods industry, as well as experience with manufacturing, route to market and customer relationships	8
Our Board's responsibilities include the understanding and oversight of the key risks we are facing, establishing our risk appetite and ensuring that appropriate policies and procedures are in place to effectively manage and mitigate risks	Risk oversight and management expertise	6
Building community trust through the responsible and sustainable management of our business is an indispensable part of our culture	Expertise in sustainability and experience in community engagement	7
Our business involves compliance with many different regulatory and corporate governance requirements across a number of countries, as well as relationships with national governments and local authorities	Expertise in corporate governance and/or government relations	6

- Links business requirements to required board qualifications, skills, and experience
- Shares number of board members with required skills
- Business requirements include building community trust through the responsible and sustainable management of business



Source: https://www.coca-colahellenic.com/content/dam/cch/us/documents/investors-and-financial/results-reports-and-presentations/reports/coca-cola-hbc-2018_iar_15mar2019.pdf.downloadasset.pdf, p. 96

SKILLS MATRIX



Natural Resources



South Africa



POWERING POSSIBILITY

Skills and experience matrix

Director	Qualifications	Diversity					
		Date of appointment (dd/mm/yyyy)	Tenure (years)	Age	Ethnicity	Gender	Experience as a director (years)
J van Rooyen	BCom (SA); BCompt (hons) (SA); CA(SA)	2008/08/13	11	69	Coloured	Male	12
GJ Fraser-Moleketi	DPhil (Nelson Mandela Bay University), Masters in Administration (University of Pretoria), Leadership programme (Wharton), Fellow of the Institute of Politics (Harvard)	2018/05/23	1	59	Coloured	Female	25
MW Hlahla	Masters of Arts (MA) Urban Planning, USA; Advanced Management Program (AMP), INSEAD, France; Certificate in Accounting and Finance, WITS Business School	2015/06/04	4	56	Black	Female	10
D Mashile-Nkosi		2018/03/06	1	60	Black	Female	10
L Mbatha	LLB, LLM (Gender studies)	2018/03/06	1	65	Black	Female	10
VZ Mntambo	B.Juris, LLB (UNW), LLM (Yale)	2006/11/28	12	61	Black	Male	17
MJ Moffett	BCom (CTA), CA(SA)	2018/05/23	1	59	White	Male	25
LI Mophatlane		2018/05/23	1	45	Black	Male	-
EJ Myburgh	BEng (Electrical) (UP), BSc (Hons) (Energy studies) (UJ), MBL (USB), Darden Executive Program (Virginia)	2016/09/01	2	60	White	Male	9
V Nkonyeni	BSc (hons), CA(SA)	2014/06/03	5	49	Black	Male	17
A Sing	BSc Eng (Mech) MBA	2018/03/06	1	48	Indian	Female	7
PCCH Snyders	BEng (Mining), Diploma in Marketing Management, MCom Business Management, Mine Manager's Certificate of Competence for Coal and Metalliferous Mines	2016/07/01	3	59	White	Male	14

● Significant skills and experience (10+ years, in-depth, main focus area, weekly use of skills, line accountability) ● Limited skills and experience (5 years, very irregular or superficial exposure/use of skills, ie quarterly/biannual)
 ● Average skills and experience (5 to 10 years, ad hoc, but regular and fairly in-depth exposure/use of skills, ie monthly)

Director	General management experience													Technical experience									
	Leadership	Finance	Human resources	Legal	Governance and compliance	Economics	Transformation and ethics	Risk and opportunity management	Innovative technology and information governance	Environmental sustainability	Sales and marketing	Health and safety	Tax	Stakeholder relations	Project management	International	Local	Mining industry	Mining engineering	Renewable energy	Water technology	Agricultural/Food security	
J van Rooyen	●				●	●	●	●	●					●			●						
GJ Fraser-Moleketi		●			●		●	●						●		●						●	
MW Hlahla	●	●			●	●	●	●						●		●						●	
D Mashile-Nkosi	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
L Mbatha	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
VZ Mntambo	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
MJ Moffett	●	●			●		●		●					●		●		●					
LI Mophatlane	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
EJ Myburgh	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
V Nkonyeni	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
A Sing	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
PCCH Snyders	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●

- Shares skill matrix identifying board diversity across multiple criteria and level of experience for general management and technical capabilities
- Shares sustainability as skill including breakdown into governance and compliance, environmental sustainability, and health & safety



Source: <https://www.exxaro.com/investor/integrated-reports2018/pdf/full-integrated.pdf>, p. 16-17

SKILLS MATRIX



Pharmaceuticals



US



	Juan Ramón Alaix	Paul M. Bisaro	Frank A. D'Amelio	Sanjay Khosia	Michael B. McCallister	Gregory Norden	Louise M. Parent	Willie M. Reed	Linda Rhodes	Robert W. Scully	William C. Steere, Jr.
Experience, Skills, Expertise											
Academia								✓	✓		
Animal Health	✓		✓	✓				✓	✓		✓
Consumer Products			✓	✓		✓					✓
Global Businesses	✓	✓	✓	✓		✓	✓			✓	✓
Life Sciences	✓	✓	✓	✓		✓		✓	✓		✓
Manufacturing & Supply			✓								
Marketing & Sales	✓	✓		✓	✓						✓
Mergers & Acquisitions	✓	✓	✓	✓	✓	✓	✓			✓	✓
Other Public Company Board Member		✓	✓	✓	✓	✓	✓		✓	✓	✓
Public Company CEO	✓	✓			✓				✓		✓
Public Company CFO; or Finance and Accounting			✓			✓				✓	
Public Company GC; Compliance, or Corporate Governance		✓					✓				
Regulated Industries	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Research & Development								✓	✓		
Demographic Background											
<i>Board Tenure</i>											
Full Years	6	3	6	5	6	6	5	5	1	5	6
<i>Age (as of April 2, 2019)</i>											
Years Old	67	58	61	67	66	61	68	64	69	69	82
<i>Gender</i>											
Male	M	M	M	M	M	M		M		M	M
Female							F		F		
<i>LGBTQ (optional reporting)</i>											
Identify as LGBTQ											
<i>Race* (optional reporting)</i>											
Black or African American								✓			
American Indian or Alaska Native											
Asian				✓							
White	✓	✓	✓		✓	✓	✓		✓	✓	✓
Native Hawaiian or Other Pacific Islander											
Other											
Did not wish to identify											
<i>Ethnicity* (optional reporting)</i>											
Hispanic or Latino	✓										
Not Hispanic or Latino		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Did not wish to identify											

Director Nominee

Continuing Director

* Based on U.S. Census Bureau designations

- Shares skill matrix with detailed set of criteria for experience, skill, and expertise
- Includes multiple criteria for diversity including gender, race, and ethnicity

Source: https://s1.q4cdn.com/446597350/files/doc_financials/2019/ar/Zoetis_2019_Proxy_Statement.pdf, p. 2

EXECUTIVE COMPENSATION

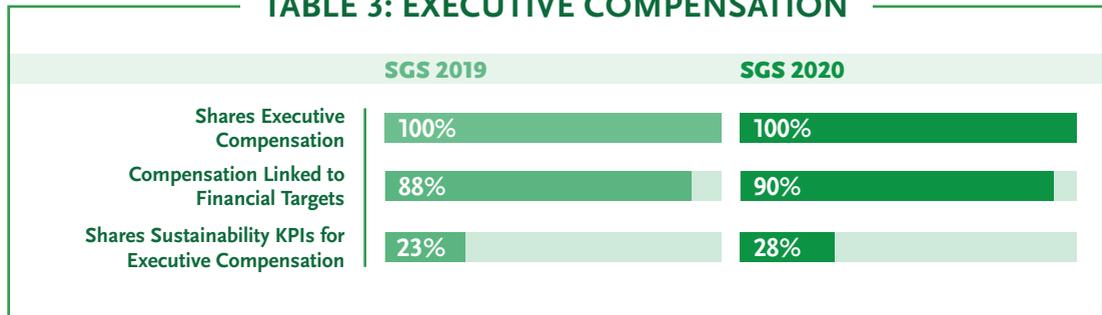
In order to **focus management behavior** on capturing opportunities from sustainability and ensure that sustainability practices are adopted as everyday practice in decision making, Boards need to make management explicitly accountable for the company's environmental and social impact. By **aligning executive compensation** with **strategic sustainability targets** and tying performance payouts to non-financial sustainability metrics, Boards can sharpen management's focus on sustainability issues.

Recommendations

1. **Identify appropriate ESG metrics material to financial performance** and aligned with long-term strategy: Metrics should be defined on issues most relevant and material to business. For example, CO₂ emissions can be more material to companies in the coal industry, while health & safety for Mining and Construction, or workforce diversity in consumer goods. Best-practice examples demonstrate how the selected metrics are related to strategy and performance objectives. (EXAMPLE: NEWMONT MINING)
2. **Link Executive Compensation to material sustainability/ESG targets:** To improve corporate accountability for sustainability and focus management attention, tie executive compensation to material ESG targets. (EXAMPLE: ANGLOGOLD ASHANTI)
Best-in-class companies:
 - Select metrics that are forward looking, clear, available, replicable, comparable, time-bound,
 - Make sure sustainability metrics are a meaningful component of the overall remuneration framework with appropriate time horizon in line with business strategy and challenging to incentivize outperformance,
 - Set both short-term vs long-term targets: Sustainability targets require long-term planning as well as immediate action.
3. **Provide high-quality disclosure to signal commitment to sustainability:** Best examples from GSL clearly disclose rationale with metrics in line with business strategy and allow sufficient information for investors to assess performance and payouts against ESG goals. Benchmarking with industry peers and disclosing executive compensation as a multiple of an average employee's salary are examples of ways companies make this information useful for investors. (EXAMPLE: SSE)
4. **Integrate sustainability into the performance management systems of the entire organization:** Linking executive compensation with sustainability metrics is the first step, to move the entire organization towards sustainable value creation, performance management systems must be aligned for the entire organization.

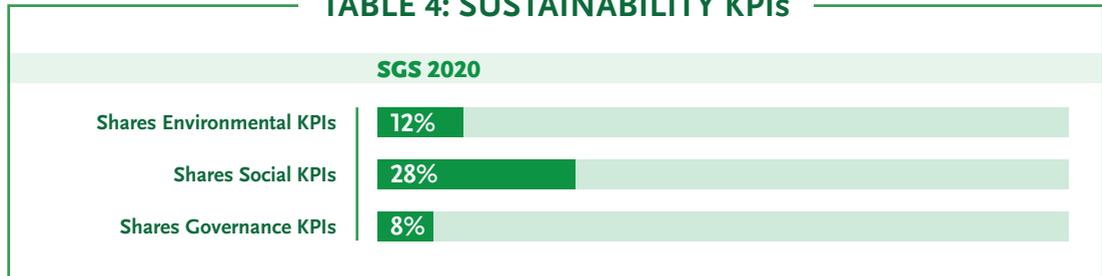
Key Findings

TABLE 3: EXECUTIVE COMPENSATION



- All companies share executive compensation, 90% share link to financial targets, but only 28% share link to sustainability targets.
- Companies that share compensation linked to non-financial targets increased from 31% to 34% from SGS 2019 to SGS 2020 and link to sustainability KPIs increased from 23% to 28%
- Companies focus more on social sustainability KPIs (28%), whereas only 12% link to environmental KPIs and 9% to governance KPIs.

TABLE 4: SUSTAINABILITY KPIs



- Within companies that share sustainability KPIs for Executive Compensation, we find that 28% share social KPIs, 12% share environmental KPIs and 8% share governance KPIs.
- Linking sustainability KPIs to Executive Compensation is highest for South Africa. In South Africa, we find that 31% link executive compensation with environmental KPIs, 69% link with social KPIs and 24% link with governance KPIs.

Examples of sustainability KPIs for Executive Compensation are shared in Table 5.

TABLE 5: EXAMPLES OF SUSTAINABILITY KPIs FOR EXECUTIVE COMPENSATION

Environmental KPIs	Social KPIs	Governance KPIs
Reportable environmental incidents at operating mines	Percentage of compliance to safety management systems and practices protocol	People - Diversity and Inclusion policy implementation
Innovation for economic and ecological	Health - site compliance to the global safety standards on organisational health, wellness and fitness for work standard	# of Complaints & Grievances
Compliance to water strategy	# of activities that foster corporate social responsibility	Percentage of gender split within senior manager
Climate change score	Safety performance: Lost-time injury frequency rate	Protection of reputation
Reduction of carbon dioxide emissions	Occupational safety and health	Progress in implementing the diversity concept
	Fatality risk management - Implementation and Execution	Major hazard management critical control of compliance
	Total Recordable Injury Rate (TRIR) and Accident Frequency Rate (AFR)	Promotion of compliance and integrity
	Protection of employees, contractors, communities	

Good Practice Examples

EXECUTIVE COMPENSATION



Natural Resources



US



Component	Metrics	Weight	Performance Objectives			2018 Results			
			Min	Target	Max	Result	Outcome	Payout ⁽¹⁾	
Health & Safety 	Fatality risk management (leading)	Execution	5%	90%	100%	100%	100%	170%	8.5%
	Fatality risk management (leading)	Leadership	3%	50%	65%	95%	50.6%	25%	0.75%
	Health risk management (leading)	Exposure reduction	4%	20%	50%	75%	69%	177%	7.1%
	Total injury rates (lagging)	TRIFR ⁽²⁾	8%	0.46	0.39	0.31	0.40	25%	2.0%
Operational Excellence 	Value creation	EBITDA per share	30%	\$ 3.31	\$ 3.86	\$ 5.37	\$ 4.47	115%	34.6%
	Value creation	ROCE	10%	5%	9%	15%	10.5%	139%	13.9%
	Efficiency	Cash Sustaining Costs (CSC per GEO) ⁽³⁾	20%	\$ 1,000	\$ 949	\$ 814	\$ 948	101%	20.2%
Growth 	Project execution	Progress & Spend	8%	20%	100%	200%	—	101%	8.1%
	Project execution	Project Advancement	2%	20%	100%	200%	—	146%	2.9%
	Exploration success	Reserves per 1,000 shares ⁽⁴⁾	2.5%	2.6	75	11.81	5.11	61%	1.5%
	Exploration success	Resources ⁽⁴⁾	2.5%	3.01	5.04	9.49	7.0	144%	3.6%
Sustainability & External Relations 	Access (public targets)	Water strategy	1.5%	80%	100%	120%	158%	200%	3.0%
	Access (public targets)	Closure & reclamation	1.5%	80%	100%	120%	120%	200%	3.0%
	Reputation	Dow Jones Sustainability Index	2%	within 1% of industry leader			Leader	200%	4.0%
Total Result								113.2%	

(1) Calculated by multiplying "Weight" x "Outcome."

(2) TRIFR performance was capped at no more than 25% of target due to the fatalities we experienced in 2018.

(3) "GEO" is Gold Equivalent Ounce; determined by converting copper production into a gold equivalent.

(4) Reserves and Resources performance includes revisions.

- Links executive compensation with sustainability KPIS including Health & Safety and Sustainability & External Relations
- Health & Safety metrics account for 20% of executive compensation and include fatality risk management, health risk management and total injury rates as metrics
- Sustainability & External Relations metrics account for 5% of executive compensation and include water strategy, closure & reclamation metrics as well as reputation (Dow Jones Sustainability Index Ranking Top 1%)
- Provides data on performance objectives (min, target and max) as well as performance against targets, outcome, and payout



Source: <https://d18rnop25nwr6d.cloudfront.net/CIK-0001164727/573b717d-1e8c-4432-bbfo-c1f49ae7422c.pdf>, p. 71

EXECUTIVE COMPENSATION



Natural Resources



South Africa



SECTION 3 / LEADERSHIP AND ACCOUNTABILITY

REMUNERATION REPORT CONTINUED

SECTION THREE: REMUNERATION IMPLEMENTATION REPORT – JANUARY TO DECEMBER 2018 CONTINUED

2018 DSP performance measure		Target weighting	Achievement	Threshold measures	Target measures	Stretch measures
Financial measures	Relative total shareholder return: three year relative ranking with the selected comparator group. The comparators are: Barrick, Gold Fields, Harmony, Newmont, Kinross, Goldcorp, Gold ETF (World Gold Council SPDR classification), Randgold, Newcrest and Sibanye-Stillwater	10.00%	0.00%	Median TSR of comparators	Halfway between median and upper quartile	Upper quartile TSR of comparators
	Absolute total shareholder return	10.00%	6.33%	US\$ COE	US\$ COE + 2%	US\$ COE + 6%
	Normalised cash return on equity (nCROE)	15.00%	22.50%	US\$ COE	US\$ COE + 2%	US\$ COE + 6%
	Production	12.50%	16.69%	3,285oz (000)	3,350oz (000)	3,425oz (000)
	All-in sustaining costs	15.00%	22.50%	\$1,088/oz	\$1,071/oz	\$1,054/oz
Future optionality	• Ore Reserve additions (pre-depletion, asset sales, mergers and acquisitions)	6.25%	9.38%	Plus 2.4Moz	Plus 3.9Moz	Plus 4.9Moz
	• Mineral Resource (pre-depletion, asset sales, mergers and acquisitions)	6.25%	0.00%	Plus 8.0Moz	Plus 12.8Moz	Plus 16.0Moz
Safety, health, environment and community	AIFR: three-year rolling average	4.00%	6.00%	≥5% performance improvement (6.87)	≥10% performance improvement (6.51)	≥15% performance improvement (6.15)
	Major hazard management critical control percentage compliance	3.00%	4.50%	90% of major hazards identified, assessed and controlled.	92.5% of major hazards identified, assessed and controlled.	95% of major hazards identified, assessed and controlled.
	Safety management systems and practices protocol	3.00%	4.36%	75% - compliant to proactive maturity level	85% - proactive maturity level	90% - proactive to resilient maturity level
	Health - site compliance to the global safety standards on organisational health, wellness and fitness for work standard	1.50%	1.95%	90% compliance	95% compliance	100% compliance
	Completion of bowtie risk assessments per region, including identification of critical controls and actions managed to closure	1.50%	2.25%	1	2	3
	Number of reportable environmental incidents at operating mines	1.50%	0.75%	2	1	0
	Greenhouse gas emissions intensity at gold producing operations, measured in kg CO ₂ e/tonne	1.50%	2.25%	-0.3% off base	-0.6% off base	-1% off base
	Community: number of human rights violations	2.00%	3.00%	≤ 2 human rights violations	≤ 1 human rights violations	0 human rights violations
Core value: People	Number of business disruptions as a result of community unrest	2.00%	0.00%	5	3	1
	• Strategic coverage ratio – measured by the number of successors ready to take up a role within one year for identified key leadership positions	2.00%	3.00%	1:1.48	1:1.56	1:1.64
	• Key staff retention – measured through turnover excluding retrenchments, retirements and deaths within the leadership talent pool	2.00%	2.42%	85% pa	90% pa	95% pa
	• Gender diversity – measured through female representation at leadership level	1%	1%	13% female representation	15% female representation	17% female representation
Total		100%	108.9%			

- Links executive compensation to safety, health, environment, and community targets (28 metrics accounting for 20% of total remuneration) as well as people targets (3 metrics accounting for 5% of total remuneration)
- Provides threshold, target and stretch measures as well as achievement against those targets for multiple metrics under each sustainability area
- Benchmarks executive compensation against benchmark group and provides list of benchmark companies within the industry



Source: <http://www.aga-reports.com/i8/download/AGA-IRi8.pdf>, p. 170, 177

EXECUTIVE COMPENSATION



Utilities



UK



3. Assess performance

The table below shows how performance measures are linked to strategy and how performance was ultimately delivered.

AIP	Performance measure						TOTAL
	ADJUSTED EPS	CASHFLOW	DPS	PERSONAL	CUSTOMER	TEAMWORK	
Link to strategy	Simple Stewardship Stakeholders	Simple Sustainable Stakeholders	Simple Sustainable Stakeholders	Simple Sustainable Stewardship Stakeholders	Simple Sustainable Stewardship Stakeholders	Simple Sustainable Stewardship Stakeholders	
Rationale	Underlying measure of financial performance	Retained cashflow/net debt	Return on investment through payment of dividends	To reflect those activities which go beyond the normal responsibilities of the role	Meeting customers' needs is at the core of the business	Reflects the culture of the business to value colleagues and enjoy working together	
Weighting	30%	10%	10%	15%	15%	20%	
Threshold	112p	13%	RPI				
Max	126p	14%	RPI+2%				
Outcome	67.1p	10.3%	97.5p		See next section		
Performance	0	0	50%	50%	70%	75%	
Out-turn (% of max)	0	0	5%	8%	11%	15%	39%

When setting non-financial measures and targets, the Committee ensures they are specific, measurable, attainable, relevant and timely ("SMART" objectives). By their nature, some objectives require a more subjective assessment than others and this is done by the Committee following the input from the wider Board and other Board Committees as appropriate. The Committee is committed to providing as much retrospective detail of the measures as possible, setting out clearly the decision making process and the levels of attainment achieved, but mindful that any information which could be considered commercially sensitive cannot be disclosed.

The tables below and on the following page provides detail on each of the non-financial measures and the assessment of performance against each one.

MEASURE	FACTORS TO BE ASSESSED	SUMMARY PERFORMANCE EVIDENCE	ASSESSMENT	OUTCOME (% OF MAX)
Personal 15%	Chief Executive Safety, Financial, People Development, Succession, Stakeholder Management, Strategy and Growth	Significant improvement to safety performance as a result of established programme. New operating model increased focus on succession and capability. Strong stakeholder engagement in a challenging environment. New Strategy established that focuses key businesses on carbonisation and sets out opportunities for growth.	✓	50%
	Finance Director Safety, Financial, People Development, Transformation, Corporate Function Performance, Succession	Oversaw programme of value-creating disposals with over E600m gains on sale and almost E500m fair value uplift. Sustainable financing delivered with Green Bond issue and ESG-linked Revolving Credit Facility. Effective financial management maintained through discipline in relation to investments and potential mergers and acquisitions. Effective Chair of SGN plc.	✓	50%
	Energy Director Safety, Financial, People Development, Succession, Business Development, Asset Management	Successful progress across major electricity generation projects, enabling value creation. Good operational performance in flexible thermal generation plant and reduction in carbon intensity of electricity generated. Development of significant pipeline of future opportunities in renewable energy. Reorganisation to bring together SSE Renewables.	✓	50%

x= Below expectation ✓= Met expectation ✓✓= Exceeded expectation ✓✓✓= Far exceeded expectation

- Shows how performance measures are linked to strategy and how performance was ultimately delivered
- Discloses individual metrics/components for individual executive roles, as well as summary of performance evidence and payout by executive
- Sustainability component of executive compensation (Teamwork) includes Safety (TRIR and AFR), Service (Performance in Energy Ranking Surveys), Sustainability (Performance in various indices), Excellence (Progress of key capital projects, gender diversity) and Teamwork (Employee Engagement Scores)



Source: <https://www.sse.com/media/lgxdmzoo/sse-31464-annual-report-2019-web.pdf>, p. 130

EXECUTIVE COMPENSATION



Utilities



UK



MEASURE	FACTORS TO BE ASSESSED	SUMMARY PERFORMANCE EVIDENCE	ASSESSMENT	OUTCOME (% OF MAX)
Customer 15%	Retail – A range of measures including customer complaints and satisfaction	Leading the large energy suppliers for complaints in the Citizens Advice Supplier Rating and a leading performer in the wider supplier group of 28. Ranked top among the leading suppliers in the uSwitch survey.	✓✓✓	85%
	Networks – A range of measures including customer interruptions and customer minutes lost	Year-on-year improvements across a range of customer satisfaction measures and average ranking position maintained.	✓	50%
	Business Energy – A range of measures including customer complaints and satisfaction	Ranked 2 out of 15 in Citizens Advice business energy supplier analysis.	✓✓	80%
TOTAL				70%
Teamwork 20%	Safety – Total Recordable Injury Rate (TRIR) and Accident Frequency Rate (AFR)	Significant improvements in TRIR and AFR. Improvements in driving performance and environmental performance.	✓✓✓	90%
	Service – Various external Retail and Business Energy ranking surveys, and Networks customer performance measures	See Customer table above.	✓✓	70%
	Efficiency – Controllable costs	Effective oversight of controllable costs while maintaining robust allocation of resources.	✓✓	65%
	Sustainability – Performance in various indices	Maintained MSCI ESG Research "AAA" Leadership rating. Improved CDP Climate Change score from a "B" to an "A-". Achieved fifth year of both Fair Tax Mark accreditation and Living Wage accreditation.	✓✓✓	90%
	Excellence – Progress of key capital projects, gender diversity	Very good progress in delivery of large capital projects across the Wholesale and Networks businesses. Improved Return on Inclusion scores; positive increases in gender split within senior manager group and talent programmes.	✓✓	65%
	Teamworking – Employee Engagement	Great Place To Work 78% response rate. Good progress made on Target Operating Model activity. Maintained position on the Bloomberg Gender Equality Index.	✓✓	70%
TOTAL				75%

x= Below expectation ✓= Met expectation ✓✓= Exceeded expectation ✓✓✓= Far exceeded expectation

4. Take account of wider environment

The Remuneration Committee believes that the range of measures used in the AIP ensures that performance is assessed using a balanced approach, without undue focus on a single metric which could be achieved at the expense of wider initiatives. The Committee took into account that SSE's financial results fell well short of what was expected at the beginning of the financial year.

5. Apply discretion if required

Despite a number of notable operational and strategic achievements in the year, for 2018/19 the Remuneration Committee has applied its discretion and decided that no AIP award should be made to Executive Directors. This is the second time in three years the Committee has exercised its discretion to make a downward adjustment to AIP out-turns.

	Maximum potential (% of salary)	AIP earned ¹	AIP cash	AIP deferred
Alistair Phillips-Davies	150%	0	0	0
Gregor Alexander	130%	0	0	0
Martin Pibworth	130%	0	0	0

¹ In a typical year, the total award is made up of 67% cash and 33% which is deferred as shares for three years which are then retained until two years after stepping down from the Board.

- Shows how performance measures are linked to strategy and how performance was ultimately delivered
- Discloses individual metrics/components for individual executive roles, as well as summary of performance evidence and payout by executive
- Sustainability component of executive compensation (Teamwork) includes Safety (TRIR and AFR), Service (Performance in Energy Ranking Surveys), Sustainability (Performance in various indices), Excellence (Progress of key capital projects, gender diversity) and Teamwork (Employee Engagement Scores)



Source: <https://www.sse.com/media/lgxdmzoo/sse-31464-annual-report-2019-web.pdf>, p. 131

BOARD GUIDANCE

The Board is responsible for **setting the company's direction** and sets the tone at the top. Right guidance is required for companies to **manage risk** and **capitalize on opportunities** related to sustainability, as well as taking a leadership role in creating a more sustainable future. Boards should ensure that sustainability issues are integrated into the company's **strategy** and reflected in its **policies** and **practices**. Responsible Boards provide guidance to ensure the comprehensiveness of scope for sustainability guidance by integrating ESG issues into the company's value proposition, policies, and strategy.

Recommendations

1. **Board should provide guidance on sustainability and set the tone at the top:** Board's role is to ensure a systematic approach to sustainability governance is adopted by the organization. Companies should identify priority sustainability objectives and demonstrate commitment in material sustainability areas.
2. **Define commitments for sustainability through policy and cover all ESG relevant dimensions:** The scope of sustainability issues that need to be covered should include a comprehensive set of subjects such as safety, health, environmental, and community impact; human rights, labor rights, anti-corruption and business ethics.
 - **Environmental policy** can cover climate change, energy, waste & packaging, water, responsible sourcing, hazardous materials, and biodiversity. (EXAMPLE: GENERAL MILLS)
 - **Social policy** can cover a wide range of issues including health & safety, human rights, non-discrimination, child labor, diversity inclusion, gender equality. (EXAMPLE: UNILEVER, VODAFONE)
 - **Governance policy** should cover executive compensation, anti-corruption, business ethics, risk management, supplier code of conduct, donations, related party transactions, board diversity, and succession planning.
3. **Ensure policy covers and is adopted by all relevant stakeholder groups** including employees, supply chain and communities. Companies should ensure implementation of the policy in all levels of the organization and across the supply chain. Another key issue to consider is the standards of conduct and level of implementation in all the jurisdictions that the company operates in. OECD's MNEs Guidelines particularly focus on this issue.
4. **Regularly review the policy**, compare and collaborate with sector standards and best-practice examples to keep the policy relevant to changing conditions.

Key Findings

To achieve sustainability goals requires establishing sustainability policies and practices to guide company and employee behavior on a range of issues material to the company’s ability to create value. Policies can cover a wide range of matters and would differ between companies. A list of the policies we looked for and the results are shown in the table below.

TABLE 6: ESG POLICY

Environmental Policy		Social Policy		Governance Policy	
Climate Change/ Emissions	100%	Health and Safety	100%	Executive Compensation	100%
Energy	100%	Human Rights Policy	100%	Anti-Corruption	100%
Waste & Packaging	100%	Non Discrimination	100%	Business Ethics	100%
Water	100%	Child Labor	100%	Risk Management	100%
Responsible Sourcing	80%	Diversity and Inclusion	100%	Supplier Code of Conduct	100%
Hazardous Materials	70%	Gender Equality	100%	Donations	100%
Biodiversity	70%	Forced Labor	100%	Related Party Transactions	100%
		Product Safety	100%	Board Diversity	70%
		Labor Privacy	100%	Succession Planning	70%
		Development of Human Resources	100%		
		Freedom of Association	100%		
		Inclusiveness	80%		
		Data Security	80%		
		Customer Privacy	80%		
		Stakeholder Engagement	80%		

■ 100%
 ■ >90%
 ■ >80%
 ■ >70%

- Environmental Policy:** >90% have climate change, energy, waste & packaging, and water policy. There is potential for improvement in developing policies on responsible sourcing, hazardous materials, and biodiversity.
- Social Policy:** >90% of GSL policies cover human rights, labor practices, and customer/community related issues. There is room for improvement in customer privacy and stakeholder engagement policy and disclosure.
- Governance Policy:** Governance policies of GSL cover executive compensation, anti-corruption, business ethics and risk management. Board diversity and succession planning are the lowest.
- Policies should be substantiated through relevant KPIs, targets and measurement of results, which will be discussed in the next section on sustainability performance.

Good Practice Examples

CLIMATE CHANGE POLICY



Food Processors



US



GENERAL MILLS

Policy on Climate

January 2020

OVERVIEW

Providing food for a growing population with increased climate volatility and fewer resources is a challenge that affects our planet, our business and each one of us. The risks associated with climate change include extreme weather events that distress life and affect entire ecosystems; reduce crop yields; and increase stress on water availability. Science-based evidence suggests we must limit the global mean temperature rise to less than 2 degrees Celsius above preindustrial levels in order to avoid permanently altering the atmosphere and negatively impacting the environmental, social and economic systems that sustain us – both today and in the future.[1] The most recent science suggests we must act even faster, limiting warming to 1.5 degrees.[2] When climate volatility is coupled with a global population projected to reach 10 billion by 2050, the disequilibrium of natural resource supply and human demand for food, fiber and fuel presents a real threat to global stability. Potential risks include raw material ingredient availability and price volatility[3], both of which affect the global food industry.

The imperative is clear: Business, together with governments, NGOs and individuals, needs to act to reduce then reverse the negative human impact on climate change. Government policies that provide proportionate and clear guidance on mitigation and adaptation are essential for large scale progress. Cross-sector investment in innovations that help reduce natural resource use, sequester carbon and create energy alternatives is essential to reaching scalable levels of impact. Likewise, developing the right mix of market-based incentives to encourage and accelerate practice adoption is key. And, helping individual consumers make more sustainable choices is critical to reducing the collective human impact on the environment.

- Climate Change policy covers different stakeholders, outlines list of initiatives and how to company plans to address challenges



Source: <https://www.generalmills.com/en/News/Issues/climate-policy>

CUSTOMER PRIVACY POLICY



Telecommunication



UK



Vodafone's Privacy Commitments

Our privacy policies are supported by our Privacy Commitments, which set out the principles that govern our approach to privacy and how we seek to build customer trust through transparency, empowerment and reassurance.

Our commitment to our customers' privacy goes beyond legal compliance. We are focused on building a culture that respects privacy in order to justify the trust that people place in us:

- **Accountability:** We are accountable for living up to these commitments throughout Vodafone, including when working with our partners and suppliers. We maintain privacy policies and compliance processes that we use to ensure we live up to these principles.
- **Fairness and lawfulness:** We comply with privacy laws and act with integrity and fairness. We work with governments, regulators, policy makers and opinion-formers to help shape better and more meaningful privacy laws and standards.
- **Privacy-by-design:** Respect for privacy is a key component in the design, development and delivery of our products and services.

- **Openness and honesty:** If our actions could affect our customers' privacy, we communicate this clearly. We ensure our actions reflect our words, and we are open to feedback about our actions.
- **Choice and access:** We give people the ability to make simple and meaningful choices about their privacy and allow them – where appropriate – to access, update or delete their personal data.
- **Responsible data management and limited disclosures:** We apply appropriate data management practices to govern the processing of personal data. We limit disclosures of personal data to our partners to what is described in our privacy notices or to what has been authorised by our customers.
- **Balance:** When we are required to balance the right to privacy against other obligations necessary to a free and secure society, we work to minimise privacy impacts.
- **Security safeguards:** We implement appropriate technical and organisational measures to protect personal data against unauthorised access, use, modification or loss.

Privacy and freedom of expression

Our most salient human rights risks relate to the individual's right to privacy and freedom of expression. [Our Digital Rights and Freedoms Reporting Centre](#) contains information related to the protection of our customers' private communications and the actions of government agencies and authorities to ensure public safety.

The *Digital Rights and Freedoms Reporting Centre* includes our views, policies and approach on:

- [Law Enforcement Disclosure](#)
- [Law Enforcement Demands: Country-by-Country](#)
- [Customer Privacy](#)
- [Digital Rights of the Child](#)
- [Freedom of Expression Statement](#)
- [Legal Annex: Overview of legal powers](#)

Vodafone is a Board member of the multi-stakeholder Global Network Initiative (GNI), which was established in 2008. It brings together information and communications technology companies, civil society groups (including human rights and media freedom groups), academics and investors with a

- Outlines privacy commitments and principles including accountability, fairness and lawfulness, privacy by design, openness and honesty, choice and access, responsible data management and limited disclosures, balance, and security safeguards
- Provides digital resources that include the company's views, policies and approach on privacy and freedom of expression



Source: https://www.vodafone.com/content/dam/vodcom/sustainability/pdfs/vodafone_drf_customer_privacy.pdf, p. 3

GOVERNANCE POLICY



Consumer Goods



UK



Contents

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Avoiding Conflicts of Interest

Conflicts of interest can have a significant negative impact on the reputation and effectiveness of Unilever, its business and its people. They arise when an employee allows their actual, perceived or potential personal, financial or non-financial interests to affect their objectivity when performing their job at Unilever.

This Code Policy sets out what employees must do to prevent and to manage these situations.

A conflict of interest may arise, and disclosure is required, when an employee:

- Hires, manages, or has an influence on the workload, performance assessment, granting of approvals and / or reward of someone with whom they have a close personal relationship
- Accepts or performs a **Public Official** role, or has a **family member** or a close personal contact who is a **Public Official** with the ability to take decisions that could impact Unilever business.
- Has a close personal interest in the business of competitors or other third parties relevant to Unilever. This includes cases where the employee, their family members or a close personal contact:
 - work for or provide any services to competitors or to any other third parties relevant to Unilever's business

- hold investments other than in publicly traded pension funds, index linked or tracker funds that represent:
 - Substantial interests in a competitor, State controlled or influenced entity, or any other third party relevant to Unilever business (5% of the net worth of any of these entities)
 - Any interest in a third party if they, or one of their team, are involved in engaging, monitoring or investigating the third party's performance
- Allows their non-financial interests such as personal values, beliefs, welfare and political views to take precedence over Unilever's lawful and ethical expectations, affecting their performance or objectivity at work

Musts

Employees must:

- Ensure Unilever is best placed to benefit from potential business opportunities
- Follow the process outlined [here](#) to immediately disclose an actual, perceived or potential conflict of interest to their Business Integrity Officer who will determine the best way to manage the situation in consultation with the employee's Line Manager

- Follow the same process if they are interested in taking up, in a personal capacity, a proposed directorship (or equivalent) of another organisation, whether commercial or not-for-profit, including roles in trade associations and roles for public bodies. This obligation extends to new joiners that hold directorships and have not disclosed them as part of the recruitment process

The above disclosure requirements excludes roles of school governors, governing positions in amateur sporting or recreational groups, and directors of property/housing blocks in which an employee lives

- Obtain written approval from the Chief Legal Officer and the Chief Business Integrity Officer, before becoming a director of any publicly listed company
- Ensure that external commitments do not:
 - Detract them from their commitment and contribution to Unilever

- Provide access to commercially sensitive information concerning actual or potential Unilever competitors (see Code Policies on [Fair Competition](#) and [Competitors](#) - [Information](#)), and / or

- Create any liability for Unilever. The employee must inform the other organisation that they take up this position on a personal basis, with no responsibility for Unilever and that any fees or benefits that arise from their engagement are not passed on to Unilever.

Must nots

Employees must not:

- Accept appointments, debate, vote, or participate in any decision-making process or activity when a conflict of interest exists or might arise before their Business Integrity Officer has provided clearance
- Take, or divert to others, any business opportunities that arise in the course of doing their job at Unilever that could be of interest to Unilever
- Misuse their position in Unilever to advance personal interests
- Hire, contract or engage any individual or organisation without ensuring they are free of conflict of interest with Unilever
- Hire or retain the services of former Public Officials without following Unilever's Principles on 'revolving doors'

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The Code of Business Principles

Countering Corruption

Respecting People

Safeguarding Information

Engaging Externally

Glossary

16

- Comprehensive code of conduct covering several areas including countering corruption, respecting people, safeguarding information, engaging externally
- Defines commitments as well as what the employees must and must not do



BOARD OVERSIGHT

The board's oversight role requires setting up an **effective internal control mechanism**, ensuring the **independence of audit** and strict compliance, monitoring ethics and business conduct within the company and its value chain, and **transparency in external reporting** and disclosure. Effective tracking of sustainability performance and communication to the board is essential for improving oversight of sustainability.

Board structures for sustainability governance should be defined at the Board level and can include direct **Board Oversight** or **Sustainability Committee**. There should also be management responsibility explicitly defined. To provide effective oversight, Boards should adopt an assurance framework that includes internal and external audit functions and timely reporting of key informational to the Board to assess sustainability risks and opportunities.

Recommendations

1. **Define the Board's sustainability responsibilities:** To provide oversight over material sustainability issues, boards should clearly define their sustainability responsibilities through a 'Sustainability Charter.' The Charter should clearly specify the scope of the board's oversight of sustainability issues; specifically reference the company's priority sustainability issues; make the linkages with the business strategies and priorities, and provide a framework for the integration with the company's risk management systems. (EXAMPLE: ANGLOGOLD AMERICAN)
2. **Set up formal structures and ensure regular Board review of ESG issues:** ESG review should be a Board priority and boards need to allocate sufficient time and resources to deal with the sustainability risks and management plans to address them. GSL's tend to establish separate board committees to provide sufficient attention to sustainability matters and to bring the key issues to the full board. Initial role of the sustainability committee is to establish the system, in time – as sustainability becomes part of doing business, structure can change (specialized issues to follow investments and innovation)
3. **Cascade sustainability responsibility across the organization:** A top-down approach to sustainability and good governance is not effective unless it is supported by a bottom-up approach that rallies around ESG initiatives, consistently implemented across functions, divisions and business lines. (EXAMPLE: NEWMONT MINING)

4. **Focus on risks and opportunities:** The boards also need to provide sufficient oversight to the management's identification of risks and opportunities of sustainability issues, including those related to strategy, regulatory and legal liability, product development and pricing, disclosure and reputation, as well as the management's action plans. In doing so, the boards' unfettered access to outside experts should be assured.
5. **Information quality determines decision quality:** The board should be presented information not just on financials, but also information about the level of intellectual capital and reputation of the corporation, and supplier, customer, employee, and community satisfaction surveys are also required for quality decision making. Generally, these types of information may have greater relevance for the future value of the corporation and for the board members to fulfill their stewardship roles. Information flow to the board needs to be relevant, context-based, timely, balanced, and comprehensive.
6. **Ensure internal and independent audit covers all material ESG issues, supply chain, and geographies:** In order to exercise their oversight responsibilities, the boards should receive findings and recommendations from any investigation or audit by internal audit department, external auditors, regulatory agencies, corporation's insurance companies, or third-party consultants concerning the corporation's sustainability matters on a timely basis. Internal audit should focus to both financial and process related issues to improve implementation and play an advisory role. Internal audit function must have direct access to the board. Audit Committee charter should cover compliance and sustainability related issues. In order to provide effective oversight over sustainability issues; the Board must ensure that independent third-party reviews cover environmental, social, and governance issues. (EXAMPLE: HENKEL)
7. **Conduct board evaluation, integrate ESG issues into board evaluation and disclose results:** The board deliberations should also include evaluation of the adequacy of the D&O insurance package to sufficiently protect the directors against liabilities arising from sustainability issues. Boards should institute a learning and continuous improvement process for their own operations by incorporating the recommendations of the insurers into its sustainability plans and by conducting a regular self-evaluation exercise that evaluate the board's approach and effectiveness in providing guidance and oversight on sustainability issues. Many companies utilize independent third-party experts to help conduct a comprehensive and objective self-evaluation process.

Key Findings

Board Oversight Responsibilities

The Board is responsible for providing oversight on sustainability issues, review and decide on the risk appetite and monitor implementation throughout the organization. The board’s oversight role requires setting up an effective internal control mechanism, ensuring independence of audit and strict compliance, monitoring ethics and business conduct within the company and its value chain, and transparency in external reporting and disclosure. Effective tracking of sustainability performance and communication to the board is essential for improving oversight of sustainability.

TABLE 7: BOARD'S OVERSIGHT RESPONSIBILITIES

Board Oversight Covers	
Risk management	100%
Business Strategy	>90%
Executive compensation	>90%
Regulatory compliance	>90%
Business ethics	>80%
Human Rights	>80%
Succession planning	>80%
Anti-corruption	>80%
Environmental Issues	>80%
Labor Practices	>80%
Supplier Code of Conduct	>80%
Related party transactions	>80%
Customer / Community Issues	>80%
Setting materiality thresholds	>50%
Donations (ie. Political)	>50%

100%
 >90%
 >80%
 >50%

- Board Oversight responsibilities cover risk management, business strategy, executive compensation, and regulatory compliance for over 90%.
- Room for improvement in setting materiality thresholds, a critical step for developing an effective approach to sustainability, and political donations.

Board Charter

To provide oversight over material sustainability issues, boards should clearly define their sustainability responsibilities through a ‘Sustainability Charter.’ The Charter should clearly specify the scope of the board’s oversight of sustainability issues; specifically reference the company’s priority sustainability issues; make the linkages with the business strategies and priorities; and provide a framework for the integration with the company’s risk management systems. The board charter can cover the following areas

TABLE 8: BOARD CHARTER

Board Charter Includes		Role of Board Disclosed in Charter	
Committees	100%	Strategy	100%
Appointment and Remuneration	>90%	Internal Control	100%
Board Independence	>90%	Audit	100%
Role of Chair	>90%	Risk Management	>80%
Duties of the Members	>90%	Ethics	>80%
Conflict of Interest and Related Party Transactions	>90%	Sustainability	>80%
Code of Conduct	>90%		
Succession Planning	>80%		
Board Evaluation	>80%		
Training / Orientation	>80%		
Access to Information / Independent Advice	>80%		

100%
 >90%
 >80%

- More attention must be paid to independent advice and training orientation, as well as to board evaluation and succession planning to ensure continuity of the board.
- Almost all the companies disclose role of the board in Board Charter covers strategy, internal control, audit, and risk management.
- 90%+ cover Ethics and Sustainability (Leaders in sustainability). All Consumer Goods companies Board cover Ethics and Sustainability issues. Almost all the companies in South Africa, boards role covers ethics and sustainability. Lowest coverage in China and Turkiye.

Board Committees

ESG review should be a Board priority and boards need to allocate sufficient time and resources to deal with the sustainability risks and management plans to address them. Global Sustainability Leaders tend to establish separate board committees to provide sufficient attention to sustainability matters and to bring the key issues to the full board. Initial role of sustainability committee is to establish the system, in time – as sustainability becomes part of doing business, structure can change (specialized issues to follow investments and innovation).

TABLE 9: BOARD COMMITTEES

	Has a Committee	Has a Charter	Has an Independent Chair
Audit	100%	100%	100%
Remuneration	97%	96%	97%
Risk	68%	67%	63%
Sustainability	63%	62%	56%
Governance	53%	53%	52%

- All companies have an audit committee with a charter and independent chair, and almost all companies have a remuneration committee.
- There is room for improvement in risk, sustainability, and governance committees – to create the forum in which sustainability and governance opportunities and risks can be addressed

Independent Audit and Access to Information

Independent audit of ESG performance and processes are also important for transparency purposes. One reason external assurance for sustainability issues is not widespread is because sustainability reporting covers diverse topics and quantitative as well as qualitative metrics that are difficult to measure. Furthermore, the material sustainability issues vary by sector and even by company. Consistent external assurance and disclosure for sustainability issues can enable the development of standards in sustainability reporting and provide investors with increased confidence in the quality of sustainability performance data, thereby making it useful for decision-making.

TABLE 10: INDEPENDENT AUDIT

	SGS 2019	SGS 2020
Independent Audit Covers Financial Issues	100%	100%
Independent Audit Covers Non-Financial Issues	72%	84%
Covers Environmental Issues	69%	76%
Covers Social Issues	54%	70%
Covers Governance Issues	57%	61%
Independent Audit Covers Supply Chain	23%	54%

- Independent audit covers financial issues for all companies in our sample.
- Independent audit coverage of non-financial issues increased to 84% in SGS 2020 from 72% in SGS 2019.
- Independent audit coverage is 76% for environmental issues, while 70% for social issues and 61% for governance issues.
- Independent audit coverage for supply chain is 54%.

Good Practice Examples

BOARD OVERSIGHT RESPONSIBILITIES



Natural Resources



South Africa



AngloAmerican

BOARD GOVERNANCE

The board is ultimately accountable for the governance universe and provides independent monitoring, guidance and oversight of the segments.



- Explicitly defines board oversight structure for sustainability
- Defines oversight responsibilities in four main areas: board governance, financial governance, social and sustainable governance, and risk governance



Source: <https://www.angloamericanplatinum.com/~media/Files/A/Anglo-American-Group/Platinum/our-approach/corporate-governance.pdf>, p. 1

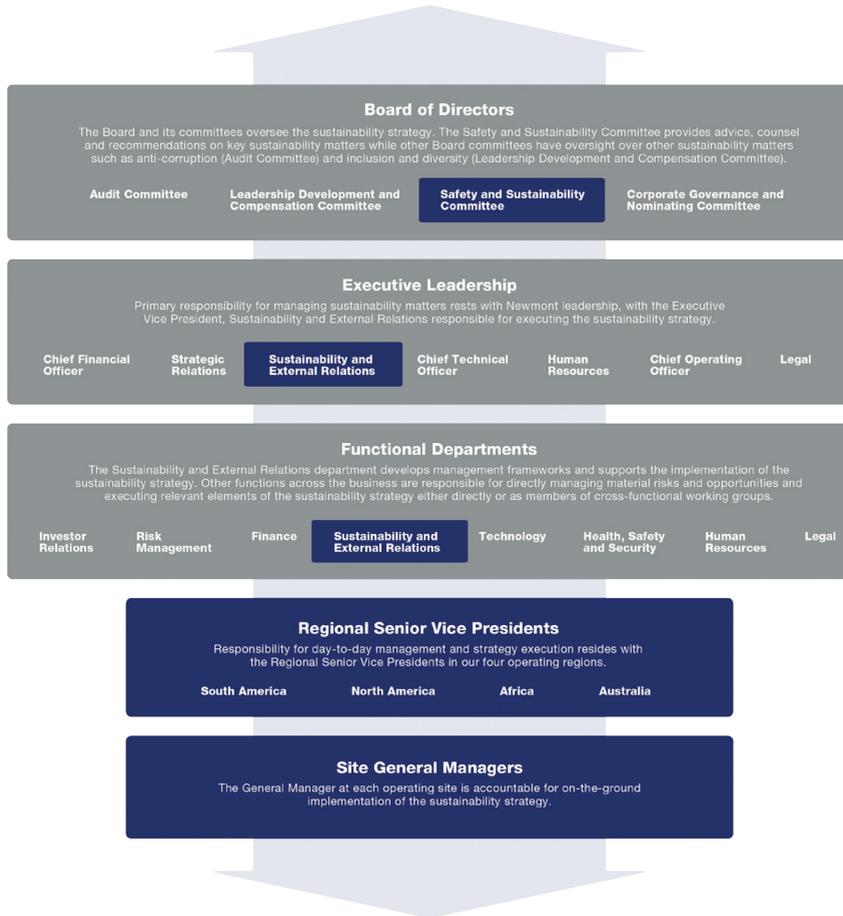
SUSTAINABILITY OVERSIGHT AND IMPLEMENTATION



Natural Resources



US



- Shares sustainability governance structure across the entire organization from board of directors to site general managers
- Defines oversight of sustainability strategy as the main oversight responsibility of the Board exercised through committees
- The Safety and Sustainability Committee provides advice, counsel, and recommendations on key sustainability matters, while other Board committees have oversight over the other sustainability matters such as anti-corruption (Audit Committee), and inclusion & diversity (Leadership Development Committee)



Source: https://s24.q4cdn.com/382246808/files/doc_downloads/newmont_archive/Newmont_2018_Beyond_the_Mine_%E2%80%93_Full_Report.pdf, p. 7

SUSTAINABILITY ASSURANCE FRAMEWORK



Consumer Goods



Germany



Henkel Sustainability Report 2018



Limited Assurance Report of the Independent Auditor regarding Sustainability Information¹

- Foreword
- Henkel overview
- Sustainability strategy
- Management
- Purchasing and suppliers
- Production
- Logistics and transport
- Sustainability stewardship
- Adhesive Technologies
- Beauty Care
- Laundry & Home Care
- People
- Social engagement
- Stakeholder dialog
- External assessments
- Indicators
- Scope and reference framework**

To the Management Board of Henkel AG & Co. KGaA

We have performed an independent limited assurance engagement on selected disclosures on materiality and stakeholder dialogue, disclosures on management approaches of aspects on the focal areas (energy and climate, water and wastewater; materials and waste; health and safety; social progress; palm oil; purchasing and supplier management, product safety) as well as the performance indicators in relation to these focal areas, the operational carbon footprint along the value chain and selected case studies for avoided CO₂ emissions, published in the Henkel Sustainability Report 2018 (further "Report"), for the business year from January 1 to December 31, 2018 of Henkel AG & Co. KGaA, Düsseldorf (further "Henkel").

Selected disclosures included in the scope of our assurance engagement are marked in the complementary GRI-Index, published in the appendix of the report and online under <http://www.henkel.de/sustainability>, with the following symbol: "✓"

As described on page 43 in the Report, Henkel engaged the external provider EcoVadis to perform supplier assessments in 2018, in order to ensure compliance with Henkel's standards concerning safety, health, environment, quality, human rights, employee standards, and anti-corruption. The adequacy and accuracy of the conclusions from these external assessments were not part of our limited assurance engagement.

Management's Responsibility

The legal representatives of Henkel are responsible for the preparation of the Report in accordance with the reporting criteria. Henkel's Report applies the principles and standard disclosures of the Standards of the Global Reporting Initiative (GRI), the Corporate Accounting and Reporting Standard (Scope 1 and 2) and the Corporate Value Chain (Scope 3) Standard of the Greenhouse Gas Protocol initiative by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), as well as internally developed criteria to determine avoided CO₂ emissions of Henkel products, in combination with internal guidelines (further: Reporting Criteria).

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, this responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Report in a way that is free of – intended or unintended – material misstatements.

¹ Our engagement applied to the German version of the Report 2018. This text is a translation of the Independent Assurance Report issued in German language, whereas the German text is authoritative.

Annex Imprint

- Discloses areas where the company has performed an independent limited assurance engagement on selected disclosures on materiality and stakeholder dialogue
- Independent audit coverage includes the management approaches and performance indicators in focal sustainability areas including energy and climate, water and wastewater, materials and waste, health and safety, social progress, palm oil, purchasing and supplier management and product safety



Source: <https://www.henkel.com/resource/blob/912464/83612b5587397866fbbf87486d418f05/data/2018-sustainability-report.pdf>, p. 162

PART 2:

SUSTAINABILITY PERFORMANCE

What gets measured, gets improved. Transparency on the material environmental, social, and governance performance results signals that it is monitoring progress toward sustainability goals and increases confidence in the company's ability to create sustainable value for all its stakeholders. Furthermore, sharing results creates an opportunity for benchmarking for others to follow, thereby increasing the speed of learning.

Transparency creates accountability, not just for the company but also for its stakeholders. Better transparency in reporting ESG outcomes can restore trust in business by showing that it is taking action on sustainability. It can also mobilize stakeholders to contribute towards progress towards sustainability goals. Addressing sustainability challenges such as climate change requires collaboration between multiple stakeholder groups in a long time-horizon and trust is essential for that collaboration to be impactful and long-lasting.

Recommendations

1. **Set ESG KPIs and SMART targets** in line with what matters to focus attention on improving sustainability performance. Best in class companies show a holistic view of their sustainability performance by integrating ESG and financial metrics and disclosing performance against these metrics. (EXAMPLE: PUMA, MARKS & SPENCER)
2. **What gets measured gets improved:** Set targets, report results monitor progress on ESG related outcomes. Targets should be relevant, meaningful, measurable, and sufficiently challenging to drive performance. Companies should report past results as well as future targets, to enable investors to assess ESG performance. (EXAMPLE: CATERPILLAR, GAP, HIKMA)
3. **Assess results and share remedial action to address gap** – Learn from peers, disclose trend/benchmark to improve sustainability performance.

4. **Cover all employees, geographies, and supply chain:** Define KPIs, set targets, measure and report results on the supply chain. All stakeholders must be empowered and moving towards the same direction in order to achieve sustainability goals. (EXAMPLE: ASSOCIATED BRITISH FOODS, NEWMONT MINING, GENERAL MILLS)
5. **Manage your company as well as your ecosystem** (environment, community, and partnerships) Take responsibility for the environment and the communities in which the company operates. Sustainability can only be achieved through collective action. (EXAMPLE: GENERAL MILLS, GAP)
6. **Cooperate and partner for impact** for a step-change in how we do business.
7. **Develop reliable, consistent set of indicators to measure intangibles** (eg: corporate culture, human capital, diversity, and inclusion): Through consistency in reporting standards, data becomes comparable and useful for measuring and comparing performance across different areas. More consistency is required in reporting metrics for biodiversity and hazardous materials (environment), human rights and diversity (social) and compliance metrics incl. anti-corruption and ethics (governance).
8. **Cooperate for the development of a unified reporting framework** – Standardization and comparability of sustainability data, methodology and metrics. Investors want financial materiality, consistency (comparability, alignment of standards) and reliability (rigorous audit). Further simplification of reporting frameworks is necessary to enable comparison between company's performance and ease of understanding so it can be used as input for decision-making. Simplification would also be beneficial in terms of time and cost efficiency.
9. **Pursue sectoral collaboration to define what matters and invest in measurement and reporting systems:** For sustainability reporting to be effective, what matters should be defined for different stakeholders and reporting done accordingly. Sectoral partnerships can enhance the clarification of metrics relevant for industry as well as reduce cost in developing methods to measure performance. There should be a push for improvements in consistency in reporting standards, at least within the same industry or clusters, to accelerate adoption of reporting practices by other companies.
10. **Communicate value of metrics and feedback on its usefulness for decision making:** Investors should communicate the benefit of information most valuable as useful input for decision-making.

Key Findings

Sustainability Performance

Sustainability performance assessment is based on whether the policies and guidelines are materialized, as well as disclosed performance cover all areas including environment, social and anti-corruption, all operations including emerging markets, all organizational levels, supply chain, and the product life cycle. To assess implementation coverage, we looked for evidence in comprehensive reporting of sustainability performance across key performance indicators.

TABLE 11: SUSTAINABILITY GOVERNANCE PERFORMANCE

	All Process	Policy	KPI	Target	Results	Results Evaluation
Environmental	85%	100%	98%	89%	98%	93%
Climate Change	80%	98%	95%	85%	94%	90%
Energy	73%	98%	95%	76%	94%	90%
Water	58%	90%	92%	69%	90%	84%
Waste & Packaging	49%	95%	92%	63%	86%	72%
Responsible Sourcing	32%	79%	62%	50%	66%	52%
Hazardous Materials	30%	72%	67%	38%	66%	57%
Biodiversity	15%	57%	40%	28%	42%	27%
Social	82%	99%	99%	85%	100%	91%
Health & Safety	76%	100%	97%	79%	96%	87%
Diversity & Inclusion	60%	99%	92%	67%	92%	75%
Human Rights & Labor Practices	50%	99%	87%	58%	84%	68%
Product Design & Portfolio	41%	97%	79%	61%	79%	60%
Governance	74%	99%	100%	84%	100%	79%
Executive Compensation	65%	100%	96%	67%	100%	76%
Board Diversity	21%	78%	100%	49%	98%	34%
Compliance (Ethics, Anti-corruption)	10%	95%	67%	49%	65%	26%

- Global Sustainability Leaders have successfully integrated policy, KPI's, and results to include environmental, social and governance issues, however there is room for improvement. As part of our research, we evaluated whether a company sets policy, KPIs and targets and shares results and evaluation of results across specific ESG categories. We find that 85% of companies consistently report on environmental topics, 82% on social topics, and 74% on governance topics.
- Climate Change and Energy are the most consistently reported environmental topics, there is significant room for improvement in consistent reporting in Responsible Sourcing, Hazardous Materials, and Biodiversity.
- The gap between sharing policy and setting targets is high for Water and Waste & Packaging.
- Companies that consistently report on social sustainability performance focus mainly on Health & Safety metrics, almost all companies have a policy and share results for Diversity & Inclusion and Human Rights issues, but there is room for improvement to set targets in these categories.
- There is room for improvement in setting targets and assessing results on governance areas. 65% report consistently on Executive Compensation, 21% for board diversity and only 10% on Compliance (Ethics, Anti-corruption etc.)

Environmental Targets

- More than 90% of companies in Automotive, Chemicals, Consumer Goods, Food Processing, and Machinery and Equipment companies set environmental targets. Lowest for Utilities (60%). +90% companies in all countries share environmental targets, except for India and China.
- All Consumer Goods and Food Processor companies in our sample set environmental targets, coverage and depth in reporting environmental targets (90%+ in more than 5 areas).
- Climate Change: Highest for Chemicals and Food Processors, >90% for climate change in Germany, South Africa, Türkiye and UK - China (64%) and India (70%) lagging behind (regulators) - Lower in IR (86%) vs other standards (+90%).
- Energy: Highest for Food Processors, Consumer Goods and Chemical, medium across all sectors and countries. Highest for Türkiye and Germany, UNGC companies outperform.
- Water: 88% in Consumer goods, >80% for Food Processors and Chemicals, Water highest for Germany and Türkiye and UK, very low for China.
- Waste & Packaging led by Türkiye (83%).
- Hazardous Materials, Biodiversity and Responsible Sourcing low across all countries, highest for UK (44%, 67% and 63% respectively).
- Responsible Sourcing high for Consumer Goods and Food Processors, higher for UNGC and SASB vs other standards.
- Hazardous materials low for all sectors, highest in Consumer Goods and India companies.

TABLE 12: ENVIRONMENTAL TARGETS BY SECTOR, COUNTRY, AND STANDARD

	Environmental	Water	Energy	Waste & Packaging	Climate Change	Biodiversity	Hazardous Materials	Responsible Sourcing
TOTAL								
BY SECTOR								
TARGETS	Environmental	Water	Energy	Waste & Packaging	Climate Change	Biodiversity	Hazardous Materials	Responsible Sourcing
Automotive								
Chemicals								
Consumer Goods								
Food Processors								
Machine and Equipment								
Natural Resources								
Pharmaceuticals								
Retail								
Telecommunications								
Utilities								

BY COUNTRY								
TARGETS	Environmental	Water	Energy	Waste & Packaging	Climate Change	Biodiversity	Hazardous Materials	Responsible Sourcing
Germany								
South Africa								
UK								
Türkiye								
US								
India								
China								

BY STANDARD								
TARGETS	Environmental	Water	Energy	Waste & Packaging	Climate Change	Biodiversity	Hazardous Materials	Responsible Sourcing
IR								
GRI								
SASB								
UNGC								
UNGC 100								
UNGC LEAD								
NONE								



**TABLE 13: SOCIAL AND GOVERNANCE TARGETS
BY SECTOR, COUNTRY, AND STANDARD**

	Social	Diversity & Inclusion	Health & Safety	Human Rights & Labor Practices	Product Design & Portfolio	Governance	Board Diversity	Executive Compensation	Compliance (Ethics, Anti-corruption)
TOTAL									
BY SECTOR									
TARGETS	Social	Diversity & Inclusion	Health & Safety	Human Rights & Labor Practices	Product Design & Portfolio	Governance	Board Diversity	Executive Compensation	Compliance (Ethics, Anti-corruption)
Automotive									
Chemicals									
Consumer Goods									
Food Processors									
Machine and Equipment									
Natural Resources									
Pharmaceuticals									
Retail									
Telecommunications									
Utilities									

BY COUNTRY									
TARGETS	Social	Diversity & Inclusion	Health & Safety	Human Rights & Labor Practices	Product Design & Portfolio	Governance	Board Diversity	Executive Compensation	Compliance (Ethics, Anti-corruption)
China									
Germany									
India									
South Africa									
Türkiye									
UK									
US									

BY STANDARD									
TARGETS	Social	Diversity & Inclusion	Health & Safety	Human Rights & Labor Practices	Product Design & Portfolio	Governance	Board Diversity	Executive Compensation	Compliance (Ethics, Anti-corruption)
IR									
GRI									
SASB									
UNGC									
UNGC 100									
UNGC LEAD									
OTHER									



Social Targets

- 90% for Consumer Goods, Food Processors and Telco, lowest for M&E, Pharma and Automotive, highest for UNGC.
- Highest for Health and Safety (92%) – Highest for Türkiye.
- Diversity & Inclusion 67%, highest for Retail and Telco, but not consistently high in any sector (>50%) – 38% in Pharma.
- Human Rights & Labor Practices highest for UNGC – lowest across social categories.
- Product Design & Portfolio – Highest for Germany.

Governance Targets

- Highest room for improvement in governance targets, driven by regulation and varies mostly by country. IR and SASB highest for governance targets.
- Executive compensation sharing >90% in US, UK, and South Africa, not available in India, China, and Türkiye. Room for improvement in Consumer Goods, M&E, and Automotive.
- Target for compliance lowest across all countries, highest for UK And South Africa. Highest for IR among standards.

Good Practice Examples

HOLISTIC APPROACH FOR SUSTAINABILITY PERFORMANCE



Consumer Goods



Germany



T.1 10FOR20 TARGETS' PROGRESS

Target	Baseline 2015	Performance 2018	Planned Action 2019	Target 2020	Status
 01 Stakeholder Engagement	<ul style="list-style-type: none"> Talks at Banz Stakeholder Meeting Regional Supplier Round Table Meetings 	<ul style="list-style-type: none"> Regional Supplier Round Tables Materiality Analysis refreshment involving internal and external stakeholders 	<ul style="list-style-type: none"> Alternate global stakeholder meeting between Europe and Asia Continue Round Tables in all major sourcing markets 	<ul style="list-style-type: none"> Stakeholder dialogue Public reporting Consumer information 	On track 
 02 Human Rights	<ul style="list-style-type: none"> Human Rights Screening 	<ul style="list-style-type: none"> 19,000 hours of community engagement Follow up on Human Rights Assessments from previous years First warehouse assessment realized 	<ul style="list-style-type: none"> Merge Human Rights and Social Compliance Target areas Continue community engagement work and support of Soccer Aid Expand warehouse assessments 	<ul style="list-style-type: none"> Embed Human Rights across our operations and suppliers Positively impact communities where PUMA is present 	On track 
 03 Social Compliance	<ul style="list-style-type: none"> All Tier 1 suppliers frequently audited Workers complaints received and progressed 	<ul style="list-style-type: none"> Started roll out of Joint industry assessment tool (SLCP) in China 39% of audits shared with other organizations All major component and material suppliers audited Amount of Zero Tolerance Issues prevailing at year end: 0 	<ul style="list-style-type: none"> No Zero Tolerance Issues prevailing at year-end Expand roll out of joint industry assessment tool (SLCP) to at least two more countries Increase percentage of shared audits to 50% 	<ul style="list-style-type: none"> Compliance with industry standards / ILO Core Conventions for all core suppliers, including suppliers of finished goods as well as component and material suppliers 	On track 
 04 Climate Change	<ul style="list-style-type: none"> Science Based Target (SBT) development announced 	<ul style="list-style-type: none"> Industry Working Group on Climate Change formed under the umbrella of UNFCCC Climate Charter developed and launched at COP 24 3% interim reduction target achieved PUMA (Scope 1&2) relative to sales: -6.2% Suppliers (Scope 3): -5% 	<ul style="list-style-type: none"> Start working groups under Climate Charter including work on sector based SBT Continue supplier energy efficiency programs Start project on reducing emissions from air freight 	<ul style="list-style-type: none"> Science Based Reduction Target to be developed and implemented 	SBT – not on track  3% relative reduction on track 

- Shares a comprehensive list of sustainability target areas including stakeholder engagement, human rights, social compliance, climate change, chemicals, water & air, materials, EP&L, health & safety, and governance
- Reports baseline measurement, performance, or current year, planned actions as well as assessment of progress
- Links sustainability targets with SDGs



Source: <https://annual-report-2018.puma.com/en/annual-report/company-overview/sustainability/meaningful-progress-and-impacts/index.html>, p. 66

HOLISTIC APPROACH FOR SUSTAINABILITY PERFORMANCE



Consumer Goods



Germany



Target	Baseline 2015	Performance 2018	Planned Action 2019	Target 2020	Status
<p>05 Chemicals</p>	<ul style="list-style-type: none"> Commitment to Zero Discharge of Hazardous Chemicals 	<ul style="list-style-type: none"> PFCs phased out RSL failure rate remaining below 3% VOC index for footwear: 17.7g / pair (target 20g / pair) 	<ul style="list-style-type: none"> Keep RSL failure rate below 3% Roll out ZDHC Chemicals Gateway for MRSL check of supplier chemical inventories Reduce VOC consumption per pair of shoes to 16g / pair 	<ul style="list-style-type: none"> Zero discharge of hazardous chemicals from our supply chain 	<p>On track</p>
<p>06 Water & Air</p>	<ul style="list-style-type: none"> Start of wastewater testing and publication 	<ul style="list-style-type: none"> ZDHC wastewater guideline tests at 58 suppliers with wet processing Compliance rates of 71% (chemicals) and 52% (conventional parameters) 	<ul style="list-style-type: none"> Increase compliance rates to ZDHC wastewater guideline to 90% (chemicals) and 70% (conventional parameters) Support finalization of ZDHC guideline on air emissions 	<ul style="list-style-type: none"> Industry good practice on water treatment and air emissions are met by 90% of PUMA core suppliers 	<p>Not on track</p> <p>Water and Air need to speed up efforts</p>
<p>07 Materials</p>	<ul style="list-style-type: none"> bluesign® (polyester), Leather Working Group (leather), and FSC (paper & cardboard) certification used in significant volumes 	<ul style="list-style-type: none"> Apparel: Cotton - BCI 50% Polyester - bluesign®: 66% Footwear: Leather - LWG: >99% Accessories: Polyester - bluesign® 46% Cardboard & Paper-FSC: 92%* (including supply chain and corporate consumption) 	<ul style="list-style-type: none"> Apparel: Cotton - BCI 75% Polyester - bluesign®/Oeko-Tex®: 75% Footwear: Leather - LWG: 90% Accessories: bluesign®/Oeko-Tex®: 75% Cardboard & Paper - FSC: 90% New Targets: Responsible Down (RDS): 90% Better PU: Target in development 	<ul style="list-style-type: none"> More sustainable materials used for our key materials: BCI 90% bluesign® 90% LWG 90% FSC 90% RDS 90% Better PU: Target in development 	<p>On track</p>
<p>08 EP&L</p>	<ul style="list-style-type: none"> Kering Group EP&L published (including PUMA figures) 	<ul style="list-style-type: none"> PUMA EP&L 2017 published 	<ul style="list-style-type: none"> Calculate EP&L independent from Kering Reduce EP&L impact per sales value 	<ul style="list-style-type: none"> Continue to report impact on an annual basis PUMA EP&L value significantly reduced 	<p>On track</p>
<p>09 Health & Safety</p>	<ul style="list-style-type: none"> Occupational Health and Safety (OHS) part of compliance audits 	<ul style="list-style-type: none"> Fatal Accidents PUMA: 0 Suppliers: 0 Injury Rate PUMA: 0.8 Core T1 Suppliers: 0.6 	<ul style="list-style-type: none"> Zero fatal accidents Average injury rate of PUMA entities below 1 	<ul style="list-style-type: none"> Zero fatal accidents Injury rates below industry average Significantly reduce injury rates 	<p>On track</p>
<p>10 Governance</p>	<ul style="list-style-type: none"> PUMA Code of Ethics training with low participation rate Ethics training participation rate: 60% 	<ul style="list-style-type: none"> PUMA Code of Ethics training participation rate: 99% (staff with email accounts) 93% of core suppliers trained in anti-corruption 	<ul style="list-style-type: none"> Ensure PUMA staff (with a corporate email account) training rate remains over 90% Roll out supplier anti-corruption training to non-core suppliers 	<ul style="list-style-type: none"> Maintain and run a state-of-the-art compliance system 	<p>On track</p>

BCI: Better Cotton Initiative, EP&L: Environmental Profit and Loss, FSC: Forest Stewardship Council, LWG: Leather Working Group, MRSL: Manufacturing Restricted Substances List, PFC: Perfluorinated Chemicals, PU: Polyurethane, RDS: Responsible Down Standard, RSL: Restricted Substances List, SBT: Science-Based Target, VOC: Volatile Organic Compound.

- Shares a comprehensive list of sustainability target areas including stakeholder engagement, human rights, social compliance, climate change, chemicals, water & air, materials, EP&L, health & safety, and governance
- Reports baseline measurement, performance, or current year, planned actions as well as assessment of progress
- Links sustainability targets with SDGs



Source: <https://annual-report-2018.puma.com/en/annual-report/company-overview/sustainability/meaningful-progress-and-impacts/index.html>, p. 67

HOLISTIC APPROACH FOR SUSTAINABILITY PERFORMANCE



Retail



UK

M&S

EST. 1884

PERFORMANCE SUMMARY

WELLBEING

PAGES 13-15

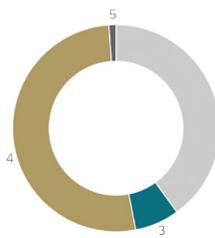
	NOT STARTED	NOT ACHIEVED	BEHIND PLAN	ON PLAN	ACHIEVED
HEALTHY FOOD PRODUCTS					
Improved indulgent food**					▶
Calorie-cap single portion food**					▶
50% healthier food**					▶
Vegetarian options					▶
Destination of choice (food)					▶
CLOTHING & HOME PRODUCTS					
Clothing health attributes					▶
HOW WE SELL					
Rewarding customers (health)**					▶
Franchise confectionery tillpoints	▶				
Wellbeing advice to customers					▶
£25m for health causes**					▶
COLLEAGUE WELLBEING					
Colleague wellbeing framework					▶
Colleague health assessment**	▶				
Wellbeing in employability	▶				
Mental health training	▶				
Health and safety data**					▶
SUPPLY CHAIN WELLBEING					
Franchise/supplier wellbeing	▶				

COMMUNITY

PAGES 17-23

	NOT STARTED	NOT ACHIEVED	BEHIND PLAN	ON PLAN	ACHIEVED
CONNECTING WITH COMMUNITIES					
UK community space**					▶
Volunteering**					▶
Education partnership					▶
All food eaten by people**	▶				
Supporting local fundraising					▶
Helping transform communities**					▶
Town centre regeneration					▶
Community entrepreneur award	▶				
Food artisan strategy	▶				
Community donations**					▶
Social dividend	▶				
M&S Energy					▶
SKILLS AND EMPLOYMENT					
Skills gap research					▶
Next generation technologies**	▶				
International Marks & Start					▶
Marks & Start					▶
INCLUSIVE BUSINESS					
Retail accessibility benchmark					▶
Inclusion Strategy					▶
Inclusive Design Standards	▶				
Diversity					▶
Senior management diversity					▶
Gender equality programme					▶
Colleague social mobility	▶				
Colleague gender pay gap**					▶
Colleague diversity pay gap	▶				
Supplier gender diversity	▶				
HUMAN RIGHTS					
Oxfam human rights programme**					▶
Raising human rights concerns					▶
Anti-slavery**					▶
Supplier worker representation	▶				
Franchise Reward Forums					▶
In-work poverty					▶
Supplier worker payments	▶				
Living wage	▶				
Global Community Programme**					▶
Supplier feedback	▶				
Supplier ethical audits					▶

COMMITMENT PERFORMANCE SUMMARY



	Total commitments
1 Not started	37
2 Not achieved	0
3 Behind plan	13
4 On plan	48
5 Achieved	2

** Assured by DNV GL

- Provides a holistic view of performance summary across material ESG pillars including wellbeing, community, and planet
- Shares performance against commitment through a qualitative assessment that highlights areas where the company needs to take action



HOLISTIC APPROACH FOR SUSTAINABILITY PERFORMANCE



Retail



UK

M&S

EST. 1884

PERFORMANCE SUMMARY

PLANET

PAGES 25-34

	NOT STARTED	NOT ACHIEVED	BEHIND PLAN	ON PLAN	ACHIEVED
INSPIRING OUR CUSTOMERS					
Product Plan A attributes**					▶
Supply chain transparency**					▶
Sustainable design toolkit	▬				
Labelled sustainable products					▶
Reward customers (sustainability)	▬				
Recyclable packaging**	▬				
Clothing reuse and recycling**					▶
Clothing & Home recycled materials	▬				
Clothing & Home repair services	▬				
Clothing & Home circular economy standards	▬				
Food waste (digital campaign)					▶
Food waste (household top 10)					▶
M&S GREENHOUSE GAS EMISSIONS					
Science-based target emissions**					▶
Carbon neutral operations**					▶
ENERGY CONSUMPTION AND SOURCING					
UK and ROI energy efficiency**				▶	
International energy efficiency**					▶
Renewable electricity**					▶
Biomethane**					▶
Renewable peak-energy management	▬				
Clothing & Home fuel efficiency**					▶
Food fuel efficiency**					▶
REFRIGERATION					
Store refrigeration (emissions)**					▶
Store refrigeration (HFCs)**					▶
STORE CLIMATE ADAPTATION					
Store climate adaptation					▶
SUPPLY CHAIN CHG EMISSIONS					
Science-based target footprint**					▶
Clothing & Home air freight	▬				
Sustainable animal protein					▶
Food supplier climate plans	▬				
ZERO WASTE IN M&S OPERATIONS					
Zero landfill**					▶
Food waste (reduction)**				▶	
Food waste (halve)**	▬				
Reused shop fit-out	▬				
Construction waste	▬				
SUPPLY CHAIN RAW MATERIALS					
Sustainable cotton**					▶
Zero deforestation**					▶
M&S Farming for the Future**					▶
Soil health					▶
Forever Fish**					▶
Responsibly sourced raw materials**	▬				
Supplier water stewardship	▬				
Clothing & Home animal welfare	▬				
Construction and shop fit	▬				
Plan A attributes	▬				
SUPPLIERS					
Sustainable Food factories**					▶
Sustainable Clothing & Home factories	▬				
Sustainable Clothing & Home processing	▬				
Clothing & Home supplier water efficiency**					▶
Sustainable Property suppliers	▬				

- Provides a holistic view of performance summary across material ESG pillars including wellbeing, community, and planet
- Shares performance against commitment through a qualitative assessment that highlights areas where the company needs to take action



Source: <https://corporate.marksandspencer.com/documents/reports-results-and-publications/plan-a-reports/plan-a-report-2018.pdf>, p. 11

GOVERNANCE PERFORMANCE



Pharmaceuticals



UK



Board attendance



Directors	Meetings attended (7 scheduled and 2 unscheduled)	%
Said Darwazah	9/9	100%
Siggi Olafsson ¹	6/6	100%
Mazen Darwazah	9/9	100%
Robert Pickering	9/9	100%
Ali Al-Husry	9/9	100%
Dr Ronald Goode ²	5/5	100%
Pat Butler ³	8/9	89%
Dr Pamela Kirby	9/9	100%
Dr Jochen Gann ⁴	7/9	78%
John Castellani	9/9	100%
Nina Henderson	9/9	100%

1. Siggi Olafsson joined the Board as of March 2018
 2. Dr Ronald Goode retired following the May 2018 AGM
 3. Pat Butler was unable to attend one meeting due to timing change made by Hikma
 4. Dr Jochen Gann was unable to attend two Board meetings, one due to a time conflict with obligations to his primary employer and one called at short notice

Board's time



	2018	2017
Corporate governance	24%	24%
Financial performance	20%	33%
Operational developments	20%	23%
Risk ¹	16%	2%
Strategy and acquisitions	20%	18%



1. During 2017 risk-related tasks were primarily undertaken by the Audit Committee. During 2018 the Board increased its direct oversight of risk

Board composition



	March 2019	March 2018
Executive Chairman and Chief Executive Officer	20%	18%
Other Executive Directors	10%	9%
Non-Independent NED	20%	18%
Independent NED	50%	55%



Independent NED tenure



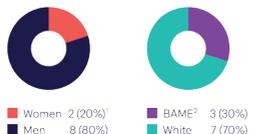
	Number	%
0-3 years	2	40%
4-6 years	2	40%
7-9 years	1	20%



Diversity

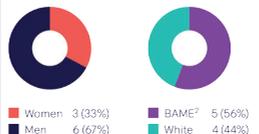


Board



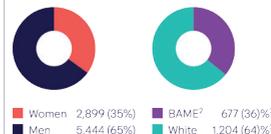
1. When Cynthia Schwalm joins the Board on 1 June 2019 the ratio will change to 27% women and 73% men

Executive Committee



2. BAME: Refers to people who identify as either Black, Asian or Minority Ethnic.

Group as a whole



3. Data from Hikma's US operations only

- Discloses board governance and diversity results in an easy to read visual format across a variety of categories including board attendance, board time allocation, board composition, board experience and geographical experience
- Provides gender and ethnic diversity metrics for its Board, Executive Committee and Group as a whole



GOVERNANCE PERFORMANCE



Pharmaceuticals



UK



Board experience



Geographical experience



Country of origin



- Discloses board governance and diversity results in an easy to read visual format across a variety of categories including board attendance, board time allocation, board composition, board experience and geographical experience
- Provides gender and ethnic diversity metrics for its Board, Executive Committee and Group as a whole



Source: https://www.hikma.com/media/2575/hikma_ar2018_full-ar.pdf, p. 65

BASELINE, TREND, LONG TERM TARGET



Machinery & Equipment



US



GOAL/KPI	BASELINE	2015	2016	2017	2018	2020 GOAL	PERSPECTIVE
OPERATIONS							
GOAL: Reduce recordable workplace injury rate to 0.6 and lost-time injury case rate to 0.15 by 2020.							
RECORDABLE INJURY FREQUENCY (RIF) Recordable injuries per 200,000 hours worked	6.22 (2003)	0.59	0.50	0.49	0.53	0.60	<p>We have improved our Recordable Injury Frequency rate by 91.5 percent from our 2003 base year. However, our RIF increased by 8 percent from 2017 to 2018. Relentless focus on safety is important for our team members in all work areas. Our vision has always been, and continues to be, zero injuries. Our safety goals represent expected progress on our path to zero. While we acknowledge that our current RIF has surpassed our long-established goals, we will continue to strive for improvement until we reach our ultimate goal of zero.</p> <p>We have improved our Lost-Time Case Frequency Rate by 94.6 percent from our 2003 base year. We are encouraged that our LTCFR declined by approximately 6 percent from 2017 to 2018, even when our RIF increased modestly. We strive for all team members to go home safe, every day.</p>
LOST-TIME CASE FREQUENCY RATE (LTCFR) Work-related injuries resulting in lost time per 200,000 hours worked	2.97 (2003)	0.20	0.19	0.17	0.16	0.15	
GOAL: Reduce energy intensity by 50 percent from 2006 to 2020.							
ENERGY INTENSITY¹ Absolute gigajoules energy use/million dollars of revenue	692 (2006)	525	598	521	466	346	Operational energy intensity has decreased 33% from the base year, while absolute energy consumption decreased 11% during the same period.

- Identifies KPIs based on key goals on health & safety and energy intensity
- Provides data on baseline, annual results, long-term goal, and progress to date



Source: <http://s7d2.scene7.com/is/content/Caterpillar/CM20200428-eb3d1-6062c>, p. 77

DIVERSITY PERFORMANCE BY EMPLOYEE GROUP



Retail



US



Equality + Belonging

WORKPLACE DATA

We believe diversity increases creativity and innovation, promotes high-quality decisions and enhances economic growth.

We track and disclose data on comparable workplace information to enable us to monitor trends and the effectiveness of our strategy.

[Learn more](#)
[Workplace Data](#)

ETHNIC DIVERSITY

United States*

2015 2016 2017 2018

White

All	50%	48%	47%	45%
Management	73%	72%	71%	69%
New Hires	46%	44%	41%	41%

Asian

All	7%	7%	7%	7%
Management	9%	10%	10%	10%
New Hires	6%	6%	6%	6%

Black

All	19%	19%	20%	19%
Management	7%	6%	6%	7%
New Hires	24%	24%	25%	24%

Hispanic

All	20%	21%	22%	24%
Management	10%	10%	11%	12%
New Hires	18%	19%	21%	22%

Other Minority

All	4%	5%	5%	5%
Management	1%	2%	2%	2%
New Hires	6%	6%	6%	7%

All Minorities

All	50%	52%	54%	55%
Management	27%	28%	29%	31%
New Hires	54%	56%	58%	59%

*U.S. full-time and part-time, non-seasonal employees. Data on ethnic diversity is not available outside the U.S.

GENDER REPRESENTATION

Global

2015 2016 2017 2018

VP + Above

Women	49%	51%	50%	54%
Men	51%	49%	50%	46%

Sr. / Director

Women	59%	61%	61%	62%
Men	41%	39%	39%	38%

Sr. / Manager

Women	80%	61%	61%	59%
Men	40%	39%	39%	41%

Store Management

Women	69%	68%	68%	70%
Men	31%	32%	32%	30%

New Hires

Women	73%	74%	74%	74%
Men	27%	26%	26%	26%

Overall

Women	74%	75%	76%	76%
Men	26%	25%	24%	24%

PROMOTION RATES

United States

2015 2016 2017 2018

VP + Above

Women	10%	3%	4%	3%
Men	13%	7%	11%	8%

Sr. / Director

Women	12%	10%	9%	7%
Men	10%	12%	6%	6%

Sr. / Manager

Women	16%	16%	13%	11%
Men	15%	14%	13%	7%

Professional

Women	6%	7%	8%	8%
Men	7%	8%	8%	8%

Overall

Women	7%	7%	8%	8%
Men	8%	8%	8%	8%

*Promotions are defined as movement to a higher grade level. Promotion rate is the number of promotions during the year, divided by the average headcount for that year.

- Tracks and discloses data on comparable workplace information to enable the company to monitor trends and the effectiveness of its strategy
- Diversity metrics include ethnic diversity, gender representation and promotion rate for employees, management, and new hires



Source: <https://www.gapincustainability.com/sites/default/files/Gap%20Inc%20Report%202018.pdf>, p. 24

ENVIRONMENTAL RESULTS FOR SUPPLY CHAIN



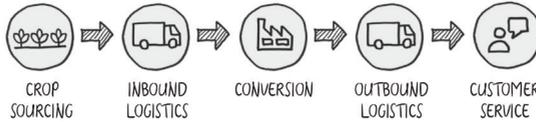
Food Processors



UK

**Associated
British Foods
plc**

When thinking about our environmental impact, we consider our **END-TO-END SUPPLY CHAIN**



Energy consumption GWh



Our Grocery businesses have increased their energy consumption by 10% this year.

Quantity of packaging used 000 tonnes



We have decreased our use of packaging by 6% this year.

Scope 1, 2 and 3 GHG emissions

000 tonnes CO₂e



We have marginally increased our GHG emissions by 1% this year.

Waste disposal 000 tonnes



■ Recycled waste
■ Non-recycled waste



Our 27% decrease in waste in part reflects the work of our businesses to turn outputs from the production process into valuable co-products.

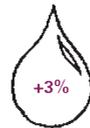
Sources of GHG emissions 2018



Agricultural emissions have fallen by 11%. Emissions from energy use have reduced by 1% this year due to investments in energy sourced from renewable fuels.

* Data restated. Please see 'Our CR Reporting Guidance 2018' for more detail.

Total water abstracted million m³



We have increased the amount of water abstracted this year by 3% to 805 million m³.

- Shares environmental results and trend across several categories including energy consumption, CO₂ emissions, packaging quality, waste disposal and water abstraction sustainability results end to end value chain with annual comparison
- When thinking about the environment, company uses an end-to-end supply chain approach

Source: https://www.abf.co.uk/documents/pdfs/2018/ec1040090_abf_cri8_web.pdf, p. 40-41-42

Coverage Across Value Chain

Managing sustainability requires a company to assume responsibility to manage the impact of all its activities, including its supply chain and the full product portfolio throughout the lifecycle of its products. Hence boards need to focus not only on the sustainability issues arising from the company’s own operations but also on minimizing the impacts throughout its value chain and throughout the lifecycle of its full product portfolio.

TABLE 14: SUSTAINABILITY TARGETS AND RESULTS FOR VALUE CHAIN

	Environmental	Social	Governance
Tar g ets for Business	89%	85%	84%
Tar g ets for Value Chain	51%	44%	42%
Res u lts for Business	98%	99%	100%
Res u lts for Value Chain	58%	50%	43%

- Almost all GSL share ESG results and most set targets across ESG (89%, 85%, 84%)
- However, only half of these companies set targets and share results for their supply chain.

Sustainability Stewardship

Taking a reactive approach to sustainability is not sufficient. Companies should move from focusing on short-term profits to long-term impact and from a shareholder-centric to stakeholder-centric view. This requires not only managing the negative and positive sustainability impacts of the company’s operations but also taking responsibility for the company’s wider sphere of influence. There are a few companies taking the lead towards a proactive-approach to sustainability and assuming leadership for their ecosystems, which requires a complete overhaul of traditional performance models. However, examples of this are not yet widespread even among the GSLs.

Managing your ecosystem includes taking responsibility for the environment, communities and networks in which the company operates. Environmental stewardship can include protecting watersheds or biodiversity to ensure the continuity of natural resources for future generations. Social stewardship can include investing in communities

and positively influencing stakeholders in the ecosystem in which the company operates through awareness and behavioral change campaigns and trainings. For governance, the concept of stewardship would require assuming responsibility for improving the business climate. Ecosystem responsibility requires pursuing non-traditional partnerships between public, private and social spheres, or between competitors within the same industry to accelerate impact towards Sustainable Development Goals.

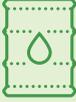
TABLE 15: TARGETS FOR SUSTAINABILITY STEWARDSHIP BY SECTOR

	For Ecosystem	For Communities	For Partnership
Automotive	36%	57%	43%
Chemicals	30%	39%	57%
Consumer Goods	54%	85%	69%
Food Processors	50%	79%	83%
Machinery and Equipment	30%	40%	37%
Natural Resources	44%	59%	63%
Pharmaceuticals	23%	38%	38%
Retail	46%	71%	58%
Telecommunications	23%	85%	54%
Utilities	35%	58%	50%
TOTAL	38%	59%	56%

- Consumer goods, Food Processors and Natural Resources lead in sharing targets for ecosystem, communities, and partnerships, but there is significant room for improvement for managing the wider sphere of influence, especially for the environment (38%).
- Consumer Goods, Telecommunication, and Food Processors have the highest share of targets for community (85%, 85%, 79% respectively).
- Food Processors, Consumer Goods, Natural Resources have the highest share of targets for partnerships (83%, 69%, 63% respectively).

Good Practice Examples

GOVERNANCE RESULTS FOR SUPPLY CHAIN



Natural Resources

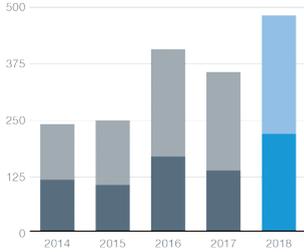


US



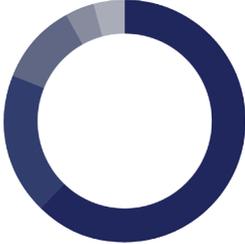
Ethics investigations

ETHICS MATTERS ADDRESSED/SUBSTANTIATED



	2014	2015	2016	2017	2018
Total matters addressed	237	246	402	352	477
Total substantiated cases	114	102	165	134	215

NATURE OF ETHICS MATTERS OPENED IN 2018



- Allegations of misconduct or inappropriate behavior: 63%
- Concerns about corruption (including conflicts of interest, commercial and government issues): 19%
- Inquiries: 11%
- Environmental, health and safety allegations: 4%
- Nominations: 4%

- Conducts ethics investigation in supply chain and shares the ethical matters addressed/substantiated with annual comparison
- Shares ethical investigation and complaints data by supply chain





Source: https://s24.q4cdn.com/382246808/files/doc_downloads/newmont_archive/Newmont_2018_Beyond_the_Mine_%E2%80%93_Full_Report.pdf, p. 27

ENVIRONMENTAL TARGETS ACROSS VALUE CHAIN



Food Processors



US



GENERAL MILLS

Four-phase approach to sustainable supply chain water use

PHASE 1

Assessment

A study of key operation and growing region watersheds, using external standards and building on work completed with The Nature Conservancy

PHASE 2

Analysis and action planning

Deep-dive analysis of at-risk growing areas, in conjunction with external experts

PHASE 3

Collaboration

Establish multi-stakeholder water stewardship plan to implement identified improvements

PHASE 4

Transformation

Implement water stewardship program with public education and advocacy, funding, and monitoring and reporting

General Mills' priority watersheds



- Outlines four-phase approach to sustainable supply chain water use including assessment, analysis and action planning, collaboration, and transformation
- Identifies and shares priority watersheds on an interactive map presenting risk assessment for each priority watershed
- Identifies long-term (2025 and 2050) goal for reducing emissions and includes all segments of the value chain



Source: https://globalresponsibility.generalmills.com/2018/images/General_Mills-Global_Responsibility_2018.pdf, p. 24

ENVIRONMENTAL TARGETS ACROSS VALUE CHAIN



Food Processors

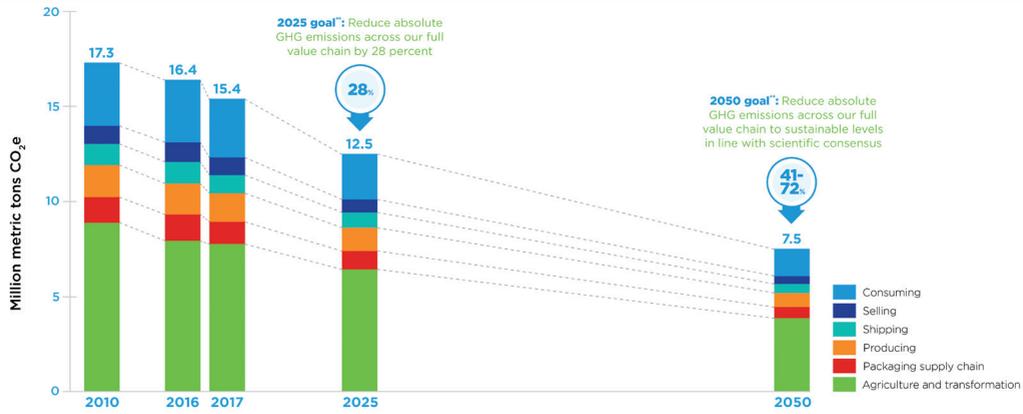


US



GENERAL MILLS

The path to 2050*



* General Mills worked with Quantis, a sustainability and life-cycle assessment (LCA) consulting firm, to calculate our company's GHG emissions footprint. The calculation methodologies align with the Greenhouse Gas Protocol, developed by World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD). Relative size of value chain segments for 2025 and 2050 are based on 2010 data. Differences compared to the data reported last year are due to updates to the underlying ecoinvent database and enhancements to calculation methodologies and accuracy.
** Compared to 2010.

- Outlines four-phase approach to sustainable supply chain water use including assessment, analysis and action planning, collaboration, and transformation
- Identifies and shares priority watersheds on an interactive map presenting risk assessment for each priority watershed
- Identifies long-term (2025 and 2050) goal for reducing emissions and includes all segments of the value chain



Source: https://globalresponsibility.generalmills.com/2018/images/General_Mills-Global_Responsibility_2018.pdf, p. 19

WATER STEWARDSHIP AND PARTNERSHIP



Retail



US

GAP

Water Stewardship

MANUFACTURING

WATER SAVINGS

By the end of 2018, we saved 5.7 billion liters of water in manufacturing through the combined efforts of our resource efficiency, Mill Sustainability and Water Quality Programs.



- Shares approach, target, and results for water stewardship
- Provides details of sustainability program for water savings across relevant geographies and partnerships



Source: <https://www.gapinc.com/sites/default/files/Gap%20Inc%20Report%202018.pdf>, p. 49

WATER STEWARDSHIP AND PARTNERSHIP



Retail



US



Water Stewardship

OUR APPROACH

Our water stewardship strategy is focused on the intersection between our industry's significant use of water and our belief that access to clean, safe water is a basic right.

The strategy is focused on three key areas: water stewardship in manufacturing; access to water, sanitation and hygiene (WASH) for women; and designing products that use less water to create.



MANUFACTURING

We partner with strategic fabric mills, cut-and-sew facilities and laundries to reduce manufacturing impacts through programs focused on energy and water efficiency, and water quality.

1.3B
Liters of
Water Saved
at denim laundries,
mills + cut-and-sew
facilities in 2018

In 2018, we worked with 14 denim laundries, 40 mills and four cut-and-sew facilities through various sustainability programs, which continue through 2019.

This reduced the amount of water used in manufacturing by 1.3 billion liters, supporting our goal to save 10 billion liters of water by 2020.

Read More
Manufacturing (p.47)



WOMEN

We partner with organizations to support women's access to water, sanitation and hygiene (WASH) services and products in key sourcing countries.

20K
Women Trained
on WASH practices
in 2018



We also educate the women who make our clothes about safe water-handling practices through our P.A.C.E. (Personal Advancement & Career Enhancement) program and key local organizations.

In partnership with CARE, we reached 20,000 women with education on WASH practices through P.A.C.E. in 2018.

Read More
Women (p.50)



PRODUCT

We look for opportunities to expand the use of water-saving innovations across all of our brands, and, where possible, we are shifting to water-efficient raw materials.

322M
Liters of
Water Saved
through Washwell™
since 2016

Our program to reduce the water used in finishing denim saves at least 20 percent of water used in the laundry stage of production. Since it began in 2016, Washwell™ (p.58) has saved more than 322 million liters of water.

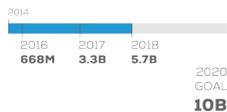
We are also designing products that use more sustainable raw materials that save water, with a designer-focused Preferred Fibers Toolkit (p.57), and by sourcing Better Cotton Initiative (BCI) cotton (p.62), which can reduce water impacts.

GOAL

Save 10 billion liters of water in manufacturing by 2020, from a 2014 baseline

PERFORMANCE

Liters of Water Saved (billions)



10B = 5B
Liters of
Water Saved
(our goal) = **5B**
Peoples' Daily Drinking Water

2018 PROGRESS

In 2018, we set an ambitious goal to conserve 10 billion liters of water by the end of 2020 through sustainable manufacturing practices.

This volume is equivalent to providing daily drinking water for 5 billion people. Our primary strategy to achieve this goal is to engage with the mills and laundries in our supply chain and use water-saving methods in the production of our clothing. We achieved 5.7 billion liters of water savings by the end of 2018, from a 2014 baseline.

During the year, we also expanded and amplified our efforts to deliver water, sanitation and hygiene (WASH) education

CEO WATER MANDATE

We are a signatory to the [CEO Water Mandate](#), a UN Global Compact initiative, joining with other companies, governments, civil society and others to address challenges related to water scarcity, quality and governance, and access to water and sanitation.

In 2018, we helped to create "Businesses for Water Security in the Noyyal Bhavani River Basin," focused on improving the long-term sustainability of India's Cauvery River Basin, a critical watershed in one of our key sourcing regions.

The project looks beyond individual facility or single-company initiatives to holistically address risks in the river

- Shares approach, target, and results for water stewardship
- Provides details of sustainability program for water savings across relevant geographies and partnerships



LINK TO SDGs

The **Sustainable Development Goals (SDGs)** define global sustainable development priorities and aspirations for 2030 and **seek to mobilize global efforts around a common set of goals and targets.** In 2015, SDGs were approved by almost 200 countries as a common framework on how to focus their actions for a sustainable future. In 2019, world leaders convened to take stock of SDG progress and Secretary General emphasized the need to close the action-intention gap. Looking forward to 2030 – it is clear that corporations should take leadership and mobilize stakeholders if we are to reach the SDG targets for 2030.

Awareness about the importance of changing behaviors for a sustainable future as well as commitment to action is definitely increasing. However, there is need to act fast and scale up progress. SDGs can be utilized as a tool to connect business strategies with global priorities. SDGs have significant impact on the environment and social structure in which business will operate in the future. The SDGs present an opportunity for business-led solutions and technologies to be developed and implemented to **minimize negative impacts and maximize positive impacts on people and the planet.**

SDGs have significant impact on the environment and social structure in which business will operate in the future. Business can serve as role-models to spark collective action towards environmental sustainability, social development, and good governance. The complexity of the nature of SDGs require mobilizing resources to scale-up impact. The global nature of problems requires non-traditional partnership across corporate, non-governmental and public spheres as well as among competitors within the same industry to share the costs of initial investments and increase effectiveness of execution. (scale-up and innovation for transformational change).

Recommendations

1. **Link with strategy and prioritize:** Companies must shift to a proactive, forward-looking approach to encompassing SDGs.
2. **Quantify your contribution for stakeholders:** link their priority SDGs with relevant stakeholder groups and quantify their impact. (EXAMPLE: AngloGold Ashanti)
3. **Focus on a few that matters to drive impact:** Link strategy and targets to relevant SDGs – based on your organization’s potential in maximizing positive impact and mitigating negative impact – this requires leadership to drive the SDG agenda – link to materiality (EXAMPLE: General Motors)
4. **Make it specific:** Show link to sub-targets (preferably at target level) (EXAMPLE: MTN)
5. **Set targets and measure progress:** Quantify your direct contribution – Set KPIs and SMART targets. Adopting a learning mindset, takes a mindset and systems change to shift – demonstrate evidence impact through activities and collaboration (EXAMPLE: Linde Ag)
6. **Develop and share an action plan to address gaps:** SDGs are long-term targets for 2030 and addressing them successfully requires long-term thinking and a learning mindset. Companies that identify gaps to reach their targets and share action plans on how they will address them will be better positioned for continuous improvement in this journey. This would also signal to investors that the company is taking ownership of the issue.
7. **Think of your ecosystem:** Impact significantly higher if you think of your value chain and have the power (Align with value chain impacts)
8. **Partner for impact both at the sector level and systemic level:** Topics require partnerships for real impact and acceleration of progress, innovation and scale-up.

Key Findings

CHART 4: SDG ALIGNMENT WITH STRATEGY AND RESULTS

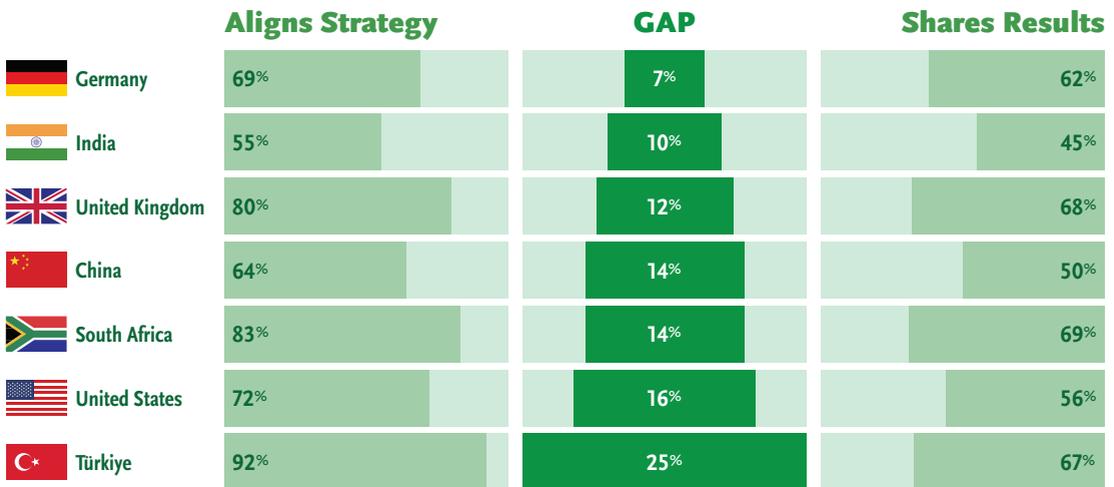


Based on Argüden Governance Academy's research for Sustainability Governance Scorecard®

- There is a positive trend towards adopting SDGs compared to last year, but there is room for improvement, especially in results alignment: Link to SDGs increased 11% for strategy alignment (from 62% to 73%) and results alignment (48% to 59%).
- Among those that link its results to SDGs 38% prioritize 6-10 (21% of all companies) (44), 12% prioritize <5 goals (14), 59% >10 goals (59) – More focus is required to drive step-change in any particular SDG.
- Similar to last year, strategy and results alignment highest for SDG 8 (61%, 53%), SDG 13 (59%, 52%) and SDG 12 (57%, 48%) – focusing on areas relevant to core value proposition.
- Highest increase in strategy and results alignment is for SDG 3 – Good Health & Wellbeing (13%, 14%), SDG 5 – Gender Equality (12%,13%) and SDG 12 – Responsible Consumption and Production (12%,13%).
- Strategy and results alignment is lowest for SDG 16 (29%, 24%) and SDG 14 (27%, 24%), SDG 2 (30%, 27%) and SDG 1 (32%,28%).

CHART 5: SDG ALIGNMENT WITH STRATEGY AND RESULTS BY COUNTRY

There is a Gap Between Strategy Alignment with SDGs and Sharing Results of Actions Taken About SDGs in Every Country

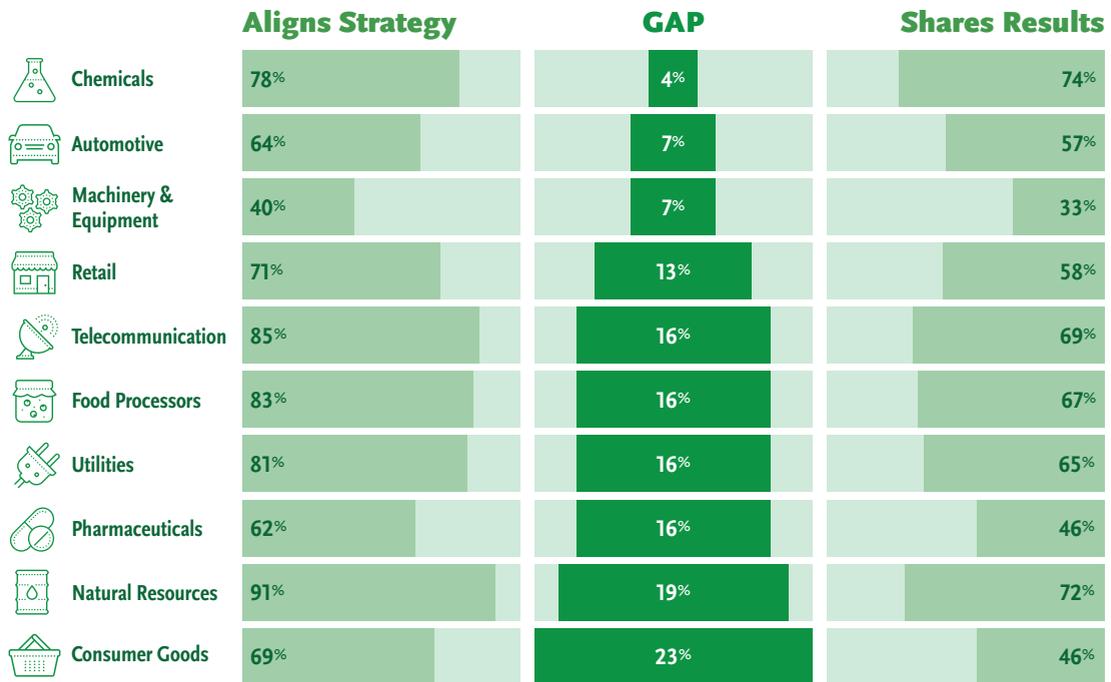


Based on Argüden Governance Academy's research for Sustainability Governance Scorecard®

- Strategy alignment and results linkage with SDGs is highest for Türkiye, South Africa, and UK (>80%), while lowest for India and China (<65%)
- Highest gap between strategy and results alignment with SDGs is in Türkiye and US (25%, 17%)

CHART 6: SDG ALIGNMENT WITH STRATEGY AND RESULTS BY SECTOR

There is a Gap Between Strategy Alignment with SDGs and Sharing Results of Actions Taken About SDGs in Every Sector



Based on Argüden Governance Academy's research for Sustainability Governance Scorecard®

- Natural Resources (91%), Telco, Food Processors and Utilities (85%, 83%, 81%) companies have the highest strategy alignment with SDGs.
- Machinery & Equipment has the lowest strategy alignment and link to results with SDGs.
- Sectors that have the highest results link with SDGs are Chemicals (74%) and Natural Resources (72%), followed by Telco, Food Processors and Utilities.
- Highest gap between strategy alignment and results linkage is in Consumer Goods (23%) and Natural Resources (19%), lowest gap in Chemicals (4%), Automotive and Machinery & Equipment (7%)

CHART 7: SECTORAL ADOPTION OF SDGS

SDG 3, 8, 12, and 13 Embraced Mostly in Every Sector



Highlighted boxes indicate >50% of companies in that sector link their strategy with the selected SDG according to our sample
Based on Argüden Governance Academy's research for Sustainability Governance Scorecard®

- In each sector, companies on average link their strategy with 6-7 SDGs. Consumer Goods and Natural Resources companies link their strategy with 12-13 SDGs. Sectoral performance for SDG linkage is very low for Machinery & Equipment across the board (<30% across all SDGs). This signals that consumer-facing industries have been influenced by public sensitivity on working towards global goals and sustainability agenda, while B2B sectors such as M&E are slower to adopt global goals.
- SDG 8, 12 and 13 is adopted by >50% of companies in almost all sectors, only few are lagging behind. There is >50% adoption of specific SDGs in different sectors: Automotive (5,7,11), Chemicals: (3,6,7,9), Retail: (3,4,10), Telco (3,4,5,9), Utilities (5,7,9,11). Pharma has the highest percentage in SDG 3, but there is no sector standard – all other SDGs are <50%.
- Less than 50% of GSL link their strategy with SDGs across all sectors, partnership is required to drive action on improving the climate. SDG 17 Partnership for Goals is adopted by >60% of Consumer Goods, Food and Natural Resources companies, sector and cross-sector partnerships are required to accelerate progress. For the SDGs listed, certain sectors take the lead in driving action on selected SDGs (>50% of companies in the sector has linked their strategy with the SDG) : SDG 1 – Natural Resources, SDG 2 – Food Processors, SDG 11 – Automotive & Utilities, SDG 14 – Consumer Goods)

Good Practice Examples

LINK TO SDGS



Natural Resources



South Africa



ANGLOGOLD ASHANTI

OUR 2030 ASPIRATIONAL GOALS

of the Sustainable Development disciplines

Shifting the dialogue from reactive to forward thinking...

 **SAFETY**
Workplaces free of injury and harm

- Embedding and integrating safety into the business
- Risk management to drive workplaces free of harm
- Enabling safe operations through line management
- Critical control modelling for next generation protection

Prioritised discipline SDGs

3 GOOD HEALTH AND WELL-BEING

 **HEALTH**
Healthy employees and healthy communities

- Strengthening organisational capability and health risk management to eliminate occupational exposures above set limits
- Company health initiatives to optimise fitness for work
- Community health initiatives – strengthening health systems; responding to epidemics; calculating tangible value to the business

Prioritised discipline SDGs

3 GOOD HEALTH AND WELL-BEING

 **ENVIRONMENT**
Zero harm and equitable use of natural resources

- Risk management to drive zero harm – elimination of harmful discharges
- Leveraging our position in land and water as a catalyst to create value beyond our traditional scope of influence
- Driving integrated closure management across the mine cycle

Prioritised discipline SDGs

6 CLEAN WATER AND SANITATION

13 CLIMATE ACTION

15 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

14 LIFE ON LAND

 **GOVERNMENTS AND COMMUNITIES**
Communities are self-sustaining – free from poverty and inequality

- Communities – strengthening institutional capacity, establishing strong partnerships and creating alternative industries
- Governments – strengthening institutional capacity, influencing for policy certainty and establishing strong partnerships

Prioritised discipline SDGs

1 NO POVERTY

10 REDUCE INEQUALITIES

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

9 INDUSTRY, INNOVATION, INFRASTRUCTURE

17 PARTNERSHIPS FOR THE GOALS

 **SECURITY AND HUMAN RIGHTS**
No human rights violations and communities assist in protecting our business

- Integrating and embedding Security and Human Rights into all business processes
- Resilient security systems enabled by technology and intelligence – driving a predictive and pro-emptive approach
- Community involvement and partnering in Security and Human Rights issues

Prioritised discipline SDGs

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

10 REDUCE INEQUALITIES

17 PARTNERSHIPS FOR THE GOALS

 **SDGS APPLICABLE ACROSS THE DISCIPLINES**

- Safety
- Health
- Environment
- Governments and communities
- Security and human rights

Prioritised discipline SDGs

4 QUALITY EDUCATION

9 INDUSTRY, INNOVATION, INFRASTRUCTURE

5 GENDER EQUALITY

17 PARTNERSHIPS FOR THE GOALS

Economic value distributed – 82% of value generated (\$m)		
	2018	2017
Suppliers – includes procurement of goods and services, operating costs, rehabilitation and exploration	\$1,676m <small>(41% of value generated)</small>	1,839
Employees – includes salaries and wages paid and investment in training and development	\$713m <small>(17% of value generated)</small>	1,002
Government – includes current tax, royalties, tax paid on behalf of employees and production, property and other taxes	\$714m <small>(18% of value generated)</small>	659
Providers of capital – includes finance costs, unwinding of obligations and dividends paid	\$202m <small>(5% of value generated)</small>	208
Community – includes region-specific socio-economic development programmes in relation to our social licence to operate	\$21m <small>(1% of value generated)</small>	27
Total	3,326	3,735

 **Aligning with the SDGs**

Related SDGs

 RESPONSIBLE CONSUMPTION AND PRODUCTION

 PEACE, JUSTICE AND STRONG INSTITUTIONS

 PARTNERSHIPS FOR THE GOALS

 NO POVERTY

 GENDER EQUALITY

 DECENT WORK AND ECONOMIC GROWTH

 REDUCE INEQUALITIES

 RESPONSIBLE CONSUMPTION AND PRODUCTION

 PEACE, JUSTICE AND STRONG INSTITUTIONS

 PARTNERSHIPS FOR THE GOALS

 DECENT WORK AND ECONOMIC GROWTH

 PARTNERSHIPS FOR THE GOALS

 GOOD HEALTH AND WELL-BEING

 QUALITY EDUCATION

 CLEAN WATER AND SANITATION

 SUSTAINABLE CITIES AND COMMUNITIES

- Shares process for linking SDGs with strategy and adopts a forward-thinking approach to prioritize SDGs based on where the company can have most impact
- Quantifies potential impact by stakeholder group and links to relevant SDGs



Source: <http://www.aga-reports.com/18/download/AGA-IR18.pdf>, p. 5, 9

LINK TO SDGS



Automotive



US



UNSDG

How our sustainability initiatives intersect the 17 goals outlined in the 2030 agenda for sustainable development.

2017

2018

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (UNSDG)

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries — developed and developing — in a global partnership. Below you can find how GM has mapped their most material issues to targets within these 17 goals.

GOAL	GM MATERIAL ISSUE	MOST RELEVANT TARGETS	EXAMPLES OF IMPACT
	Vehicle Safety Local Communities	3.6 By 2020, halve the number of global deaths and injuries from road traffic accidents. 3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.	<ul style="list-style-type: none"> • Manage – Safety • Manage – Communities • Act – Safety
	Local Communities	4.3 By 2030, ensure equal access for all women and men to affordable and quality education, including university.	<ul style="list-style-type: none"> • Manage – Communities • Support – Global Issues in STEM • Support – STEM in Canada • Engage College Students in the Future of Transportation
	Employee Equal Opportunity & Diversity	5.1 End all forms of discrimination against all women and girls everywhere. 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life. 5.8 Ensure the use of enabling technology, in particular information and communications technology, to promote the empowerment of women.	<ul style="list-style-type: none"> • Manage – Talent • Push the Envelope for Gender Equality • Double GM Take 2 Program • Empower Women at GM China
	Operational Energy & Emissions	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix. 7.3 By 2030, double the global rate of improvement in energy efficiency. 7.a By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil fuel technology, and promote investment in energy infrastructure and clean energy technology.	<ul style="list-style-type: none"> • Manage – Operations • Engage Employees on Emissions Reduction in China • Engage Women Who Meet Our Sustainability Goals • Keep Our Best at a Time
	Employee Relations	8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through focus on high-value added and labour-intensive sectors. 8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes for sustainable consumption and production, with developed countries taking the lead. 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.	<ul style="list-style-type: none"> • Manage – Talent • Manage – Operations • Double GM Take 2 Program • Build an Inclusion Culture • Support Employees Sharing Time of Leave • Monitor Diversity Across GM • Use Our Responsible Employer Philosophy • Show Support for Inclusive Education

GOAL	GM MATERIAL ISSUE	MOST RELEVANT TARGETS	EXAMPLES OF IMPACT
	Vehicle Fuel Efficiency & Emissions Supply Chain Product Innovation	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with countries taking action in accordance with their respective capabilities. 9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.	<ul style="list-style-type: none"> • Manage – Products • Act – Products • Manage – Personal Mobility • Act – Personal Mobility • Manage – Supply Chain • Manage Supply Chain Impact through Life Cycle Analysis
	Vehicle Fuel Efficiency & Emissions Product Innovation	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons. 11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries. 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by expanding special attention to air quality and methane and other waste management.	<ul style="list-style-type: none"> • Manage – Products • Act – Products • Manage – Personal Mobility • Act – Personal Mobility
	Operational Waste	12.2 By 2030, achieve the sustainable management and efficient use of natural resources. 12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their adverse impacts to human health and the environment. 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	<ul style="list-style-type: none"> • Manage – Operations • Reduce Waste in the Design Process • Beat Plastic Pollution on Worldwide • Apply Design Thinking to Our Operations
	Vehicle Fuel Efficiency & Emissions	13.2 Integrate climate change measures into national policies, strategies and planning.	<ul style="list-style-type: none"> • Agree – Sustainability Strategy, Climate Change Timeline • Manage – Products • Call for U.S. National Paris Agreement Vehicle Program • Raise Awareness of EVs • Partner With Utility Providers to Enhance Customers' Changing Experience
	Land Use and Biodiversity	15.1 By 2030, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with agreed international frameworks, and significantly reduce their adverse impacts, halt the loss of biodiversity, by 2030, protect and prevent the extinction of threatened species.	<ul style="list-style-type: none"> • Manage – Operations • Manage – Supply Chain • Engage Processors on Sustainable Natural Rubber • Join New Wildlife Habitat Council to Enhance Local Wildlife • Promote Conservation Our Communities
	Product Fuel Efficiency & Emissions Supply Chain Product Innovation Operations	17.6 Enhance North-South, South-South and triangular regional and inter-nodal cooperation and increase access to science, technology and innovation and enhance knowledge sharing on mutually agreed terms, including through improved coordination among existing mechanisms, in particular at the United Nations level, and through a global technology facilitation mechanism. 17.7 Promote the development, transfer, dissemination and diffusion of environmentally sound technologies to developing countries on favourable terms, including on concessional and preferential terms, as mutually agreed.	<ul style="list-style-type: none"> • Manage – Products • Act – Products • Manage – Supply Chain • Manage – Personal Mobility • Act – Personal Mobility • Manage – Operations

- 2017 report showed alignment with all SDGs, 2018 shows a more focused approach to linking strategy and targets with SDGs based on where they can have more impact



Source: https://www.gmsustainability.com/_pdf/resources-and-downloads/GM_2017_SR.pdf, p. 168-169
https://www.gmsustainability.com/_pdf/resources-and-downloads/GM_2018_SR.pdf, p. 177-178-179

LINK TO SDGS



Telecommunication



South Africa



Contributing to the UN SDGs and UN Global Compact

	UN SDG indicators	UN Global Compact Principles	MTN's contributions
	16.2 End abuse, exploitation, trafficking and violence against and torture of children	<ul style="list-style-type: none"> • 2: Ensure non-complicity in human rights abuses 	Protecting children online
	16.5 Reduce corruption and bribery in all forms	<ul style="list-style-type: none"> • 10: Work against corruption in all its forms, including extortion and bribery 	Ethics strategy
	16.10 Ensure public access to information and fundamental freedoms per national legislation and international agreements	<ul style="list-style-type: none"> • 1: Support and respect protection of internationally proclaimed human rights • 2: Ensure non-complicity in human rights abuses 	Digital human rights strategy

What we said we would do in 2018

Activity	Progress	Results
Continue roll out of supplier code of conduct		This is an incremental process. New suppliers are automatically required to accept the code when registering on MTN's procurement system, before a working relationship can commence. Existing suppliers will be reviewed against an annual supplier "health" check, which will trigger them to accept the code. In total 1 022 partners have endorsed the code since 2017
Continue employee training and education on ethics		A total of 8 673 employees undertook training or participated in ethics awareness initiatives. See ethics awareness and recognition
Promote a shared meaning of ethics regarding leadership's commitment to ethics across the group and ensure primacy of ethics in MTN		More information on our 2018 activities, including enhancing internal capabilities, improving policies and guidelines and promoting corporate integrity internally and externally is available in the ethics section on what we did
Improve focus on privacy management		See more about what we did regarding privacy regulation and policy development in the section on privacy
Update digital human rights policy		The policy was updated but not finalised as a few principles were dependent on the development of a new group privacy policy (work in progress). Updates to the digital human rights policy will be finalised in 2019 once the new group privacy policy is complete
Improve management of children's human rights, specifically focused on prevention of access to abusive content on children		We commenced discussions with Internet Watch Foundation (IWF) on the activities and solutions that we can implement to enhance our current management of this issue. We implemented a system that increases oversight and blocking of illicit traffic regarding sexual abuse of children on MTN.NET, an MTN internet service provider. More information is available in the section on protecting children online

Legend

Completed In progress: on schedule In progress: behind schedule Not achieved

- Link to indicators, UNGC principles and highlights contribution
- Shares actions taken and results for each SDG indicator



Source: <https://www.mtn.com/wp-content/uploads/2019/03/MTN-Sustainability-Report.pdf>, p. 28-29

LINK TO SDGS



Chemicals



Germany



SUSTAINABLE DEVELOPMENT TARGETS 2016-2020*

Priority Factors	 SAFETY	 COMPLIANCE	 PRODUCT STEWARDSHIP	 ENERGY & CLIMATE CHANGE	 SUSTAINABLE PRODUCTIVITY	 PEOPLE DEVELOPMENT
SD 2020 Targets	<ul style="list-style-type: none"> Outperform ACC large member averages for recordable injuries Outperform ACC large member averages for days away from work <3 vehicle accidents per million miles driven** 	<ul style="list-style-type: none"> Maintain corporate governance guidelines and a strong culture of integrity, ethics and compliance 100% Certification Standards of Business Integrity by required employees 100% review and close of reports to hotline 	<ul style="list-style-type: none"> Contribute >50% revenue from Sustainability Portfolio Avoid >2X more customer GHG emissions than emitted from all Praxair operations Enable safe drinking water for 250 million people 	<ul style="list-style-type: none"> Avoid cumulative 7 million MWh of electricity and 4 million MT CO₂e, 2009-2020 Source >500,000 MWh renewable energy 2% H2 GHG intensity improvement (cumulative) 7.5% truck GHG intensity improvement (cumulative) Plant or preserve 1 million trees with conservation groups (cumulative) 	<ul style="list-style-type: none"> Save \$460 million from Sustainable Productivity (cumulative) 100% water management plans at high water use sites in water-stressed regions >250 sites achieve Zero Waste to Landfill 	<ul style="list-style-type: none"> Achieve Top Quartile Employee Engagement results in the chemical industry Continuously improve the representation of women globally Spend \$1.5 billion with women-, minority-, small business- and other disadvantaged group-owned enterprises, (cumulative) Contribute 1,500 Community Service projects (cumulative)
Supporting the UN SDGs						

* All targets are Praxair only and run 2016-2020 unless otherwise noted; performance results for 2018 are provided on pages 12-22; targets were adjusted to reflect 2018 Praxair divestitures.
 ** Target applies to employees and contract drivers

- Defines targets for priority areas and links with SDGs



Source: <https://www.linde.com/-/media/linde/merger/documents/sustainable-development/2018-sustainable-development-report>.

PART 3: SUSTAINABILITY JOURNEY

PURPOSE AND VALUE CREATION MODEL

From a stakeholder perspective, articulating a **holistic story of how a company creates value** for the **company, society and the environment** and sharing progress of this journey is a strength. For investors, it offers a proxy for management quality; for customers, it allows responsible choice and enhances brand loyalty; for governments; it highlights where to partner for global action; for communities; it allows a company to maintain its social license to operate.

Global Sustainability Leaders integrate sustainability into their core value creation model and lead the way in extending their strategy and management beyond pure financial outcomes, to encompass environmental, social, and governance-related factors that are critical for the future viability of their organizations.

Companies can use **Integrated Reporting** as a transformative tool for continuously getting better at managing sustainability and stakeholder engagement. At the minimum, this approach enables companies to present linkages between and manage a diverse set of risks that can arise from complex environmental, social and governance related issues. Adopting integrated thinking shifts the mindset into a stakeholder-centric, value-based approach to company operations.

Recommendations

1. **Clearly articulate your purpose and define your sustainability strategy:**
Best-in class companies identify a corporate purpose that encompasses sustainability goals and build a culture around it. A clear statement of purpose unites executives, directors and investors on the company's priorities, and create the link between strategy and capital allocation decisions. To create competitive advantage, more is required than convergence to industry standards – companies must differentiate strategically and develop approaches difficult to imitate.

- 2. Visualize a holistic, sustainable value creation model:** A value creation model forms the basis of a companies' vision for long-term value creation. Companies should define tangible and intangible assets as a medium for value creation for both internal and external stakeholders. These capitals can be broadly defined as financial, manufactured, intellectual, human, social & relationship, and natural capital. This requires the company to evaluate the relationship between different functions towards achieving its strategic goals. Companies should also show how inputs link to outputs and outcomes. (EXAMPLE: MR PRICE)
- 3. Measure and disclose outcomes for external and internal stakeholders:** Outcomes should be defined and quantified not just for shareholders but also for relevant external and internal stakeholders. (EXAMPLE: SASOL)
- 4. Adopt integrated thinking/reporting:** Best examples of holistic thinking on value creation are found in companies that embrace Integrated Reporting. Integrated Reporting is a holistic tool to help companies tell the story of how they create value now and in the future. It is also a transparency and communication tool and can form the basis of constructive dialogue with investors as well as other stakeholders.

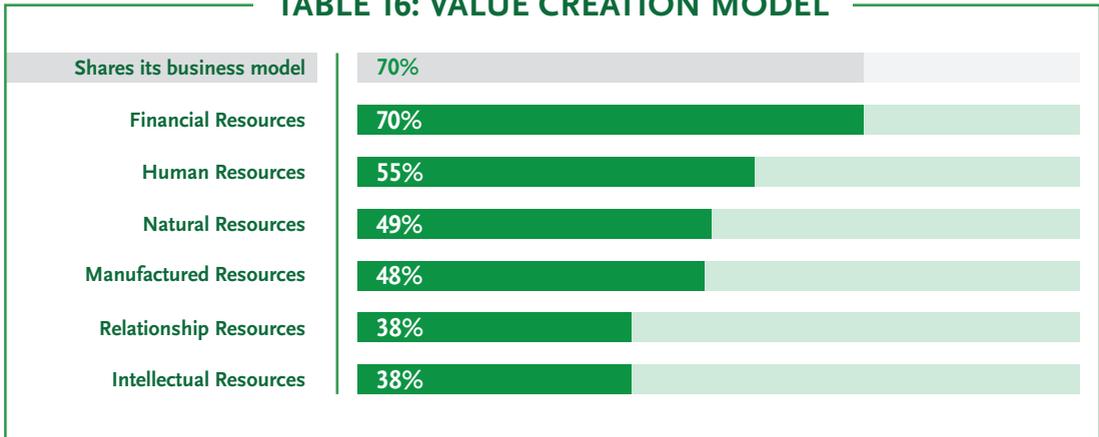
Key Findings

According to a recent study only 20% of an S&P 500 company's market value can be explained by its physical and financial assets (down from 83% in 1975) and the remainder comprises intangible factors, such as intellectual capital, human capital, brand and reputation, and relationships with regulatory bodies, non-governmental organizations, customers, suppliers and other external stakeholders. Therefore, sustainability issues that may have an impact on these intangible areas pose a significant risk for the value of a company.

At the minimum, this approach enables companies to present linkages between and manage a diverse set of risks that can arise from complex environmental, social and governance related issues. Some companies go further and take on a leadership role to prove that "Doing good is good business" by putting sustainability at the core of their value proposition. These leaders have come to realize that, if sustainability issues are becoming relevant for large numbers of people throughout the world, addressing them properly would be a good business case for satisfying a global need.

- 70% of GSL share business model and visualize the company value creation process.
- 70% of GSL link financial resources to business model, 55% link to HR, <50% link to manufactured, natural, relationship and intellectual capital.

TABLE 16: VALUE CREATION MODEL



- All companies in South Africa share their value creation model. There is room for improvement for US (61%), Germany (55%) and Türkiye (42%).
- IR provides a solid framework on how sustainability can be approached holistically and communicated to different stakeholders through a unifying model: 92% of companies that have Integrated Reporting share their value creation model and 78% identify all 6 dimensions of value as part of value creation model, whereas <75% of companies from all other standards share their value creation model, <40% identify all 6 dimensions of value.

TABLE 17: OUTCOMES FOR INTERNAL AND EXTERNAL STAKEHOLDERS



- All companies quantify outcomes for shareholders and 73% of companies quantify outcomes for supply chain
- <70% of companies quantify outcomes for customers, employees, environment and community.

Good Practice Examples

VALUE CREATION MODEL



Retail



South Africa



Governance Framework

Strategic Pillars	Number of key targets*	Number of key trade-offs*	Capitals	Stakeholders
<p>Growth Extend earnings through local and international growth.</p>	7	6		
<p>Build high performing brands Build strong customer relationships by delivering an ongoing experience of surprising and delighting.</p>	3	5		
<p>Operations Continually strive for world class methods and systems.</p>	2	2		
<p>People Maintain an energised environment with empowered and motivated people.</p>	3	3		
<p>Sustainability Subscribe to high ethical standards and sustainable business practices.</p>	4	3		

*Refer to pages 24 to 29

< PREVIOUS | CONTENTS | NEXT >

- Shares value creation model
- Clearly shares links strategic pillars with material issues, capitals, and stakeholders
- Shares inputs and outputs in a data-based approach



Source: <https://www.mrpricegroup.com/getmedia/19498dee-eb69-4115-97d9-2ea381b49530/Full-annual-integrated-report-2019.aspx>, p. 16

VALUE CREATION MODEL



Retail



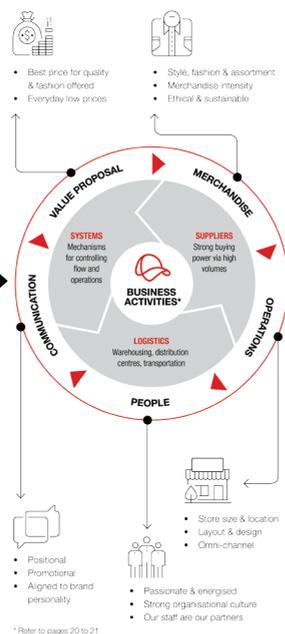
South Africa



Available Resources and Key Relationships

- H Human capital**
 - Established culture (dreams & beliefs)
 - 18k+ associates
 - R40.8m spent on associate learning and development
 - Remuneration paid to associates of R2.4bn
- I Intellectual capital**
 - Established Mr Price brand
 - The Mr Price Way, Established buying, planning and supply chain processes
 - Mr Price fashion value formula
 - Real estate feasibility framework
 - 33 years historic data available to aid decision-making
- M Manufactured capital**
 - Mr Price developed customised systems
 - 1 323 stores covering 745 662m²
 - Advanced e-commerce capabilities servicing 36 million website visits
 - Trading in 15 countries
 - Highly mechanised 57 000m² DC
- F Financial capital**
 - R3.2bn cash available
 - Credit facilities of R457m available
 - New capital invested of R424m
 - Working capital outflow of R490m
- S Social and relationship capital**
 - R1.6m external MRP Foundation donations
 - >1.9m followers on Facebook; >400k on Instagram; >19m YouTube views
 - Over 30 years of established track record with landlords and suppliers
- N Natural capital**
 - 1 561 tons of recycled plastic used as cushion inners
 - 24 tons of plastic packaging removed from dust covers
 - 658 989 kWh of power derived from solar
 - Paperless administration saved 2 687km of paper

Business Activities



Outputs

Over the period, the group continued to deliver value to our customers through wanted product at everyday low prices. We actively sought to minimise waste (refer pages 94 to 95) throughout our business activities to ensure that we conscientiously reduced the impact on the communities and environment in which we operate.

Outcomes

- H Human capital**
 - Passionate associates aligned to core values
 - Skills attraction and retention
 - 2.4% increase in associates
 - Upskilled workforce and increased pipeline of leaders
- I Intellectual capital**
 - 17th most valuable brand in South Africa[^]
 - New micro-express store formats created
 - Trading overseas up 3.0%
 - Gross and operating margins per square meter improved
- M Manufactured capital**
 - Improved returns from operating assets
 - 220m units sold
 - 1.4% weighted average space growth
 - 62 new stores added
- F Financial capital**
 - R1.916m dividends paid
 - 54.2% return on capital employed
 - Low gearing
 - Positive HEPs growth of 6.2%
 - Improved profitability, solvency and liquidity ratios
- S Social and relationship capital**
 - Corporate social investment of R23.5m
 - 35.7% of units sourced from RSA
 - 638 suppliers with Sodex membership
 - Growing social media position aligned with needs of our core customers
 - Strategic business relationships retained
 - Positive impact of investment in local community and South Africa's social and economic landscape
- N Natural capital**
 - Carbon footprint decreased from 121 016 CO₂e to 112 102 CO₂e
 - Steady progress on the creation of a sustainable value chain which is transparent, efficient and compliant
 - The group and the environment have benefited from various initiatives undertaken

[^] Kantar Midward Brown

< PREVIOUS | CONTENTS | NEXT >

King IV Outcomes
 Ethical culture | Good performance | Effective control | Legitimacy
 Who We Are - 10

- Shares value creation model
- Clearly shares links strategic pillars with material issues, capitals, and stakeholders
- Shares inputs and outputs in a data-based approach



Source: <https://www.mrpricegroup.com/getmedia/19498dee-eb69-4115-97d9-2ea381b49530/Full-annual-integrated-report-2019.aspx>, p. 17

VALUE CREATION MODEL



Chemicals



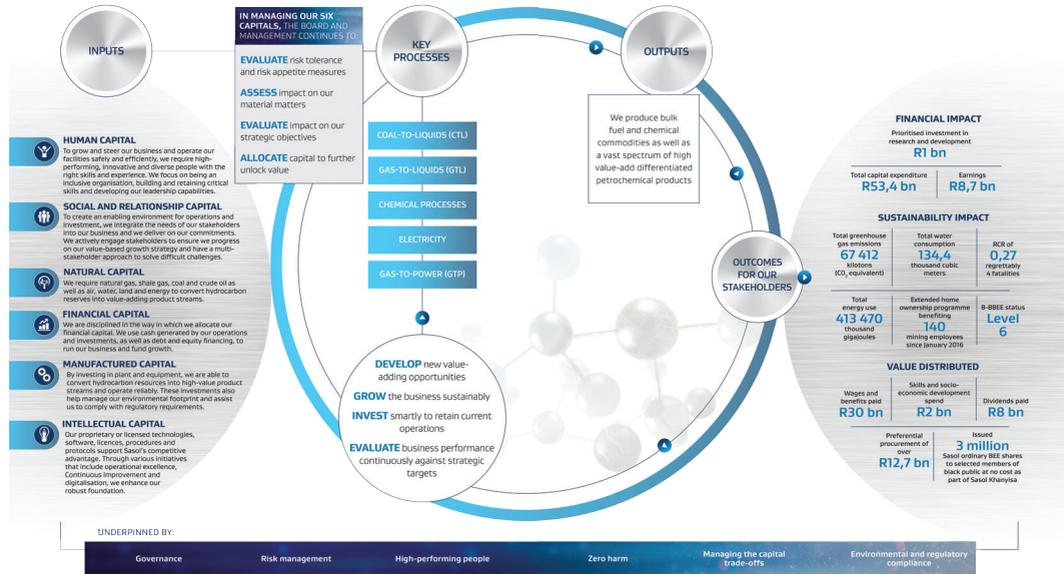
South Africa

sasol



We create value for our stakeholders by developing and commercialising technologies and building and operating facilities to convert mostly low-cost hydrocarbon feedstocks into a range of high-value product streams. These include chemicals used in industrial and consumer products, liquid fuels used to move people and goods, and electricity to power our facilities and contribute to South Africa's and Mozambique's power-generating capacity.

We have a combination of assets, skills and relationships that place us in a strong position to deliver value-based growth. When making decisions on how to manage our business, we take these, as well as other resources and relationships that are critical to our ability to create value sustainably, into account. We refer to these as the six capitals. Inputs of each are needed for the effective production and delivery of Sasol goods and services, thereby generating value for all our stakeholders. In so doing, we contribute towards advancing several of the UN Sustainable Development Goals (SDGs).



- Shares value creation model with a holistic approach
- Discloses outcomes and value creation for stakeholders in a data-based manner
- Shows the trade-offs and how the company handles those trade-offs
- Links value creation with its achievements and targets for the upcoming year



Source: https://www.sasol.com/sites/default/files/financial_reports/Sasol%20IR_Web.pdf, p. 8-9

VALUE CREATION MODEL

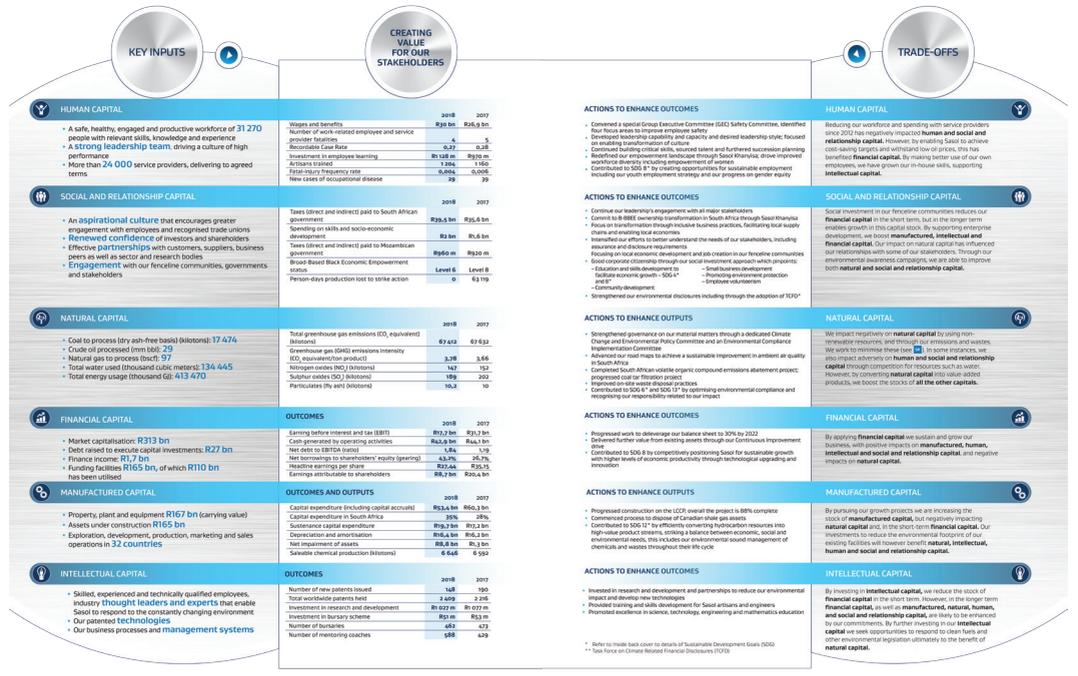


Chemicals



South Africa

sasol



- Shares value creation model with a holistic approach
- Discloses outcomes and value creation for stakeholders in a data-based manner
- Shows the trade-offs and how the company handles those trade-offs
- Links value creation with its achievements and targets for the upcoming year



Source: https://www.sasol.com/sites/default/files/financial_reports/Sasol%20IR_Web.pdf, p. 10-11

VALUE CREATION MODEL



Telecommunication



UK



Creating shared value

Our goal is to drive sustainable growth in value. Our purpose is vital to achieving this goal.

Delivering our purpose helps us mitigate risks, manage costs, and generate new opportunities for our business and society. It supports our aim to make BT the best place to work and it helps us create value – for our business, our stakeholders and society.

Contributing to the UN's Sustainable Development Goals (SDGs)

The UN launched its SDGs in 2015. Since then, we've been exploring how we can play our part.

This year, we took a closer look at how 37 of our products, programmes and services could help, including those that aim to:

- create a more inclusive digital society [Page 18](#)
- make cities more sustainable [Page 35](#)
- support a circular economy by recycling our old equipment and encouraging consumers to do the same [Page 38](#)
- tackle modern slavery [Page 46](#)
- promote environmental sustainability among our suppliers [Page 48](#).



We found that these activities support 13 of the 17 SDGs, but that most often they contributed to the goals on industry, innovation and infrastructure, decent work and economic growth, climate action, partnerships, clean energy, poverty and responsible consumption.

We're using these findings to understand how we can work with others to make an even bigger impact. We're also exploring how we can more accurately measure our progress against the goals.

Throughout this report we show which SDGs each of our case studies impact. See [page 64](#) for more on the UN's SDGs.

How we create shared value

<p>For shareholders</p> <p>We made £23.7bn in revenue.</p> <p>We awarded shareholders full year dividends of 15.4p.</p> <p>Our Right First Time performance improved by 4.3% this year.</p> <p>Annual Report</p>	<p>For our customers</p> <p>Customer perceptions continued to improve with a 8.3 point rise in our Net Promoter Score.</p> <p>Our Right First Time performance improved by 4.3% this year.</p> <p>Annual Report</p>	<p>For employees</p> <p>We employed 105,800 people in 59 countries.</p> <p>Employee engagement remained strong at 74% in our latest survey.</p> <p>Investing in our people, page 49</p>	<p>For the economy</p> <p>We supported more jobs by spending £13.7bn with 18,000 suppliers.</p> <p>We paid £1.1bn in taxes and we were the 5th highest tax contributor in the UK.</p> <p>Sourcing responsibly, page 47</p> <p>A responsible approach to tax, page 44</p>	<p>For society and the environment</p> <p>We invested £35.9m this year to help achieve our purposeful business ambitions.</p> <p>That's 1.02% of last year's adjusted profit before tax.</p> <p>Governing our purpose, page 11</p>
<p>For our business</p> <p>Carbon-reducing products and services racked up £5.3bn (22% of our total revenue).</p> <p>Helping customers save emissions, page 35</p> <p>We've saved £28.7m on our fuel and energy bill this year, and £250.7m since we started our energy-saving programme in 2008/9.</p> <p>Reducing our emissions, page 36</p>				

- Shares its value creation for the Sustainable Development Goals
- Discloses value creation as grouped for various stakeholders



Source: <https://www.bt.com/bt-plc/assets/documents/digital-impact-and-sustainability/our-report/report-archive/2018/delivering-our-purpose-full-report-2018.pdf>, p. 6

STAKEHOLDER ENGAGEMENT AND MATERIALITY

The success of a company depends on its **relationships with the external world**, not just customers and investors, but also employees, regulators, politicians, activities, NGOs, the environment, and technology. Good governance covers all stakeholders to achieve balance between risk/reward, short/long-term, stakeholder goals, motivate/audit management.

Stakeholder engagement is a critical process that helps companies understand their key environmental and social impacts and identify sustainability risks and opportunities. For this process to be effective, there should be open communication, with an intent on understanding concerns and creating dialogue for establishing trust-based relationships. Best-in-class companies adopt a long-term, comprehensive view of their stakeholders to encompass external stakeholders and clearly articulate how the fulfillment of their purpose benefits society to foster dialogue.

Materiality analysis not only allows the company to prioritize their sustainability efforts by considering the ESG issues most related to its business, but also to inform sustainability reporting and communication with stakeholders. Issues material to performance constantly evolve, so ongoing analysis and dialogue with stakeholders is essential for companies to focus of their sustainability efforts on what matters for their performance and their stakeholders in the short and long-term horizon.

Recommendations

1. **Define and engage your stakeholders:** Best-in-class companies identify a comprehensive set of internal and external stakeholders and prioritize engagement based on the importance of the stakeholder for long-term value creation. Companies should deploy a variety of stakeholder engagement methods to create dialogue including one-on-one meetings and participatory tools such as focus groups to understand the stakeholders needs and co-create solutions. (EXAMPLE: HERSHEY'S)

2. **Define material issues for each stakeholder group and how to address them** - Be transparent on which topics you engage on, and how you plan to address them. (EXAMPLE: M&S)
3. **Define governance structure to support stakeholder engagement:** Companies should define responsibilities, process, and information flow for stakeholder dialogue and prioritization of material issues. The boards need to understand the key issues raised by the stakeholder engagement process and how the management plans to address them. Furthermore, the board needs to have a process to evaluate the management's sustainability plans to address the key issues. (EXAMPLE: TELKOM)
4. **Define and prioritize material ESG topics for company and its stakeholders:** Companies should define material ESG topics including risks and value creation opportunities for the company and ensure the board is involved in setting materiality thresholds. Reporting standards such as SASB and GRI can be used to identify a comprehensive list of material issues. Materiality is a function of time and audience – best practices adopt an expanded view of time to encompass long-term sustainability objectives as well as define material issues for their value chain and stakeholders. (EXAMPLE: China Everbright). Prioritizing material issues also requires the company to evaluate its ability to influence the issue. (EXAMPLE: ASTRAZENECA)
5. **Publish a materiality matrix:** A materiality matrix provides information on the most material ESG issues for a company and forms the basis of prioritization. Best-in-class companies disclose a materiality matrix that includes an assessment of materiality for the company and its stakeholders, the size of potential impact, and link with SDGs. (EXAMPLE: AMERICAN WATEWORKS, EON).
6. **Use reporting as a tool for transparency** on communicating with stakeholders on what matters. Corporate reporting is a communication tool for a wide range of stakeholders. Reporting should be precise, reader friendly and provide the opportunity to assess the value created by the company. It should identify material issues relevant for different stakeholders so that it can form the basis of constructive dialogue and stakeholder engagement. Companies should clearly disclose the process for selecting material issues and boards role in the process.

Key Findings

Stakeholder Engagement

Stakeholder engagement is a critical process that helps companies understand their key environmental and social impacts and identify sustainability risks and opportunities. For this process to be effective, there should be open communication, with an intent on understanding concerns and creating dialogue for establishing trust-based relationships. Best-in-class companies adopt a long-term, comprehensive view of their stakeholders to encompass external stakeholders and clearly articulate how the fulfillment of their purpose benefits society to foster dialogue.

In order to gain and retain the trust of stakeholders the most important issue is to have the right attitude. The yardstick should be the ethic of reciprocity or the golden rule that is prevalent in most religions and philosophers’ writings summarized as “Do unto others as you would have them do unto you.”

TABLE 18: STAKEHOLDER MAP AND OBJECTIVES

	Shares stakeholder map	Shares objectives for stakeholders
TOTAL	89%	79%
Employees	88%	71%
Shareholders	87%	68%
Customers	85%	68%
Community	85%	63%
Supply Chain	84%	70%
Government	75%	62%
NGOs	66%	59%
Public/Media	42%	35%
Environment	26%	26%

- 89% of the companies in our sample share a stakeholder map and 79% share objectives for each stakeholder group.
- Very few include public/media (42%) and the environment (26%) in their list of stakeholders.
- All companies in Consumer Goods, Natural Resources, Telecom and Utilities share a stakeholder map and almost all share objectives.
- <80% of Machine & Equipment and Automotive companies share a stakeholder map and <60% share objectives for stakeholders.

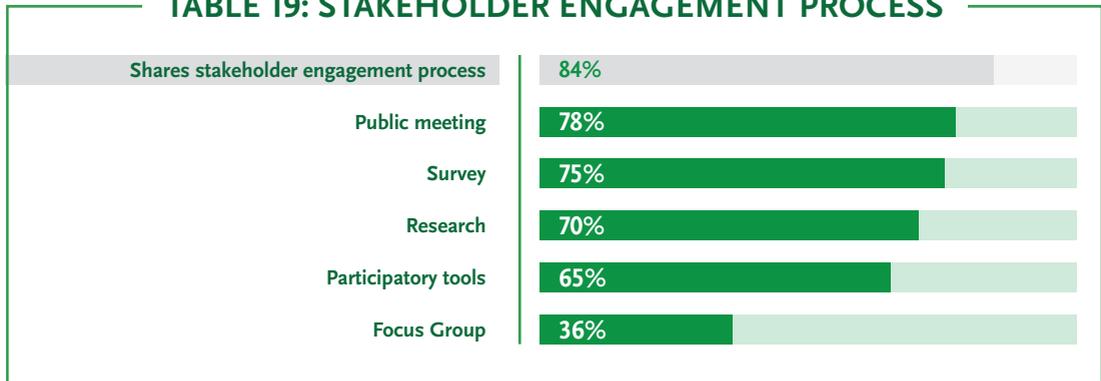
Stakeholder Engagement Process

An adequate stakeholder engagement process is a multi-step, continuous process. First, the company needs to prepare a map of its key stakeholders for the issue at hand. What matters here is to adopt a comprehensive view of stakeholders to include all relevant communities and the environment. Then, the company needs to define the stakeholder engagement scope, which determines the issues of engagement (environmental, social, economic).

It is important that companies focus on issues which are most relevant to the firm’s core value proposition, in order to mobilize resources for a step-change in selected areas.

The engagement model should be defined based on stakeholder requirements and can cover several models including communication, consultation, participation on partnership. Tools of engagement may include interviews, workshops, focus groups, town-hall meetings, stakeholder perception surveys, stakeholder panels and joint decision-making.

TABLE 19: STAKEHOLDER ENGAGEMENT PROCESS



- 84% share stakeholder engagement process: Engagement is primarily done through one-on-one or public meetings (80%, 78%).
- There is a lower share in participatory tools (higher engagement) – such as focus groups (36%), workshops (60%) and participatory tools (65%).

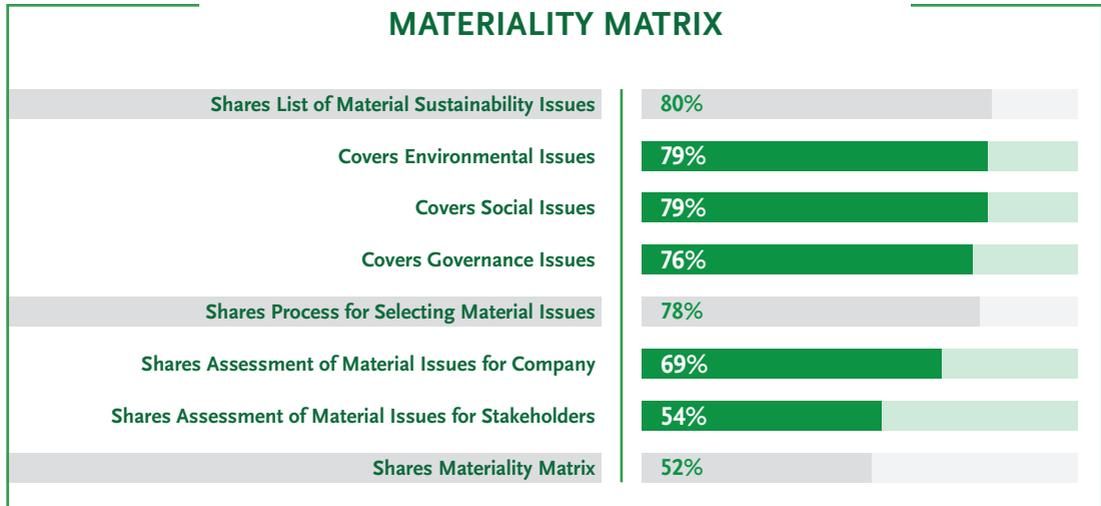
Materiality

Material matters are broadly defined, as per GRI guidelines, as issues that have impact on an organization’s ability to create, preserve or erode economic, environmental, and social value for itself, its stakeholders and society at large. Investors are increasingly looking for evidence that their portfolio companies are focused on the material ESG issues that matter to financial performance and a well-defined commitment to sustainability.

Best-in-class companies use materiality analysis to gather insight on the relative importance of environmental, social, and governance issues and prioritize sustainability efforts around where they can have the greatest impact.

Materiality analysis not only allows the company to prioritize their sustainability efforts by considering the ESG issues most related to its business, but also to inform sustainability reporting and communication with stakeholders. Issues material to performance constantly evolve, so ongoing analysis and dialogue with stakeholders is essential for companies to focus their sustainability efforts on what matters for their performance and their stakeholders in the short and long-term horizon.

TABLE 20: MATERIALITY ASSESSMENT AND MATERIALITY MATRIX



- 80% share list of material ESG issues and 78% share process for selecting material issues. >90% share material issues and process for selecting materiality issues in Consumer Goods, Natural Resources and Telecommunication companies.
- 69% share assessment of material issues for the company (prioritization), but only 54% share assessment of material issues for stakeholders.
- Only 1/2 of companies in our sample share a materiality matrix. Highest share of materiality matrix in Telecom (77%) and Chemicals (74%), lowest in Automotive, Machine & Equipment and Pharma (36%, 33%, 31%)

Good Practice Examples

STAKEHOLDER ENGAGEMENT MAP



Retail



UK



EST. 1884

STAKEHOLDER RELATIONSHIPS

HOW WE ENGAGED THIS YEAR

OUR STAKEHOLDERS	HOW WE LISTEN	WHAT THEY'VE TOLD US	WHAT WE DID
CUSTOMERS	<ul style="list-style-type: none"> - Monitoring sales of products - Participation in Plan A activities and campaigns - Contacts to our Retail Customer Services 	<ul style="list-style-type: none"> - Feedback through our Plan A email - Customer research panels - Social media - Sparks Card charity donations 	<p>Our customers are still keen to support local and national charities.</p> <p>From the end of 2017, our customers reflected national and international concerns about the use and disposal of plastic.</p>
EMPLOYEES	<ul style="list-style-type: none"> - Plan A Champions - Business Involvement Groups - Feedback through our Plan A email and Yammer social media 	<ul style="list-style-type: none"> - Annual Your Say survey - Participation in Plan A activities and campaigns 	<p>Our employees also reflected wider social concerns about the use and disposal of plastic items.</p>
SHAREHOLDERS	<ul style="list-style-type: none"> - Annual General Meeting - Meetings with institutional investors - Shareholder panels 	<ul style="list-style-type: none"> - Survey of institutional investors - Ethical investment surveys 	<p>On sustainability, there is a growing interest in global indices for different sets of issues. Operating under the World Benchmarking Alliance the largest group is developing benchmarks based on the UN Sustainable Development Goals.</p> <p>We've participated in many of these benchmarks and consultation groups where they are relevant to M&S and don't duplicate existing activities.</p>
SUPPLIERS	<ul style="list-style-type: none"> - Supplier conferences - Tendering processes - Supplier Exchange website and network 	<ul style="list-style-type: none"> - Visits and meetings - Agricultural Shows 	<p>Our suppliers continue to work closely with us on Plan A, in particular our Global Community Programme and the development of sustainability scorecards.</p> <p>All our milk pools became RSPCA certified for animal welfare.</p> <p>We've adopted the Higg Index for measuring and managing our supply chain water footprint.</p>
GOVERNMENT AND REGULATORS	<ul style="list-style-type: none"> - Meetings - Dialogues with trade associations 	<ul style="list-style-type: none"> - Responses to consultations - Plan A stakeholder conference 	<p>Proposals for a 25 Year Environment Plan for the UK and deposit-return schemes for plastic drinks containers across the UK have been announced.</p> <p>We have supported high environmental standards and recycling schemes that best meet the needs of our customers.</p>
NON-GOVERNMENTAL ORGANISATIONS	<ul style="list-style-type: none"> - Visits and meetings - Participation in benchmarking and surveys 	<ul style="list-style-type: none"> - Joint projects - Plan A stakeholder conference 	<p>Environmental NGOs have also been largely focused on the issue of plastic usage and its disposal.</p> <p>Social NGOs continue to be focused on Human Rights such as poverty and gender equality.</p> <p>We have supported high environmental standards and continued our work on human rights in the supply chain.</p>

- Shares detailed stakeholder engagement map including how the company engages with stakeholders, what they have heard from stakeholders and how the company plans to address stakeholder concerns
- Specifies the way they engage, the details of the engagement, and the actions taken




Source: <https://corporate.marksandspencer.com/documents/reports-results-and-publications/plan-a-reports/plan-a-report-2018.pdf>, p. 37

STAKEHOLDER ENGAGEMENT GOVERNANCE



Telecommunication



South Africa

Telkom

Governance structure

Responsibility for stakeholder management flows from the board to management. Implementing our governance structure is essential to our stakeholder management objectives.

Level	How we work together to manage stakeholder relationships
Board of directors	The board drives the stakeholder engagement framework.
Social and ethics committee	The committee assists the board in fulfilling its responsibilities by ensuring that key stakeholder relationships are effectively managed and by approving the stakeholder engagement framework and policy.
Group chief executive officer	The GCEO ensures commitment to effective stakeholder management.
Executive committee	Critical stakeholder matters are built into the exco's meeting agenda. The stakeholder management profile is reviewed and discussed. Specific members are assigned to monitor specific stakeholder groups.
Social, ethics and sustainability council	We have recently re-established the council. The stakeholder matters and mitigation's are monitored, among other agenda items. The council will convene monthly going forward. The stakeholder matters and mitigations are monitored, among other agenda items.
Head of stakeholder engagement	Facilitates and monitors stakeholder management across all business units and implements the stakeholder management framework.
Management	Management is the ultimate owner of stakeholder management matters and is responsible for managing response strategies.

- Shares its stakeholder engagement approach and relevant responsibilities for each level of governance structure



Source: <http://telkom-reports.co.za/reports/ar-2018/stakeholder-engagement.php>, p. 21

STAKEHOLDER ENGAGEMENT MAP



Food Processors



UK



Stakeholder Engagement

From the ingredients we source to the snacks we sell, we know our operations can affect individuals, communities and organizations around the world.

Hershey believes in regularly and thoughtfully engaging with our consumers, customers, investors, the media and other external stakeholders to stay on top of the issues that matter most to them.

On an operational level, our company culture promotes and enables open engagement with our employees, suppliers and business partners. The following table provides an overview of our key stakeholders, our channels of communication with them and the issues that matter most. Engagement varies and includes both formal and informal channels for communication.



Employees



How we engage:

- Two-way dialogue with leaders and their teams
- Annual Many Voices One Hershey survey
- Regular pulse surveys
- Regular senior leadership communication (meetings, video, email and newsletters)
- Quarterly and functional Town Halls
- Business Resource Groups (BRGs)
- Quality Through Engagement (QTE) teams
- Safety Culture survey

Opportunities:

- Opportunities to positively impact our communities & employee experience
- Learning and skill development
- Building fulfilling careers
- Diverse & inclusive workplace

Featured outcome:

- Created the Employee 1st Fund

Consumers



How we engage:

- Consumer insights research
- Surveys
- The Hershey Company website
- Social media channels
- Consumer Relations department

Opportunities:

- Product development and marketing
- Informative labeling
- Ethical supply chain
- Food safety
- Choice and transparency in snacking portfolio
- Engagement on sustainability and brands with purpose

Featured outcomes:

- Enhanced Snacking Portfolio Diversity
- Launched The Heartwarming Project

Investors



How we engage:

- Investor Relations website
- SEC Filings (10-K, etc.)
- Annual shareholders meeting
- Quarterly earnings calls
- Investment community meetings
- Investor Relations department

Opportunities:

- Global competitiveness
- Sustainable returns
- Compliance
- Future growth
- Working with integrity
- Financial health

Featured outcome:

- Developed new Human Rights and Environmental policies

- Shares a comprehensive list of stakeholders specifying opportunities and featured outcomes for each stakeholder group



Source: <https://www.thehersheycompany.com/content/dam/corporate-us/documents/pdf/Hershey-SR-2018.pdf>, p. 57

STAKEHOLDER ENGAGEMENT MAP



Food Processors



UK



Stakeholder Engagement continued

Retailers

How we engage:

- Account teams
- Regular visits and meetings
- Partnership on Joint Business Planning
- Partnership on Purpose-Driven Initiatives
- Social media engagement

Opportunities:

- Product quality and innovation
- Pricing and distribution
- Food safety
- Customer satisfaction
- Transformation of retail and digital commerce
- Purpose-driven partnerships and retail partnerships

Featured outcomes:

- Launched **Mobile Customer Insights Center**
- Developed **Digital Commerce Strategy**

Suppliers & business partners

How we engage:

- Joint initiatives
- Supplier Code of Conduct
- Membership in industry groups
- Participation in industry conferences
- Procurement department

Opportunities:

- Responsible supply chain
- Compliance
- Industry support and development
- Fair remuneration
- Access to markets
- Access to support and resources

Featured outcomes:

- Joined **Bonsucro**
- Updated **palm oil suppliers**

NGOs & communities

How we engage:

- Partnership on common issues
- Sponsorships
- Employee volunteerism
- Ongoing dialogue
- Membership in industry associations
- Participation in industry meetings and conferences

Opportunities:

- Deforestation and biodiversity
- Child labor
- Labor conditions and standards
- Responsible sourcing
- Climate change and environmental impact
- Livelihoods and community impact
- Animal welfare
- Child nutrition and education
- Responsible marketing

Featured outcomes:

- Launched holistic new **Cocoa For Good** strategy
- **Committed to zero deforestation**
- Launched initiatives to support greater economic diversity and resilience to help cocoa communities prosper

Government & policymakers

How we engage:

- Industry collaborations
- Joint initiatives
- Ongoing dialogue
- Policy engagement and dialogue
- Government Relations department

Opportunities:

- Compliance
- Job creation
- Economic development
- Responsible tax
- Political engagement

Featured outcome:

- Expanded **VIV** to Côte d'Ivoire



- Shares a comprehensive list of stakeholders specifying opportunities and featured outcomes for each stakeholder group



Source: <https://www.thehersheycompany.com/content/dam/corporate-us/documents/pdf/Hershey-SR-2018.pdf>, p. 58

Good Practice Examples (Materiality)



Food Processors



US



GENERAL MILLS

Materiality*

This table summarizes the issues that are most material to our global responsibility strategy, including several priority issues ranked highest by our stakeholders. This is based on a materiality assessment conducted in 2013 and updated in 2015. These assessments evaluated the impact each issue has on General Mills as well as the importance to external stakeholders for our company to address each one. This report also includes information about several other issues that we believe have recently increased in importance, such as soil health, pollinators and biodiversity, and organic farming. We plan to update this assessment as needed to reflect our business and our stakeholders' evolving expectations. We include information about our approach to and progress on these issues throughout the report and in the Global Reporting Initiative (GRI) index.

		CIRCLES NOTE VALUE CHAIN PHASES FOR WHICH EACH ISSUE IS RELEVANT								
		AGRICULTURE	TRANSFORMING	PACKAGING SUPPLY CHAIN	PRODUCING	SHIPPING	SELLING	CONSUMING		
PRIORITY ISSUES	Climate change	Advance strategies to reduce GHG emissions and help mitigate the effects of climate change in agricultural and food production systems	●	●	●	●	●	●	●	●
	Commodity availability	Maintain reliable access to key commodities and inputs through sustainable sourcing	●	●	●	●	●	●	●	●
	Corporate governance and ethics	Operate with integrity and with the highest standards in oversight, ethics and compliance	●	●	●	●	●	●	●	●
	Diverse consumer needs	Meet changing consumer needs and diversify our product offerings based on geography, culture, values and economic means	●	●	●	●	●	●	●	●
	Food safety	Set and maintain high standards for food safety and quality	●	●	●	●	●	●	●	●
	Health and nutrition wellness	Improve the health profile of products and engage in public discussions on healthy and nutritious lifestyles	●	●	●	●	●	●	●	●
	Transparency	Communicate openly with key stakeholders on material issues, including through brands	●	●	●	●	●	●	●	●
	Water stewardship	Manage water resources strategically throughout the value chain	●	●	●	●	●	●	●	●
	Animal welfare	Ensure the ethical treatment of animals raised by suppliers	●	●	●	●	●	●	●	●
	Biodiversity	Conserve biodiversity through sustainable sourcing practices	●	●	●	●	●	●	●	●
OTHER MATERIAL ISSUES	Biotechnology	Meet consumer demand for increased information on genetically modified organisms	●	●	●	●	●	●	●	●
	Employee well-being	Help employees lead healthier lives through education and support	●	●	●	●	●	●	●	●
	Energy use	Manage energy usage and costs throughout the value chain, including agriculture, production, transportation and distribution	●	●	●	●	●	●	●	●
	Food security	Improve access to healthy, affordable food for the world's growing population	●	●	●	●	●	●	●	●
	Food waste	Address food waste and loss from field to table	●	●	●	●	●	●	●	●
	Human rights	Respect the human rights of all workers	●	●	●	●	●	●	●	●
	Packaging footprint	Reduce the environmental impact of packaging	●	●	●	●	●	●	●	●
	Responsible marketing	Adhere to internal and industry guidelines regarding consumer communications	●	●	●	●	●	●	●	●
	Smallholder farmers	Support smallholder farmers' capability and capacity to maintain viable operations	●	●	●	●	●	●	●	●
	Supply chain relationships	Build and strengthen supplier partnerships across the value chain	●	●	●	●	●	●	●	●
Workforce management	Provide competitive benefits, foster a diverse and inclusive culture, and invest in training and development opportunities	●	●	●	●	●	●	●	●	
Workplace safety	Maintain a safe workplace for our employees, contractors and visitors, with a focus on zero accidents and injuries	●	●	●	●	●	●	●	●	

*In this report, the terms "material" and "materiality" refer to topics that reflect General Mills' significant environmental and social impacts or that substantially influence our global responsibility strategy. We are not using these terms as they have been defined by securities laws in the United States or in the context of financial statements and financial reporting.

GRI 102-46, 47

- Shares the materiality selection process
- Lists material issues with its prioritization assessment by stakeholders
- Shares its approach and progress about these issues



Source: https://globalresponsibility.generalmills.com/2018/PDF/general_mills-global_responsibility_2018_0006.pdf, p. 4

MATERIALITY ASSESSMENT



Pharmaceuticals



UK



Materiality results 2018

AstraZeneca's ability to influence



Access to healthcare

- Disease prevention and treatment
- Responsible R&D
- Investments in health systems
- Environment's impact on health
- Affordability

Environmental protection

- Product environmental stewardship
- Pharmaceuticals in the environment
- Greenhouse gas reduction
- Water stewardship
- Waste management

Ethics and transparency

- Ethical business culture
- Inclusion and diversity
- Talent and workforce evolution
- Workforce wellbeing and safety
- Responsible supply chain
- Human rights

- Shares and visualizes the company's ability to influence material issues from low to high, grouped under environmental, social and governance topics
- Links material topics with SDGs



Source: https://www.astrazeneca.com/content/dam/az/Sustainability/2019/Sustainability_Report_2018.pdf, p. 11

MATERIALITY ASSESSMENT



Utilities



China



光大國際
Everbright International

Material Topics of Everbright International

光大國際實質性議題

Material Topics 實質性議題	Impact and Boundaries 影響及範圍									GRI Topic-specific Standard GRI特定主題準則	Relevant SDGs 相關的聯合國 可持續發展目標
	Investors, Shareholders 投資者·股東	Employees 員工	Governments 政府	Villagers, Local Communities 村民· 當地社區	Customers 客戶	Business Partners, Suppliers 業務夥伴· 供應商	Investment Analysts 投資分析員	Media 媒體	Non- Governmental Organisations 非政府組織		
1 Energy Efficiency 能源效益	✓	✓			✓	✓				GRI 302 Energy 能源	12 RESponsible Consumption and Production
2 Occupational Health and Safety 職業健康與安全	✓	✓	✓					✓		GRI 403 Occupational Health and Safety 職業安全衛生	3 GOOD HEALTH AND WELL-BEING
3 Environmental Compliance 環保合規	✓	✓	✓	✓	✓	✓	✓	✓	✓	GRI 307 Environmental Compliance 有關環境保護的法規遵循	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
4 Disaster and Emergency Planning and Response 災難及應急預案規劃	✓	✓	✓	✓	✓	✓		✓	✓	Disaster/Emergency Planning and Response (GRI Electric Utilities Sector Disclosures) 災難/緊急應變計劃 (GRI 電力行業披露)	3 GOOD HEALTH AND WELL-BEING
5 Technological R&D 科研及開發	✓	✓	✓	✓	✓	✓	✓	✓	✓	Research and Development (GRI Electric Utilities Sector Disclosures) 科研及開發 (GRI 電力行業披露)	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
6 Waste Water and Waste Management 污水及廢棄物處理	✓	✓	✓	✓	✓	✓	✓	✓	✓	GRI 306 Effluents and Waste 廢污水和廢棄物	6 CLEAN WATER AND SANITATION
7 Economic Performance 經濟績效	✓	✓	✓	✓	✓	✓	✓	✓	✓	GRI 201 Economic Performance 經濟績效	8 DECENT WORK AND ECONOMIC GROWTH
8 Social Compliance 社會合規	✓	✓	✓	✓	✓	✓	✓	✓	✓	GRI 419 Socioeconomic Compliance 社會經濟法規遵循	11 SUSTAINABLE CITIES AND COMMUNITIES
9 Materials and Resources Usage 物資及資源使用	✓	✓			✓	✓	✓	✓		GRI 301 Materials 物料	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
10 Employee Welfare 員工福利	✓	✓							✓	GRI 401 Employment 勞雇關係	10 DECENT WORK AND ECONOMIC GROWTH 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
11 Participation of Local Communities 當地社區參與	✓	✓	✓	✓	✓			✓	✓	GRI 413 Local Communities 當地社區	11 SUSTAINABLE CITIES AND COMMUNITIES
12 Market Presence 市場地位	✓	✓	✓	✓	✓	✓	✓	✓	✓	GRI 202 Market Presence 市場地位	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

- Shares material issues by its impacts and boundaries in different stakeholders
- Discloses the linkage between material topics, GRI topics, and SDGs

Source: <https://www.cebenvironment.com/en/csr/sustainability/sr2018.pdf>, p. 48

MATERIALITY MATRIX



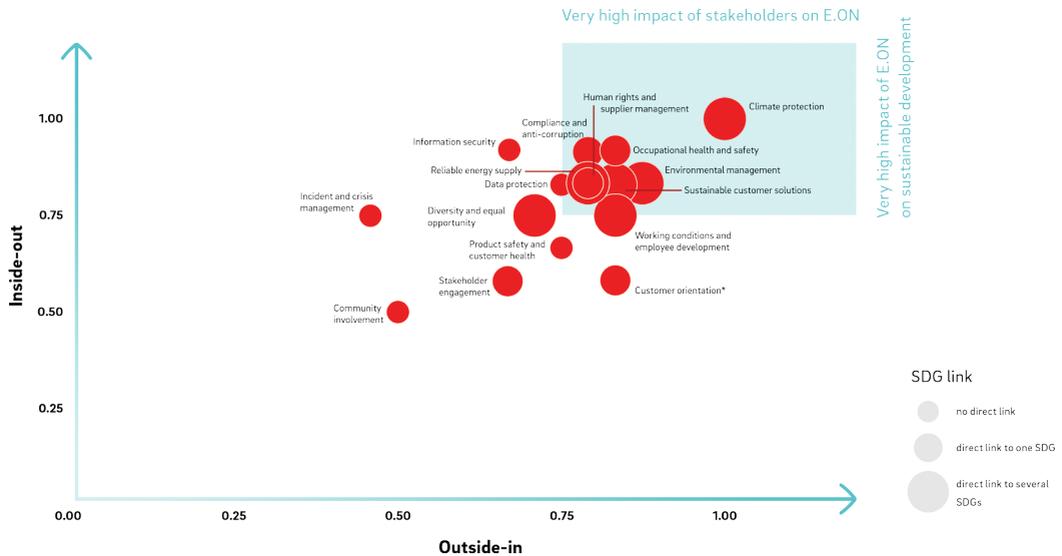
Utilities



Germany



Materiality matrix [→ GRI 102-47 ✓]



*Customer orientation is highly important for internal control purposes and is therefore considered material for E.ON and will be included among our material topics.

- Shares materiality matrix including materiality assessment for company as well as stakeholders
- Discloses the linkage between material topics and SDGs



Source: https://www.eon.com/content/dam/eon/eon-com/Documents/en/sustainability-report/EON_Sustainability_Report_2018.pdf, p. 17

MATERIALITY MATRIX



Utilities

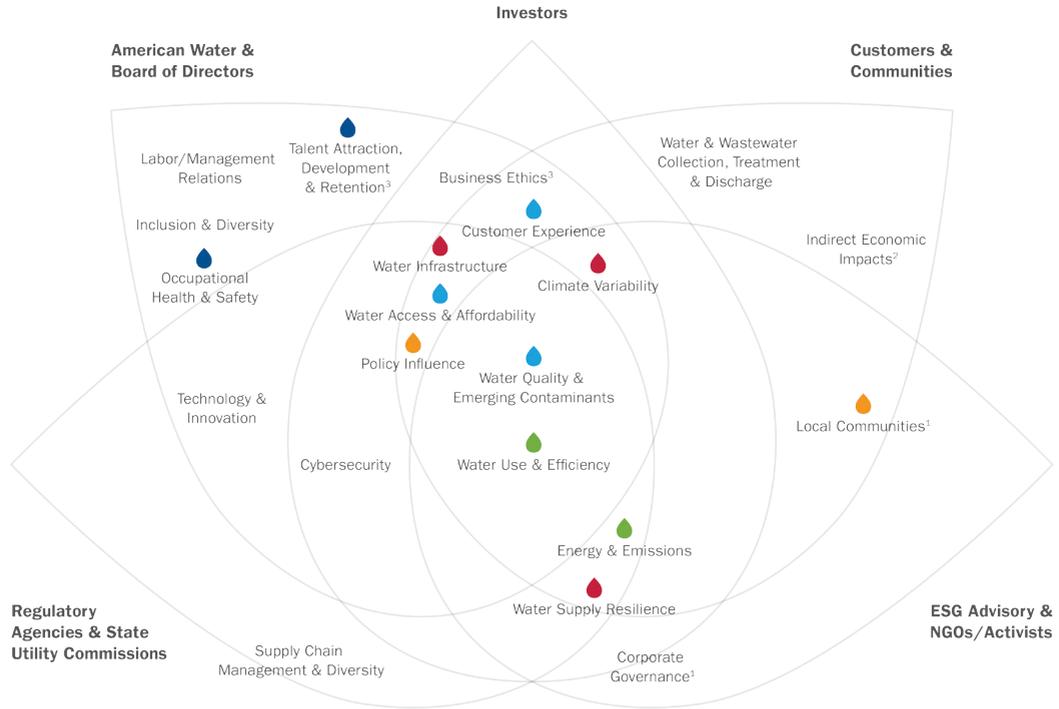


US



AMERICAN WATER

Our Prioritized Material Topics



Topic Legend

- Stakeholders
- Workforce
- Customers
- Infrastructure
- Environment

¹Also important to American Water

²Also important to Regulatory Agencies & State Utility Commissions

³Also important to ESG Advisory & NGOs/Activists

- Shares its prioritized material topics by each stakeholder group
- Maps the intersection of material issues among different stakeholder groups



Source: <https://www.amwater.com/corp/resources/American-Water-CR-Report.pdf>, p. 18

SUPPLY CHAIN SUSTAINABILITY

Supply chains are critical links that connect an organization's inputs to its outputs. Many companies' greatest sustainability risks and opportunities are in the supply chain. However, sustainability efforts of many companies are limited to measuring the sustainability of their own business operations and do not extend these efforts to their suppliers and customers.

Leading companies in sustainability **accept responsibility throughout their value chains and work with their suppliers** to implement sustainability initiatives on a wider playing field. This may involve utilizing their purchasing power to encourage, audit, collaborate with, and provide benchmarking and learning opportunities with its suppliers on key sustainability issues.

Recommendations

1. **Assume responsibility across value chain:** Supply chains are critical links that connect an organizations input to its outputs. Many companies' greatest sustainability risks and opportunities are in the supply chain. As a result, companies must set standards, manage risk and invest in the development of their supply chains for a step-change in sustainability impact. (EXAMPLE: CONAGRA BRANDS)
2. **Develop Code of Conduct for Supply Chain:** Supply chain sustainability requierments and approach should be clearly defined through a Code of Conduct. (EXAMPLE: GENERAL MILLS)
3. **Develop a comprehensive assurance process:** Assurance process should cover ESG issues relevant for suppliers, and can include a variety of methods include self-declaration, independent audit and remedial action for high-risk suppliers. (EXAMPLE: SIEMENS AG, M&S, BEST BUY, CHN)
4. **Set KPIs and targets** to measure progress against goals and report more details about suppliers to assess and improve performance. (EXAMPLE: TESCO, GAP)
5. **Invest in Supply Chain Developments:** A comprehensive sustainability strategy includes developments for the supply chain including training and process improvements.
6. **Develop standards for audit and assessing ESG performance:** Sectoral collaboration is required to develop and implement standards for audit. Examples include the Better Cotton Initiative or CO₂ measurement across the value chain.

Key Findings

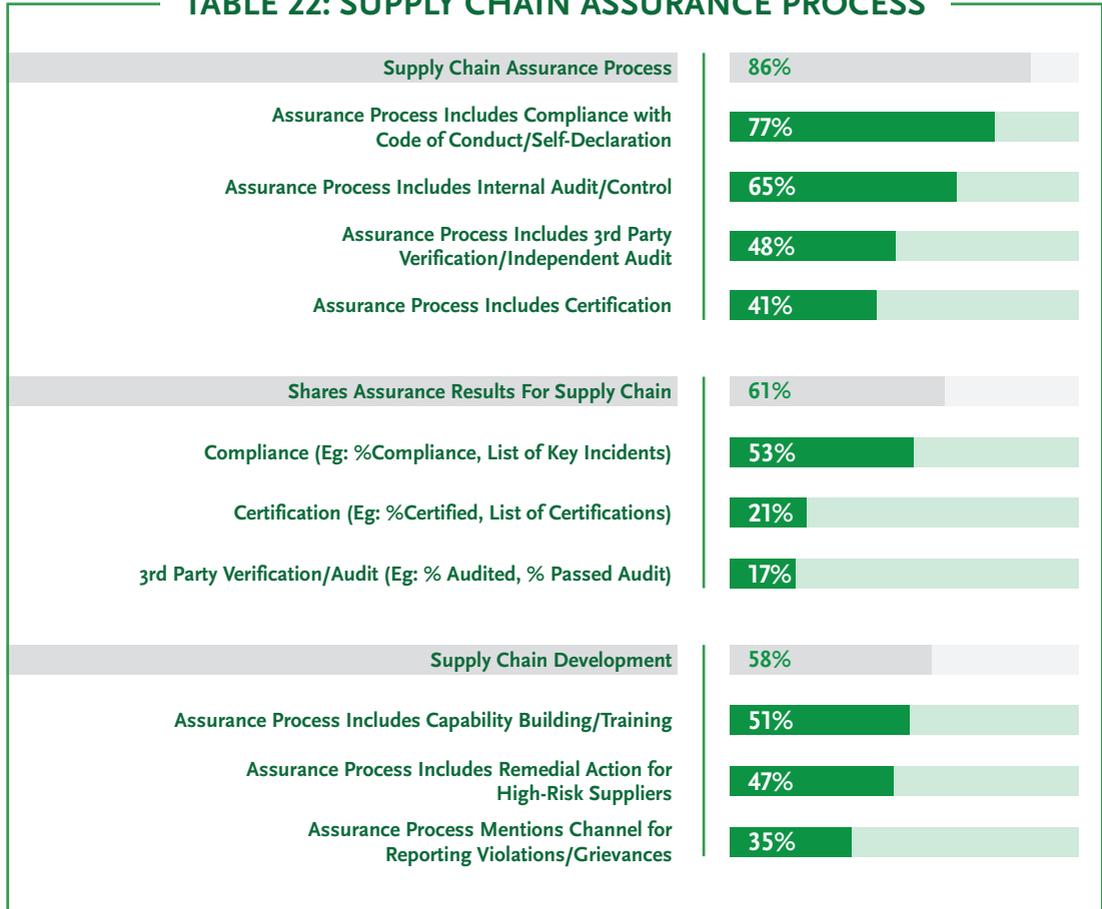
Companies recognize supply chain as critical stakeholders: Analyzing the companies approach to various stakeholders, supply chain is the one they pay close attention as a stakeholder. 84% of GSLs defined their supply chain as their stakeholders and 70% of them shares objectives for their supply chain.

TABLE 21: SUPPLY CHAIN ASSURANCE FOR SUSTAINABILITY

	Environmental	Social	Governance
Supplier Code of Conduct includes ESG issues	85%	88%	85%
Supplier Assurance Process includes ESG issues	69%	75%	71%
Supply Chain Assurance Results include ESG issues	29%	31%	19%

- 85% of supplier code of conduct covers environmental issues, 88% cover social issues and 85% cover governance issues.
- Supply chain assurance process covers ESG issues – 69%, 75% and 71% respectively.
- However, less than half of those that do share their supply chain assurance results across ESG issues (29%, 31% and 19%). There is room for more transparency.
- Only half of the companies set ESG targets and share results for supply chain.

TABLE 22: SUPPLY CHAIN ASSURANCE PROCESS



- 61% of companies share assurance results for supply chain – 53% share compliance results, 21% share certification and 17% share results for 3rd party verification.
- 77% cover Code of Conduct or Self-declaration, 65% internal audit and 48% 3rd party verification. Only 41% rely on certifications.
- 51% invest in capability building for their supply chain, 47% include remedial action for high-risk suppliers and 35% mention a channel for reporting violations and grievances.

Good Practice Examples

MATERIALITY FOR SUPPLY CHAIN



Food Processors



US



A Look Across Our Value Chain

Understanding the impact of our business throughout the life cycle of the food we make is critical to developing a comprehensive approach to citizenship. This view offers insight into where issues matter most, while also helping to prioritize where we need to influence performance outside of our direct control. For example, by collaborating with farmers, suppliers, contract manufacturers and outside transportation networks, we are developing innovative ways to improve supply chain efficiency, while providing greater value to our customers and more sustainable products to our consumers.

Good Food	RAW MATERIAL SOURCING	INTERMEDIATE SUPPLY CHAIN	CONAGRA BRANDS	WAREHOUSE & DISTRIBUTION	RETAIL, RESTAURANT & FOOD SERVICE	CONSUMPTION
Responsible Sourcing	The point of origin for the food ingredients, packaging, and other resources	Preparing crops for use as ingredients and transforming materials into packaging	Making and packaging food for retail, restaurant and food service	Storing and moving our products to our customers	All the places where you buy our food, at home and away	Enjoying our food!
Better Planet						
Stronger Communities						
Food Policy	●	●	●		●	●
Food Safety	●	●	●	●	●	●
Health & Nutrition	●	●	●		●	●
Product Transparency	●	●	●		●	●
Animal Welfare	●	●			●	●
Deforestation	●					
Supplier Code of Conduct	●	●				
Sustainable Sourcing	●	●				●
Climate Change	●	●	●	●	●	●
Energy Use	●	●	●	●		
Environmental Compliance	●	●	●			
Food Waste	●	●	●	●	●	●
Packaging	●	●	●	●	●	●
Solid Waste	●	●	●		●	●
Transportation & Logistics	●	●	●	●	●	
Water Consumption	●	●	●			
Community Impacts & Philanthropy	●	●	●		●	●
Corporate Ethics	●	●	●	●	●	
Culture & Workplace			●			
Diversity & Inclusion	●	●	●			
Employee Health & Wellness			●			

- Adopts a comprehensive view of citizenship by providing in table format the sustainability impact of the business throughout the life cycle of its food products
- Offers insight into where issues matter most, while also helping to prioritize where the company needs to influence performance outside its direct ways to improve supply chain efficiency, while providing greater value and more sustainable product to its customers



Source: https://www.conagrabrands.com/sites/g/files/qyrrlu371/files/2020-01/2018_Conagra_Brands_Citizenship_Report.pdf, p. 10

SUPPLIER SUSTAINABILITY ASSESSMENT



Machinery &
Equipment



Germany

SIEMENS

Corporate Responsibility Self-Assessments (CRSA)¹

(Number)	Fiscal year	
	2018	2017
Europe, C.I.S., ² Africa, Middle East	1,527	833
Americas	480	351
Asia, Australia	1,681	1,243
Total	3,688	2,427
Agreed upon improvement³		
Legal Compliance/prohibition of corruption and bribery	261	
Respect for the basic human rights of employees	389	
Prohibition of child labor	93	
Health and safety of employees	164	
Environmental Protection	600	
Supply Chain	78	

¹ To be conducted mainly by suppliers from non-OECD countries with a purchasing volume > € 50,000 p. a. Questionnaires initiated and completed in the year under review.

² Commonwealth of Independent States.

³ Improvement measures agreed with suppliers relate either to actual deviations from the Code of Conduct for Siemens suppliers or to structural improvements of management systems and the lack of specific processes and guidelines at the supplier.

Supplier quality audits with integrated sustainability questions

(Number)	Fiscal year	
	2018	2017
Europe, C.I.S., ¹ Africa, Middle East	366	372
Americas	142	186
Asia, Australia	257	383
Total	765	941

¹ Commonwealth of Independent States.

- "Shares supplier audit results including sustainability questions by geography
- Identifies agreed upon improvements for suppliers on a variety of topics including legal compliance, respect for human rights, prohibition of child labor, health & safety, environmental protection, and supply chain



Source: <https://assets.new.siemens.com/siemens/assets/api/uuid:fc08ca6a-8603-4dea-befc-7cc2cb54348/siemens-sustainability-information2018.pdf>, p. 37

SUSTAINABLE SOURCING



Food Processors



US



GENERAL MILLS

Performance dashboard: Sustainable sourcing

Commitment: Sustainably source 100 percent of our 10 priority ingredients by 2020, representing 40 percent of our annual raw material purchases.

76

Progress: 76 percent of these raw materials were sustainably sourced in fiscal 2017.

Raw material/ingredient	Progress* (% of volume sustainably sourced as of May of the year noted)				Primary focus**		Strategy	Sustainability definition	
	FY14	FY15	FY16	FY17	Environmental	Social			
Cocoa	10%	28%	46%	59%			Origin-direct investment	Direct investment at origin to improve smallholder farmer livelihoods and ingredient quality	
Vanilla	45%	45%	22%	22%					
Oats	35%	40%	50%	61%			Continuous improvement	Documented continuous improvement using industry-based environmental metrics with at least 25 percent of acres under measurement***	
U.S. wheat	15%	24%	36%	61%					
U.S. sugar beets	34%	47%	68%	81%					
U.S. corn (dry milled)	6%	26%	33%	67%					
U.S. dairy (raw fluid milk)	20%	20%	38%	83%				Documented continuous improvement as outlined in the ICUSD's Stewardship and Sustainability Framework for U.S. Dairy****	
Fiber packaging	99%	99%	99%	99%			Verification	Recycled material or virgin wood fiber from regions not contributing to deforestation	
Sugarcane	42%	59%	67%	58%					Sourced from independently verified low-risk regions, or compliance with Bonsucro or comparable standards in high-risk regions
Palm oil*****	83%	100%	100%	100%					RSPO mass balanced, segregated sustainable palm, or PalmTrace Credits

*Progress numbers may vary from year to year due to changes in suppliers, market conditions or improvements in data tracking methodology. All numbers calculated based on volume except fiber packaging, which is based on percent of spend sustainably sourced. Aggregate percentage is based on the percentages sustainably sourced for each ingredient, weighted by spend.

**Our efforts are focused on areas of significant challenge at the point of origin where we can have the greatest impact.

***Compared to 10 percent for Field to Market requirements.

****Measured using the NMPF's Farmers Assuring Responsible Management (FARM) Environmental Stewardship module (formerly called FarmSmart).

*****Palm oil target 100 percent by fiscal 2015.

- Shares commitment, results, and progress for sustainable sourcing (environmental and social) across top 10 priority ingredients
- Develops a sustainability scorecard for each ingredient and quantifies impact by geography across several focus areas including farmer incomes, farmer training, traceability, women's empowerment, children's education, and nutrition



Source: https://globalresponsibility.generalmills.com/2018/images/General_Mills-Global_Responsibility_2018.pdf, p. 36

SUSTAINABLE SOURCING



Food Processors



US



GENERAL MILLS

Cocoa sustainability scorecard

Location	Focus area	Impact
Côte d'Ivoire	Farmer incomes*	52,600 registered farmers in 628 villages
	Farmer training*	24,700 farmers trained in Good Agricultural Practices (GAP)
	Traceability*	43,800 metric tons of Cocoa Horizons beans traced from the farm to our supplier
	Women's empowerment**	1,500 people educated (70 percent women) on gender issues
	Children's education**	700 school kits and backpacks provided to vulnerable children
	Nutrition**	1,200 people educated on essential nutrition
Ghana	Farmer training*	234 farmers attended Farmer Training Day
	Traceability*	100 percent of cocoa beans traced from the farm to our supplier
	Women's empowerment**	Women's Empowerment Index increased 17.2 percent
	Children's education**	Primary school enrollment rate increased from 95.6 to 99 percent
Nigeria	Nutrition**	25 percent decrease in average months of household food insecurity
	Farmer incomes*	Solar dryers installed in 17 cocoa growing communities
	Farmer training*	6,700 farmers received harvest training; 630 farmers attended Farmer Business School

*Côte d'Ivoire data based on overall results for Barry Callebaut Cocoa Horizons program, Sept. 2016 – Mar. 2017. Ghana data based on collaboration with Cargill, fiscal 2017. Nigeria data based on collaboration with Olam Cocoa, fiscal 2017.

**Results specific to communities benefiting from General Mills philanthropic funding of CARE programs. Côte d'Ivoire data are Dec. 2016 – May 2017 (first item) and calendar 2017. Ghana data are Sept. 2014 – Aug. 2017.

General Mills spending with diverse suppliers in North America (US\$ million)

	Fiscal 2015	Fiscal 2016	Fiscal 2017
Minority-owned businesses	\$421.7	\$359.6	\$313.0
Women-owned businesses	\$131.7	\$162.8	\$89.7
Veteran-owned businesses	\$13.7	\$12.0	\$11.5
LGBTQ-owned businesses	\$0.5	\$0.3	\$0.0
Total	\$567.6	\$534.7	\$414.2
Total (% of spending with suppliers in North America)	5.9%	6.1%	4.9%

- Shares commitment, results, and progress for sustainable sourcing (environmental and social) across top 10 priority ingredients
- Develops a sustainability scorecard for each ingredient and quantifies impact by geography across several focus areas including farmer incomes, farmer training, traceability, women's empowerment, children's education, and nutrition



Source: https://globalresponsibility.generalmills.com/2018/images/General_Mills-Global_Responsibility_2018.pdf, p. 30-31

SUPPLIER GOVERNANCE ASSESSMENT



Retail



UK

M&S

EST. 1884

HUMAN RIGHTS (GOVERNANCE AND MANAGING SALIENT ISSUES) CONTINUED

M&S FOOD SUPPLIER ETHICAL AUDITS 2017/18**

All direct M&S Food suppliers and our most important raw material suppliers are required to undertake ethical audits at a frequency determined by risk.

Continent	Supplier sites	Audited supplier sites	Workers at supplier sites	Audits	Improvements required	Improvements required per audit
Africa	31	7	15,350	7	25	3.6
Asia	51	24	43,669	26	109	4.2
Europe	962	251	233,677	264	1,124	4.3
North America	19	0	4,980	0	0	0
Oceania	32	0	30,777	0	0	0
South America	28	6	7,980	6	32	5.3
Total	1123	288	336,433	303	1,290	4.3



TYPES OF IMPROVEMENT REQUIRED

	% to total
1 Health and safety	49
2 Working hours	12
3 Regular employment	8
4 Wages	11
5 Other	20



M&S CLOTHING & HOME SUPPLIER ETHICAL AUDITS 2017/18**

All direct M&S Clothing & Home suppliers are required to undertake ethical audits at a frequency determined by risk.

Continent	Supplier sites	*Audited supplier sites	Workers at supplier sites	*Audits	*Improvements required	Improvements required per audit
Africa	17	13	12,907	15	76	5.1
Asia	956	566	653,852	679	2,181	3.2
Europe	297	130	68,068	144	524	3.6
North America	3	1	1,077	1	4	4.0
Oceania	0	0	0	0	0	0
South America	1	1	10	1	5	5.0
Total	1,274	711	735,914	840	2,790	3.3

* Figures lower than last year due to a transition to a longer audit window of 3 months.



TYPES OF IMPROVEMENT REQUIRED

	% to total
1 Health and safety	57
2 Working hours	13
3 Regular employment	2
4 Wages	12
5 Other	16



** Assured by DNV GL

- Shares results of ethical audits for supply chain by geography, across each business divisions
- Reports number of audits and improvements across several metrics as well as types of improvements required including health & safety, working hours, regular employment, and wages.



Source: <https://corporate.marksandspencer.com/documents/reports-results-and-publications/plan-a-reports/plan-a-report-2018.pdf>, p. 21

SUPPLIER AUDIT RESULTS



Retail



US



FY18 Audits	Amount
Factory Count (non-U.S.)	180
Number of Third Party-led Audits	110
Number of Best Buy-led Audits	28
Total Number of Audits	138

FY18 Audit Category	Practices Compliance	Management Compliance
Labor	67%	79%
Health and Safety	61%	94%
Environment	77%	87%
Ethics	100%	84%
Management System	100%	78%

- Shares supplier audit results, identifies scope (factory number) as well as number of third party and company-led audits.
- Reports audit results based on practices and management compliance across several categories including labor, health & safety, environment, ethics, and management system



Source: <https://corporate.bestbuy.com/wp-content/uploads/2018/06/FY18-full-report-FINAL.pdf>, p. 42-43

SELF-ASSESSMENT AND AUDIT



Machinery & Equipment



UK



	Categories of reference ¹	Self-assessment	Audit
COMPLIANCE AND ETHICS	Corruption	SO	○
	Training	LA	○
	Supplier training	LA	○
	Conflict of interest	SO	○
	Supplier ethics	SO	○
	Risk assessment	SO	○
	Intellectual property protection program	SO	○
	Intellectual property violations	SO	○
	Contractual requirements	SO	○
	DIVERSITY	Organization	LA
Employee policy		LA	○
Supplier policy		LA	○
Training		LA	○
Supplier training		LA	○
Corporate diversity strategy		LA	○
Supplier diversity metrics		LA	○
HEALTH AND SAFETY	System	LA	○
	Substances of concern (SoC)	LA	○
	Audits	LA	○
	Employee involvement	LA	○
	Training	LA	○
	Supply chain	LA	○
	Emergency response	LA	○
	Emergency planning	LA	○
GENERAL	Industry associations	SO	○
	Industry training	LA	○
	Stakeholders	SO	○
	Sustainable purchasing	SO	○
	Recognition	SO	○
	Conflict minerals	HR	○
	Community development	SO	○

¹ EN: Environment
 LA: Labor practices
 HR: Human rights
 SO: Impacts on society



In 2018, almost 2,300 suppliers (accounting for approximately 88% of direct material purchases) were invited to access the online sustainability self-assessment questionnaire available via the Supplier Portal (see page 162). The questionnaire was completed by 604 suppliers (accounting for approximately 51% of direct material purchases). The average score achieved (72/100) confirmed that social and environmental issues were being properly addressed. Results were essentially in line with the previous year's findings, confirming the widespread implementation of sustainability initiatives, with a significant number of suppliers adopting their own social and environmental systems, setting specific targets, and drafting periodic reports. No critical issues involving collective bargaining, child labor, or forced/compulsory labor were reported in 2018.

- Sustainability audits for supply chain are performed either by Company Supplier Quality Engineers or independent external auditors.
- Shares assessment criteria for self-assessment and audit, across a detailed set of sustainability topics under human rights, environment, compliance & ethics, diversity, and health & safety
- Reports results and evaluation of results



Source: <https://preview.thenewsmarket.com/Previews/CNHA/DocumentAssets/536277.pdf>, p. 160

SELF-ASSESSMENT AND AUDIT



Machinery & Equipment



UK



Sustainability audits are performed at suppliers' plants by either Company Supplier Quality Engineers (SQEs) or independent external auditors. Audits, which are organized in agreement with the suppliers, aim at verifying the information submitted via the self-assessment questionnaires and at defining possible improvement plans where necessary. Each supplier selects representatives within its organization (usually from HR, Safety, Environment, and Quality) to take part in the audits, as well as a representative manager. Should audit findings reveal critical issues to be addressed, joint action plans are drawn up with the suppliers to define:

- improvement areas (e.g., implementation of internal procedures in line with sustainability principles)
- responsibilities (which could entail organizational changes)
- corrective measures (e.g., targeted training programs)
- timeframes for action plans.

Action plans are monitored via follow-ups between supplier and auditor; through a structured process supported by an IT system. Any non-compliance is brought to the attention of the Suppliers Sustainability Compliance Committee (see page 44), which determines the actions to be taken against the defaulting supplier. A specific operational procedure is in place to monitor supplier compliance.

The levels of supplier compliance and respective action plans are documented in a dedicated system accessible via the Supplier Portal (see page 162), and results are available to all employees engaged in supplier management. Every month, the Supply Quality Performance (SQP) system draws up a Supplier Scorecard, containing qualitative information and the scores from sustainability assessments. This information, along with each supplier's financial, technical, and logistics data, makes up the Summary by Plan document used to assign new orders.

ASSESSMENT CRITERIA

		Categories of reference ¹⁾	Self-assessment	Audit
HUMAN RIGHTS	Company code of conduct	HR	○	○
	Supplier code of conduct	SO	○	○
	Supplier facilities	HR	○	○
	Supplier working conditions and practices	LA	○	○
	Supplier contract	HR	○	○
ENVIRONMENT	Environmental management system	EN	○	○
	Waste	EN	○	
	Metrics	EN	○	○
	Greenhouse gases (GHG)	EN	○	○
	Prevention	EN	○	
	Emergency planning	EN	○	○
	Regulatory tracking	EN	○	
	Training	EN	○	○
	Supplier training	LA	○	
	Environmental policy	EN	○	
	Environmental strategy	EN	○	
	Audit	EN	○	○
	Land and water conservation	EN	○	
	Verification	EN	○	
	Water policy	EN	○	
	Water targets	EN	○	
	Wetlands	EN	○	
	Water-stressed areas	EN	○	
Logistics processes	EN	○		
Logistics targets	EN	○		
Disposable packaging	EN	○		

¹⁾ EN: Environment
 LA: Labor practices
 HR: Human rights
 SO: Impacts on society.

- Sustainability audits for supply chain are performed either by Company Supplier Quality Engineers or independent external auditors.
- Shares assessment criteria for self-assessment and audit, across a detailed set of sustainability topics under human rights, environment, compliance & ethics, diversity, and health & safety
- Reports results and evaluation of results



Source: <https://preview.thenewsmarket.com/Previews/CNHA/DocumentAssets/536277.pdf>, p. 159

SUPPLY CHAIN SUSTAINABILITY PERFORMANCE



Retail



UK



Actions and KPIs.

Sourcing.

Action	KPI	Latest result	Year	Progress
1 Lead the industry in addressing the sustainability challenges in our supply chains starting with our most important products and ingredients.	We aim to lead the industry in addressing the sustainability challenges in our supply chains, starting with our top 20 products and ingredients. An update on progress against our top 20 can be found at www.tescopl.com/top20 . We share good practice with industry, convene peers and collaborate with experts where needed. Through our first biannual independent survey, 200 experts rated us +0.19 on a scale of -2 to +2 for our performance in leading the industry on sustainability.			●○○○
2 Build trusted partnerships with our suppliers.	Percentage of suppliers satisfied with working with Tesco (Supplier Viewpoint).	Group: 77.5%	H2 2018/19	●●●●
3 Ensure international human rights standards are respected at all our suppliers' sites.	Percentage of high-risk tier 1 supplier sites having had an audit in the last year.	UK: 98%	2018/19	●●●○
	Percentage of high-risk tier 1 supplier sites where critical non-conformances have been identified.	UK: 63%	2018/19	●●●○
	Percentage of tier 1 high-risk sites where critical non-conformances have been identified and mitigation or remediation processes implemented on time.	UK: 89%	2018/19	●●●○
4 Focus on the most serious risks to workers throughout our supply chains, working transparently with NGOs, unions and others to identify and address them.	Number of collaborative initiatives to address entrenched risks.	Group: 24	2018/19	●●●○
5 Support sourcing communities facing complex social and environmental challenges.	We are working with our clothing and general merchandise suppliers to benefit workers, their families and disadvantaged groups in our sourcing countries. Last year our projects, including financial literacy training for women and scholarships for workers' children, benefited over 150,000 people. In our food sourcing, the Tesco and Community Fund in Southern Africa and the Equapak Foundation in Ecuador also continue to support community-based projects linked to our supply chains.			●○○○
6 Reduce supply chain carbon emissions by 7% by 2020.	Percentage reduction in manufacturing supply chain emissions (Baseline 2015/16).	UK: 6.2% reduction	2017/18	●●●○
	Percentage of key suppliers measuring agricultural emissions.	UK: 50%	2018/19	●●●○
7 Achieve zero net deforestation in our sourcing of raw materials by 2020.	Percentage of palm oil (tonnes) certified to Roundtable on Sustainable Palm Oil (RSPO) standard.	UK: 100% ROI: 100% Central Europe: 100% Asia: 37%	2018	●●●○
	Percentage of paper/wood products certified by Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC) or from a recycled source.	UK: 87%	2018	●●●○
	Percentage of soy (tonnes) for whole chicken products meeting our Zero Deforestation Soy Transition Plan	UK: 77%	2018	●●●○
8 Sustainably source all our wild fish.	Percentage of wild-caught seafood certified by the Marine Stewardship Council (tonnes).	UK: 72%	2018	●●●○
9 Improve water and biodiversity impacts in key agricultural regions.	Number of key suppliers with sustainable agriculture projects underway.	UK: 25	2018/19	●○○○
10 Treat all animals in our supply chain humanely at all life stages.	Percentage of audited sites that meet our animal welfare standards.	UK: 86%	2018/19	●●●○

Key

Early stages
●○○○

Further progress needed
●●○○

Good progress
●●●○

Goal achieved
●●●●

For more information on the definition of each progress status, see page 9.



Further details and commentary on our KPIs can be found at: www.tescopl.com/kpis201819.

- Clearly articulates actions, KPIs, results and progress against goals across a variety of areas related to sourcing



Source: https://www.tescopl.com/media/754529/little-helps-plan-report-2019_final.pdf, p. 18

ENVIRONMENTAL SUSTAINABILITY ROADMAP



Retail



US

GAP

Supplier Sustainability

ASSESSMENT + REMEDIATION

SUPPLIER PERFORMANCE

We analyze our suppliers' performance against our Code of Vendor Conduct (COVC) and use the consolidated, country-level results to track and analyze progress or areas of concern for these issues. Our analysis showed that we resolved 88 percent of issues within 12 months, for ones that were open as of Feb. 2, 2018. As we monitor areas of concern for emerging issues or trends, we partner with our suppliers to implement changes to our systems or develop new policies or programs.



Code of Vendor Conduct Issues Resolved within 12 months

RESOLUTION OF FACILITY COVC ISSUES OPEN AS OF 2/1/2018

	2/1/2018		5/1/2018 (3 months)		8/1/2018 (6 months)		1/31/2019 (12 months)		
	Open Issues	Open Issues	Resolved	%	Open Issues	Resolved	%	Open Issues	Resolved
Bangladesh	457	375	18%		201	56%		79	83%
Cambodia	281	238	15%		178	37%		70	75%
China	602	293	51%		156	74%		60	90%
Guatemala	1	0	100%		0	100%		0	100%
India	371	303	18%		185	50%		90	76%
Indonesia	462	286	38%		98	79%		21	95%
Pakistan	177	80	55%		63	64%		10	94%
Sri Lanka	104	95	9%		48	54%		19	82%
Vietnam	743	538	28%		320	57%		43	94%
Others	191	152	20%		91	52%		11	94%
Total	3,389	2,360	30%		1,340	60%		403	88%

- Reports supplier sustainability assessment and remediation results by geography
- Identifies number of issues and percentage resolved for each country



Source: <https://www.gapinc.com/sites/default/files/Gap%20Inc%20Report%202018.pdf>, p. 31

LEARNING AND DEVELOPMENT

Integrating sustainability into the **organization's processes and culture** requires a **continuous learning climate**. Lessons learned should be utilized to improve decision-making processes, skills gaps and required mindset changes need to be addressed through trainings and sustainability practices need to be integrated into the company's culture. To assess whether the learning culture is sustained throughout the cycle, we seek any evidence of learning and improvements in performance of sustainability efforts.

Training programs to address the skill and mindset gap should include ESG (eg. Compliance, unconscious bias). **Developments** to address organizational processes can include organizational development (incorporating lessons learned into orientation, education, promotion, compensation processes), changes in incentive mechanisms, reporting resources allocated for improvements, improving stakeholder engagement or mobilizing collective action in areas where the company's resources would fall short (especially with respect to SDGs).

Recommendations

1. **Adopt a learning mindset, it is a journey:** Sustainability is a continuous journey. To improve the quality of the journey, a learning mindset and environment are essential. Lessons learned should be utilized to improve decision-making processes, skill gaps and required mindset changes need to be addressed through trainings and sustainability practices need to be integrated into the company's processes.
2. **Train your workforce in ESG:** Ensure coverage of learning initiatives across related sustainability areas (eg: climate change, unconscious bias, compliance). (EXAMPLE: MAHINDRA&MAHINDRA)
3. **Report results by geography, cover management and employees:** What is being done in different levels and jurisdictions of the company matters, the entire organization should step-up to embrace sustainability as a way of doing business. Detailed disclosure on these practices signal to investors that the company is taking action to develop its human capital in sustainability. (EXAMPLE: EVONIK)

4. **Think of building capacity in your ecosystem:** Companies should ensure their training and action plans encompass a wide range of stakeholders including supply chain and local communities. (EXAMPLE: DIAGEO)
5. **Establish a learning loop for continuous improvement by disclosing remedial action to address gaps:** Best-practice companies disclose gap assessment and how they plan to address gaps. (EXAMPLE: MARKS&SPENCER – Gender Pay Gap, MONDALEZ – Palm Oil, HERSHEY'S – Diversity Commitment)
6. **Provide board leadership and oversight for deployment:** Boards need to take action to ensure that the sustainability agenda of the corporation is an integral part of its culture and systems to assure learning and continuous improvement.
7. **Incorporate lessons learned into the organizations processes and culture:** For this purpose, the key sustainability issues need to be identified and incorporated into strategies, policies, objectives, and associated management systems with a particular view towards value creation opportunities.

Key Findings

Skills Development

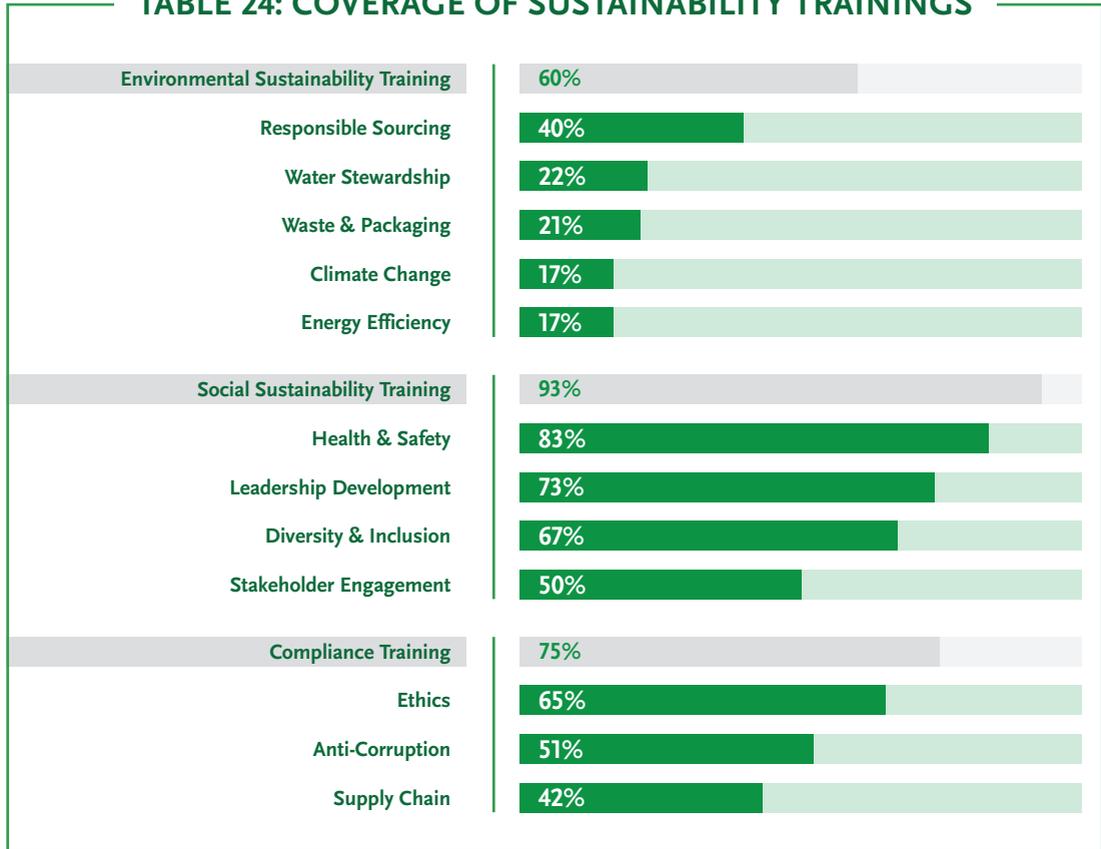
The complexity of managing sustainability calls for corporations to implement their sustainability agenda through a continuous learning process. Such a process needs to involve all stakeholders, in order to integrate sustainability into the culture of the organization. Only when all stakeholders are acting together in an ecosystem can goals such as human rights, non-discrimination, environmental or product stewardship be truly achieved.

For example, it is not sufficient to have the correct way of sourcing, unless you make sure your suppliers adopt the same standards of responsibility. This might require expanding training programs across the supply chain and/or customers. Therefore, we also evaluate whether coverage of the improvement initiatives encompass all relevant stakeholders including all levels of the organization, all geographies in the company's jurisdiction, supply chain and communities.

TABLE 23: SUSTAINABILITY TRAININGS

	Environmental	Social	Governance
Reports Trainings	60%	93%	75%
Reports Metrics for Training	46%	87%	58%
For Management	3%	75%	20%
For Employees	23%	31%	53%
By Geography	9%	84%	4%
For Supply Chain	19%	16%	25%
For Communities	25%	39%	4%

- 93% of companies report that they conduct trainings on social sustainability issues, while 75% report governance (compliance) and only 60% report environmental trainings. The majority of social sustainability trainings focus on employees and 83% consist of health & safety trainings.
- There is room for improvement in reporting training metrics and outcomes. We find that 87% of the companies in our sample report metrics for social trainings, while only 58% report governance training results and 46% report environmental training results.
- Social training results are given with a breakdown of geography in 84% of the reports we analyzed.
- Social training results are given mostly for management (75%) also for communities (39%) and employees (31%).
- There is significant room for improvement in reporting training results for communities and the supply chain, especially in terms of governance trainings. To establish trust between the institutions in their ecosystems, companies must take responsibility to improve transparency and governance in the environments in which they operate.
- There is very limited results sharing for environmental sustainability training for all stakeholders (<25%).

TABLE 24: COVERAGE OF SUSTAINABILITY TRAININGS

- Almost all the companies report sustainability training (93%): Highest for health & safety (83%) and leadership development (73%). There is room for improvement in diversity & inclusion trainings (67%) and stakeholder engagement (50%)
- Only 60% of Global Sustainability Leaders report environmental sustainability training: Highest for responsible sourcing (40%), below 20% for managing natural resource use and efficiency. Companies must invest in training their workforce, management and supply chain on climate change, energy efficiency, waste & packaging, and water stewardship.
- 75% of companies in our sample report compliance training: Only 42% include compliance training for supply chain.

Good Practice Examples

ENVIRONMENTAL SUSTAINABILITY ROADMAP



Automotive



India

Mahindra
Rise.

SUSTAINABILITY ROADMAP 2019 | STAKEHOLDER ENGAGEMENT - AD DEALERS

Commitment	Metrics	2016-17	F18 Target (2017-18)	Status F18	Responsibilities*
 SUSTAINABILITY AWARENESS TRAINING	Nos.	Training through E-learning (40 dealerships)	Refresher training (40 dealerships)	<ul style="list-style-type: none"> Dealers Sustainability Quiz. More than 300 Dealers participated Training and awareness material shared with all dealerships 	Dealership Manpower Training
 CO ₂ & WATER FOOTPRINT MAPPING AND REDUCTION	Nos.	Implementation of projects (40 dealerships)	Reduction by 3% (40 dealerships)	<ul style="list-style-type: none"> More than 200 dealerships have implemented LED, energy efficient appliance and capacitor panes in showrooms and workshop which resulted in reduction of more than 3%. ETP installed for water recycle commitment 	Zonal Heads
 WASTE MANAGEMENT INCLUSIVE OF OIL	Nos.	Initiatives for waste management (40 dealerships)	Initiatives for waste management (40 dealerships)	<ul style="list-style-type: none"> More than 300 dealerships are disposing their hazardous waste (oil) with authorised vendor Recycling of corrugated cartons and reuse of wooden waste is implemented as per MDEP survey 	Zonal Heads
 GREEN DEALER AWARD	Nos.	Assessment & Decl. of Green dealers	Assessment & Decl. of Green dealers	<ul style="list-style-type: none"> Green Dealership award will be given based on all sustainability parameters in the month of July 2018 	Sales Strategy

* AFS Sustainability team will facilitate

SUSTAINABILITY ROADMAP 2019 | STAKEHOLDER ENGAGEMENT - AFS SUPPLIERS

Commitment	Metrics	2016-17	F18 Target (2017-18)	Status F18	Responsibilities	
 SUSTAINABILITY AWARENESS	Nos.	125 Tier I Suppliers - MTWL, SD, MTBD, Construction Equipment	250 Tier I Suppliers - MTWL, SD, MTBD, Construction Equipment	<ul style="list-style-type: none"> 345 Tier 1 Suppliers trained on Sustainability through e-learning and classroom sessions 	SSU, SD SCM, AFS Sustainability	
 SUSTAINABILITY ASSESSMENT & IMPROVEMENT	Self-Assessment (IT Enabled)	%	100%	100%	<ul style="list-style-type: none"> Total 44 online assessment and 43 onsite sustainability assessment conducted 	CDMM (AD+FD), AFS Sustainability
	Onsite Assessment	Nos.	AD - 25 FD - 10	AD - 50 FD - 20		
 REDUCTION IN PACKAGING WASTE	Kg./eq. veh	AD	FD	AD	FD	AD DCM / SCM / FD SCM / SSU, AFS Sustainability
		Corrugated Box Waste	5% 8%	10% 16%	17% 39%	
		Wood Waste	5% 13%	26% 75%	15% 62%	
 SUSTAINABILITY BALANCE SCORE CARD (BSC)	Nos.	No. of suppliers AD - 30 FD - 20	No. of suppliers AD - 40 FD - 30	Sustainability BSC AD - 42 FD - 22	AD FD SCM/ AFS Sustainability	

- Shares environmental sustainability awareness training targets and results for different stakeholder groups including employees, dealers, and suppliers
- Development plan for suppliers includes sustainability assessment and improvement, waste reduction targets and sustainability balanced scorecard
- Development plan for dealers includes CO₂ and water footprint mapping and reduction, waste management initiatives and green dealer award "



Source: <https://www.mahindra.com/resources/pdf/sustainability/Mahindra-Sustainability-Report-2017-18.pdf>, p. 16

VALUE CHAIN APPROACH TO WOMEN EMPOWERMENT



Retail



UK

DIAGEO

Empowering and enabling communities through our programmes

In all our markets, we know that everything we do is connected to communities. As an alcohol business, we sell iconic brands responsibly to consumers; as a local employer, we provide jobs and pay taxes; and as a manufacturer, we use shared natural resources and purchase from local suppliers.

Our direct investment in programmes that support the communities where we source, make and sell our products must also reflect, and be connected to, our core business. That's why our programmes are designed to support the four main strands of our community strategy, which align with the SDGs:

- Promoting entrepreneurship, employability and skills (SDG4, SDG8)
- Building sustainable and inclusive supply chains (SDG1, SDG4)
- Improving health and wellbeing, and access to clean water, sanitation and hygiene (SDG3, SDG6)
- Empowering women and enabling inclusive societies (SDG5 and SDG10).

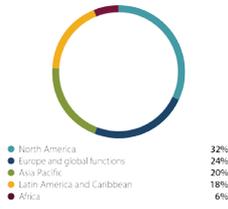
Target Our community programmes enable those who live and work in our communities, particularly women, to have the skills and resources to build a better future for themselves. We will evaluate and report on the tangible impacts of our programmes.

KPI Each programme has its own KPI.

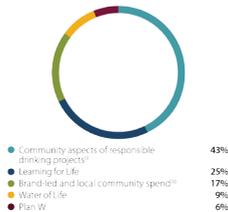
Progress toward 2020

- **Water of Life** has reached more than 10 million people in India and in 21 countries in Africa since 2006, including 234,000 this year. It is focused on access to water, sanitation and hygiene in line with SDG 6. Typically, we are implementing projects in rural areas that supply our raw materials, to ensure the programme is aligned with our core business.
- **Women's empowerment:** by applying a gender-inclusive approach across all of our community programmes, this year we reached more than 164,000 women in support of SDGs 5 and 10.
- **Learning for Life** supports vocational and life-skills training, and strengthens our value chain through its emphasis on hospitality, retail and entrepreneurship, while delivering long-term opportunities for the people involved. More than 130,000 people have taken part since we launched the programme in 2008, with typically more than 70% gaining permanent jobs. This year we trained 7,000 people globally. In May 2018, we published an independent evaluation of the programme's impact in the UK. The study, by researchers from the Business School of the University of Edinburgh, found that the programme had a positive impact on the graduates' perceptions of self-efficacy, self-esteem and self-confidence, and that 77% of participants felt that they had become more responsible drinkers.

Community investment by region



Community investment by focus area



(*) This is a sub-section of the total responsible drinking budget.
 (**) Category includes cause-related brand campaigns, local market going and disaster relief

A value chain approach to women's empowerment

We will only succeed in promoting inclusive growth if we enable women throughout our value chain to play an equal role in the economy and society – from the smallholder farmers who grow our raw materials, to the employees in our workplaces and distribution networks, to the people who serve our brands to consumers all over the world.

To date, our programmes such as Plan W have empowered more than 390,000 women with access to training and skills. But we know that there is an opportunity – and a need – to do more. No country has achieved gender equality, and we know that every value chain contains barriers to women's equal participation. That's why we are now applying a gender-inclusive approach to all our community initiatives; this year we reached more than 164,000 women through our programmes.

To magnify our impact, we are working in a global partnership with the NGO CARE International to address the root causes of gender inequality throughout our value chain through a combination of research, community programmes and advocacy.

In 2017, we worked with CARE on a gender analysis of our barley supply chain in Ethiopia, where we have developed local farming programmes. It showed that, despite expanding the number of supplier farmers from 1,047 to over 6,000 in four years, the proportion of female farmers increased by just 1% – largely a result of barriers to women's participation in the farmers' groups we work with and the land rights afforded to women. We're addressing this within our local sourcing programmes, enabling equal access to skills and resources for women farmers and supporting them within farmer unions and co-operatives.

Building a more interconnected approach

We're working to increase our impact by further integrating our programmes, core business activities, and partnerships using our Social Impact Framework (SIF) to identify and measure potential benefits. That means, for example, developing combined water and women's empowerment initiatives as part of our work with farmers in India and Africa.

Partnerships are key to this approach, and this year we worked with the UN Development Programme, the German government's development agency GIZ, CARE International and the NGO WaterAid, among others, to improve livelihoods in our value chain.

Highlight Clean water for everyone, everywhere

We believe everyone should have access to safe water and sanitation – and we're proud of our 15-year partnership with WaterAid, an NGO whose purpose is to make water, toilets and hygiene normal for everyone, everywhere. During the course of our partnership, we've brought clean water and sanitation to more than 300,000 people in Africa, including this year's project which is bringing safe water to 3,500 people in Kebbi, Nigeria. Together we are creating shared value by empowering and investing in communities and advocating for universal access to safe water, sanitation and hygiene at local, national and global levels.

- Shares gap analysis on women empowerment across the value chain through several different assessments and how the company plans to address gaps
- Shares partnership to address root causes of gender inequality throughout the value chain through a combination of research, community programs and advocacy
- Shares community investment results by focus area and by region "



GOVERNANCE TRAINING REPORTING



Chemicals



Germany



Compliance training and training rate^a

T06

	Antitrust law		Fighting corruption		Code of conduct	
	Training candidates, total	Training rate in %	Training candidates, total	Training rate in %	Training candidates, total	Training rate in %
Worldwide	4,497	74	11,445	83	30,984	77
Management functions	2,893	70	6,790	76	7,769	73
Management circle 1 ^b	127	85	177	50	177	49
Management circle 2 ^c	338	87	561	63	568	61
Management circle 3 ^d	2,428	67	6,052	78	7,024	75
Non-management functions	1,604	80	4,655	92	23,215	78
Functions						
Production & Technology	142	77	3,244	87	12,912	75
Innovation Management	633	77	1,751	90	4,846	86
Marketing & Sales	2,704	72	2,485	74	2,904	71
Administrative functions	1,018	75	3,965	81	8,870	78
Other functions ^e	0	0	0	0	1,452	67
Regions						
Asia-Pacific North (APN)	695	87	1,274	91	2,355	75
Asia-Pacific South (APS)	327	45	668	91	1,437	72
Middle East & Africa (MEA)	86	44	101	78	155	57
North America (NAM)	782	66	1,877	83	4,803	70
Eastern Europe (EEU)	122	60	174	76	298	50
Western Europe (EUW)	2,311	79	7,083	80	21,254	80
of which Germany	2,087	86	6,719	81	20,144	82
Central & South America (CSA)	174	63	268	80	681	49

^a The training rate is defined as the number of training candidates with a valid certificate relative to the total number of training candidates on December 31, 2018. All training reported in the system is included.

^b Management circle 1 = executive functions, i.e., senior management functions in the Evonik Group.

^c Management circle 2 = senior management functions, i.e., key functions in the segments, regions, service units, and corporate divisions.

^d Management circle 3 = further management functions.

^e Other functions = apprentices, apprentices outside Germany, non-permanent staff.

- Covers a wide range of compliance trainings including anti-trust law, anti-corruption, and compliance with Code of Conduct
- Shares training results including number of people trained and share by region, management, and function



Source: https://corporate.evonik.com/downloads/corporate/bpk/evonik_sustainability_report_2018.pdf, p. 32

Deployment

Achieving sustainability goals require mobilizing the workforce and ensuring a continuous learning mindset is embedded in the company’s processes. A successful deployment program requires establishing a framework for effective communication and learning for the employees and the members of the supply chain and establishing clear guidelines and remedies for those who fail to follow the corporation’s sustainability standards. The organization must incorporate sustainability issues into hiring and remuneration policies as well as supplier identification processes and make sure that the management information systems provide for adequate, appropriate, and verifiable data on key sustainability priorities.

Awareness of and responsibility for sustainability cannot be delegated to one segment of the organization. It must be firmly established at the top and inculcated throughout all levels and aspects of the company. And then it needs to be practiced as an integral part of doing business. Internal control systems, external reviews, and stakeholder engagement processes. Compliance requirements should all be utilized for continuous learning opportunities, rather than as tick the box compliance requirements.

TABLE 25: COVERAGE OF DEVELOPMENTS

	Performs gap analysis	Shares resources allocated for development	Takes Action Based on Lessons Learned
Shares for Organization	51%	75%	76%
Environmental	10%	51%	71%
Social	44%	74%	69%
Governance	16%	9%	26%
Shares by Stakeholder Group	42%	72%	72%
For Employees	38%	41%	60%
By Geography	2%	22%	23%
For Supply Chain	8%	43%	58%
For Communities	8%	70%	68%

- 76% take action based on learnings, 76% share resources allocated for development, but only 52% report gap analysis on sustainability issues: even lower for governance (16%) and environmental (10%) topics.
- Gap analysis is mostly done for employees – looking in, <10% of companies disclose gap analysis by geography, for supply chain and communities.
- Very low results disclosure by geography: Less than ¼ disclose results for actions and resources allocated, only 2% disclose gap analysis.

Good Practice Examples

COMMUNITY INVESTMENT AND IMPACT



Retail



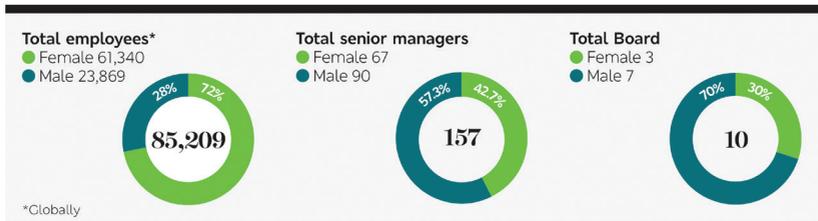
UK

M&S

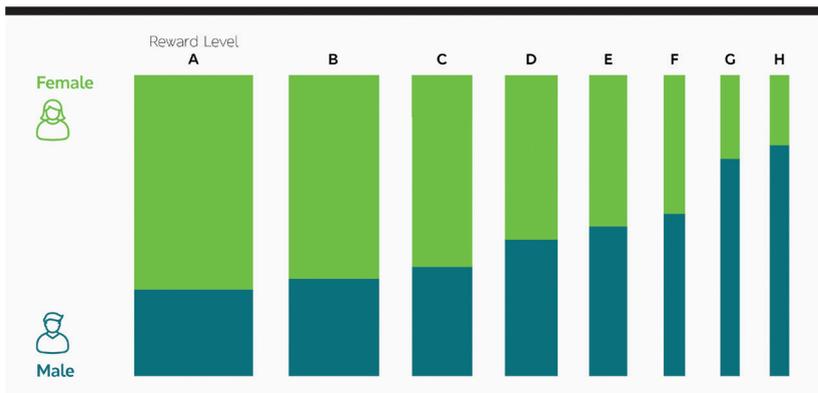
EST. 1884

UNDERSTANDING THE GAP

EMPLOYEE DIVERSITY AS AT 1 APRIL 2017



THE SHAPE OF M&S - THE PROPORTION OF COLLEAGUES AT EACH PAY LEVEL



- Performs gap analysis to determine development opportunities in gender equality by position and quantifies gender-pay gap
- Shares commitments and actions to address gender equality



Source: <https://corporate.marksandspencer.com/documents/reports-results-and-publications/gender-pay-gap-reporting/m-and-s-gender-pay-report>, p. 4

COMMUNITY INVESTMENT AND IMPACT



Food
Processors



US

Mondelēz
International

PALM OIL

We believe [sustainable palm oil](#) is important for the long-term growth of our business and should be accessible to all. We challenge our palm oil suppliers to meet our principles and exclude suppliers who don't. We don't just ask our suppliers to provide us with sustainable palm oil. We ask them to transform their entire supply chain.

We tackle deforestation through our [Palm Oil Action Plan](#). Our suppliers must implement traceability and more sustainable production practices. The plan further requires suppliers to improve practices across entire operations, and focuses on risk assessment and engagement of upstream suppliers to drive accountability for traded oil. Key provisions require suppliers to:

- Map and assess the risk for all supplying mills on Global Forest Watch, act on deforestation alerts and engage mills in high-risk areas
- Enable universal, group-wide concession mapping and monitoring for own operations and upstream suppliers
- Provide assurance that no deforestation occurs on their own concessions and exclude upstream suppliers who do not immediately cease deforestation
- Work with recognized third-party experts to protect labor rights and embed the [Consumer Goods Forum \(CGF\) Priority Industry Principles against Forced Labor](#) within their own operations and in engagement with upstream suppliers

At the end of 2018, we maintained 95+ percent traceable to the mill and 99% from suppliers with aligned policies across their entire supply base. In 2018, we published a list of [palm oil suppliers](#) we continue to work with and the [palm oil mills](#) in their [upstream supply chains](#).

When a supplier fails to meet the terms of our action plan, we start with the principle that it's better to fix a problem than to walk away from it. But when there is a significant breach of our principles, we exclude suppliers until the breach is put right. During 2017, we developed a grievance procedure with external input from [Proforest](#). We use this process to guide our responses and to drive reform or exclusion of responsible direct or third-party suppliers. As a consequence, we excluded 12 upstream companies from our supply in 2018.

There is still more work needed to prevent deforestation and there remains a gap between the current state and our goal of 100 percent sustainability and 100 percent transparency. In late 2018, we called for urgent action to protect forests and deliver benefits to people, ecosystems and the economies in producing countries.

- Identifies gap in supplier network and fosters development of suppliers through enforcement
- Excludes suppliers that do not meet the criteria

Source: https://www.mondelezinternational.com/~/_media/MondelezCorporate/uploads/downloads/2018_Impact_Progress_Report.pdf, p. 22

COMMUNITY INVESTMENT AND IMPACT



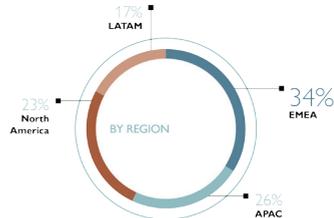
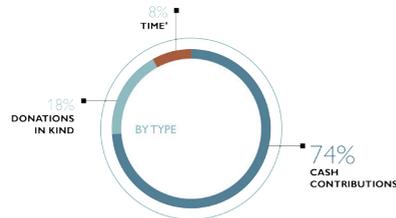
Machinery & Equipment



UK



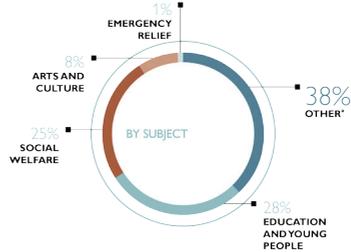
CONTRIBUTION TO LOCAL COMMUNITIES
CNH INDUSTRIAL WORLDWIDE



^(*) Represents the monetary value of hours of volunteer work carried out by employees during working hours (also includes initiatives where legal entities are fully or partially reimbursed through public funds).

^(**) Function names and rates as at December 31, 2018.

CONTRIBUTION TO LOCAL COMMUNITIES
CNH INDUSTRIAL WORLDWIDE



^(**) Also includes investments in economic development and the environment.

SOCIAL IMPACT ASSESSMENT OF MAIN PROJECTS

Project	Other KPIs	Evaluation of Benefit to				Reference Page
		People	Organization	Environment	Business	
LOCAL DEVELOPMENT INITIATIVES						
Telethon (Europe)	Amount given	2.3	2.7	1	3.8	110
Habitat for Humanity (USA)	Volunteering work hours	2.6	3.3	1	3.4	111
United Way (North America)	Amount given	3.7	3.9	1	3.5	111
Relay for Life (North America)	Amount given	2.3	3.7	1	3.4	113
YOUTH TRAINING						
TechPro ² (Ethiopia)	Young people involved	4	2.3	1	3.9	114
TechPro ² (Italy)	Young people involved	3.6	2.3	1	3.8	114
CDM (Brazil)	People involved	3.5	2.4	2	3.4	115
Gente de Bem (Brazil)	Young people involved	3.6	1.5	1.6	2.4	115
Pastoral do Menor (Brazil)	Young people involved	3.6	2.1	1.9	3	115
PROJECTS TO IMPROVE FOOD AVAILABILITY						
Advanced farming (Ghana)	Economic development	3.2	3.7	3.7	4.5	116
Irrigation power unit (Kenya)	Economic development	2.1	1.8	1.4	1.8	117
FFA (USA)	Amount given	2.8	3.6	1	4	117
PROJECTS TO COMBAT CLIMATE CHANGE						
Crop burning solution (India)	Economic development	1.2	1	3	3.6	118
FAO water management (Tunisia)	People involved	2.7	1.7	4	4	118

- Shares its community investment by type, geography, and topic
- Provides social impact assessment of main projects including local development initiatives, youth training, projects to improve food availability and projects to combat climate changes
- Quantifies impact on people, organization, environment, and business



Source: <https://preview.thenewsmarket.com/Previews/CNHA/DocumentAssets/536277.pdf>, p. 107-108-109

APPENDIX 1 – COMPANY SCORES

Company	Overall	Guidance	Implementation	Oversight	Learning	Initiatives
3M Co US, Chemicals	TIER 2	TIER 1	TIER 2	TIER 4	TIER 3	   
AbbVie Inc US, Pharmaceuticals	TIER 4	TIER 3	TIER 5	TIER 5	TIER 3	   
Adidas DE, Consumer Goods	TIER 1	TIER 2	TIER 1	TIER 1	TIER 1	   
AECI ZA, Chemicals	TIER 5	TIER 4	TIER 5	TIER 4	TIER 5	   
AES Corp US, Utilities	TIER 3	TIER 4	TIER 3	TIER 2	TIER 4	   
Air Products & Chemcom US, Chemicals	TIER 2	TIER 3	TIER 3	TIER 1	TIER 2	   
Alcoa Corp US, Natural Resources	TIER 4	TIER 2	TIER 4	TIER 4	TIER 5	   
American Water Works US, Utilities	TIER 4	TIER 4	TIER 4	TIER 4	TIER 3	   
Anadolu Efes TR, Food Processors	TIER 3	TIER 3	TIER 3	TIER 5	TIER 3	   
Anglo American Kumba ZA, Natural Resources	TIER 1	TIER 1	TIER 3	<u>TIER 1</u>	TIER 1	   
Anglo American Platinum ZA, Natural Resources	TIER 3	TIER 1	TIER 4	TIER 3	TIER 3	   
Anglogold Ashanti ZA, Natural Resources	TIER 1	TIER 1	TIER 1	TIER 2	TIER 1	   
AB InBev DE, Food Processors	TIER 2	TIER 3	TIER 1	TIER 2	TIER 1	   
Antofagasta UK, Natural Resources	TIER 1	TIER 3	TIER 2	<u>TIER 1</u>	<u>TIER 1</u>	   
Aptiv US, Automotive	TIER 5	TIER 5	TIER 5	TIER 5	TIER 5	   
Archer-Daniels-Midland US, Food Processors	TIER 4	TIER 2	TIER 5	TIER 2	TIER 5	   
Ashok Leyland IN, Automotive	TIER 2	TIER 3	TIER 1	TIER 3	TIER 3	   

Highlighted companies and tiers indicate “top performers”

SUSTAINABILITY GOVERNANCE SCORECARD 2020

Company	Overall	Guidance	Implementation	Oversight	Learning	Initiatives
Asian Paints IN, Chemicals	TIER 5	TIER 5	TIER 5	TIER 3	TIER 3	
Aspen Pharmacare ZA, Pharmaceuticals	TIER 2	TIER 3	TIER 1	TIER 2	TIER 1	
Associated British Foods UK, Food Processors	TIER 1	TIER 1	TIER 2	TIER 2	TIER 1	
AstraZeneca UK, Pharmaceuticals	TIER 1	TIER 1	TIER 1	TIER 1	TIER 1	
Avenue Supermarts IN, Retail	TIER 5	TIER 5	TIER 5	TIER 5	TIER 3	
Aygaz TR, Natural Resources	TIER 3	TIER 2	TIER 2	TIER 5	TIER 3	
B&M UK, Retail	TIER 5	TIER 5	TIER 5	TIER 5	TIER 5	
Baker Hughes US, Natural Resources	TIER 4	TIER 4	TIER 3	TIER 5	TIER 4	
BASF DE, Chemicals	TIER 1	TIER 1	TIER 1	TIER 3	TIER 1	
Bayer DE, Pharmaceuticals	TIER 4	TIER 2	TIER 5	TIER 3	TIER 4	
Beiersdorf DE, Consumer Goods	TIER 2	TIER 2	TIER 2	TIER 2	TIER 2	
Best Buy US, Retail	TIER 1	TIER 2	TIER 1	TIER 1	TIER 2	
Bharti Airtel IN, Telecommunication	TIER 2	TIER 1	TIER 3	TIER 2	TIER 3	
BHP Billiton ZA, Natural Resources	TIER 1	TIER 1	TIER 1	TIER 1	TIER 1	
BMW DE, Automotive	TIER 2	TIER 2	TIER 1	TIER 4	TIER 3	
Brenntag DE, Chemicals	TIER 4	TIER 5	TIER 4	TIER 3	TIER 2	
Bristol-Myers Squibb US, Pharmaceuticals	TIER 1	TIER 1	TIER 3	TIER 2	TIER 1	
Britannia Industries IN, Food Processors	TIER 5	TIER 5	TIER 5	TIER 5	TIER 5	

Highlighted companies and tiers indicate “top performers”

SUSTAINABILITY GOVERNANCE SCORECARD 2020

Company	Overall	Guidance	Implementation	Oversight	Learning	Initiatives
B+T Group UK, Telecommunication	TIER 1	TIER 1	TIER 1	TIER 1	TIER 1	
Burberry Group UK, Consumer Goods	TIER 2	TIER 1	TIER 2	TIER 3	TIER 1	
Cadila Healthcare IN, Pharmaceuticals	TIER 5	TIER 5	TIER 5	TIER 4	TIER 3	
Campbell Soup US, Food Processors	TIER 1	TIER 1	TIER 1	TIER 1	TIER 1	
Caterpillar US, Machinery & Equipment	TIER 4	TIER 3	TIER 3	TIER 2	TIER 5	
Centrica UK, Utilities	TIER 1	TIER 1	TIER 3	TIER 1	TIER 2	
China Everbright Intl CN, Utilities	TIER 2	TIER 2	TIER 1	TIER 3	TIER 4	
China Gas Holdings CN, Utilities	TIER 3	TIER 4	TIER 1	TIER 3	TIER 3	
China Mobile CN, Telecommunication	TIER 1	TIER 1	TIER 1	TIER 3	TIER 3	
China Resources Gas Grp CN, Utilities	TIER 3	TIER 4	TIER 2	TIER 2	TIER 2	
China United CN, Telecommunication	TIER 5	TIER 4	TIER 5	TIER 5	TIER 4	
China Yangtze Power CN, Utilities	TIER 5	TIER 5	TIER 3	TIER 5	TIER 4	
Cipla IN, Pharmaceuticals	TIER 4	TIER 4	TIER 5	TIER 4	TIER 5	
Clicks Group ZA, Retail	TIER 3	TIER 4	TIER 2	TIER 2	TIER 3	
CLP Holdings CN, Utilities	TIER 1	TIER 1	TIER 1	TIER 3	TIER 1	
CNH Industrial UK, Machinery & Equipment	TIER 3	TIER 3	TIER 4	TIER 3	TIER 2	
Coal India IN, Natural Resources	TIER 5	TIER 4	TIER 4	TIER 5	TIER 5	
Coca-Cola İçecek TR, Food Processors	TIER 1	TIER 1	TIER 1	TIER 2	TIER 1	

Highlighted companies and tiers indicate “top performers”

SUSTAINABILITY GOVERNANCE SCORECARD 2020

Company	Overall	Guidance	Implementation	Oversight	Learning	Initiatives
Coca-Cola European Partners UK, Food Processors	TIER 2	TIER 1	TIER 1	TIER 4	TIER 3	
Coca-Cola HBC UK, Food Processors	TIER 1	TIER 1	TIER 1	TIER 1	TIER 2	
Colgate-Palmolive IN, Consumer Goods	TIER 5	TIER 5	TIER 5	TIER 3	TIER 5	
Colgate-Palmolive Co US, Consumer Goods	TIER 2	TIER 2	TIER 2	TIER 2	TIER 2	
Conagra Brands US, Food Processors	TIER 4	TIER 3	TIER 5	TIER 3	TIER 4	
ConocoPhillips US, Natural Resources	TIER 2	TIER 4	TIER 1	TIER 1	TIER 2	
Continental DE, Automotive	TIER 5	TIER 5	TIER 5	TIER 5	TIER 5	
Covestro DE, Chemicals	TIER 2	TIER 1	TIER 2	TIER 3	TIER 2	
Croda International UK, Chemicals	TIER 1	TIER 1	TIER 1	TIER 3	TIER 1	
Cummins US, Machinery & Equipment	TIER 1	TIER 1	TIER 1	TIER 1	TIER 1	
Dabur India IN, Consumer Goods	TIER 4	TIER 5	TIER 3	TIER 5	TIER 2	
Deere & Co US, Machinery & Equipment	TIER 5	TIER 5	TIER 5	TIER 5	TIER 5	
Deutsche Telekom DE, Telecommunication	TIER 2	TIER 2	TIER 2	TIER 5	TIER 1	
Diageo UK, Food Processors	TIER 1	TIER 1	TIER 1	TIER 2	TIER 1	
Dongfang Electric Corp CN, Machinery & Equipment	TIER 5	TIER 5	TIER 5	TIER 5	TIER 5	
Dover Corp US, Machinery & Equipment	TIER 5	TIER 5	TIER 5	TIER 5	TIER 5	
Dr Reddy's Laboratories IN, Pharmaceuticals	TIER 1	TIER 1	TIER 1	TIER 1	TIER 1	
DuPont US, Chemicals	TIER 5	TIER 4	TIER 5	TIER 5	TIER 5	

Highlighted companies and tiers indicate “top performers”

SUSTAINABILITY GOVERNANCE SCORECARD 2020

Company	Overall	Guidance	Implementation	Oversight	Learning	Initiatives
E.On SE DE, Utilities	TIER 5	TIER 4	TIER 5	TIER 4	TIER 5	
Eaton Corp US, Machinery & Equipment	TIER 3	TIER 3	TIER 4	TIER 2	TIER 3	
Ecolab US, Chemicals	TIER 5	TIER 4	TIER 5	TIER 4	TIER 5	
Edison International US, Utilities	TIER 3	TIER 4	TIER 4	TIER 4	TIER 1	
Emerson Electric US, Machinery & Equipment	TIER 4	TIER 5	TIER 3	TIER 3	TIER 3	
ENN Energy Holdings CN, Utilities	TIER 2	TIER 1	TIER 1	TIER 5	TIER 2	
Entergy Corp US, Utilities	TIER 3	TIER 3	TIER 2	TIER 5	TIER 3	
Evonik Industries DE, Chemicals	TIER 1	TIER 1	TIER 1	TIER 1	TIER 2	
Exelcor Corp US, Utilities	TIER 1	TIER 3	TIER 1	TIER 1	TIER 1	
Exide Industries IN, Natural Resources	TIER 5	TIER 5	TIER 5	TIER 4	TIER 3	
Exxaro Resources ZA, Natural Resources	TIER 1	TIER 1	TIER 1	TIER 1	TIER 1	
Ford Otosan TR, Automotive	TIER 2	TIER 4	TIER 2	TIER 4	TIER 1	
Freetnet Group DE, Telecommunication	TIER 5	TIER 5	TIER 5	TIER 5	TIER 5	
Gail India IN, Utilities	TIER 2	TIER 4	TIER 2	TIER 1	TIER 1	
Gap Inc US, Retail	TIER 1	TIER 1	TIER 1	TIER 1	TIER 1	
GEA Group DE, Machinery & Equipment	TIER 3	TIER 4	TIER 3	TIER 2	TIER 4	
General Mills US, Food Processors	TIER 2	TIER 2	TIER 2	TIER 2	TIER 3	
General Motors US, Automotive	TIER 3	TIER 1	TIER 5	TIER 2	TIER 3	

Highlighted companies and tiers indicate “top performers”

SUSTAINABILITY GOVERNANCE SCORECARD 2020

GlaxoSmithKline UK, Pharmaceuticals	TIER 1	TIER 2	TIER 1	TIER 1	TIER 2	
Glencore ZA, Natural Resources	TIER 2	TIER 1	TIER 2	TIER 2	TIER 4	
Godrej Consumer Products IN, Consumer Goods	TIER 2	TIER 2	TIER 1	TIER 2	TIER 4	
Gold Fields ZA, Natural Resources	TIER 1	TIER 2	TIER 1	TIER 1	TIER 1	
Greggs UK, Retail	TIER 3	TIER 3	TIER 3	TIER 3	TIER 2	
Guangdong Investment CN, Utilities	TIER 3	TIER 4	TIER 3	TIER 4	TIER 3	
Hain Celestial Group US, Food Processors	TIER 4	TIER 5	TIER 4	TIER 3	TIER 4	
Harmony ZA, Natural Resources	TIER 1	TIER 1	TIER 2	TIER 3	TIER 1	
Havells India IN, Machinery & Equipment	TIER 2	TIER 2	TIER 1	TIER 3	TIER 3	
HELLA DE, Automotive	TIER 5	TIER 5	TIER 5	TIER 5	TIER 5	
Henkel DE, Consumer Goods	TIER 1	TIER 1	TIER 1	TIER 3	TIER 2	
Hero MotoCorp IN, Automotive	TIER 2	TIER 1	TIER 3	TIER 1	TIER 1	
Hershey's US, Food Processors	TIER 1	TIER 1	TIER 2	TIER 1	TIER 1	
Hess Corp US, Natural Resources	TIER 1	TIER 1	TIER 1	TIER 1	TIER 1	
Hikma Pharmaceuticals UK, Pharmaceuticals	TIER 4	TIER 4	TIER 3	TIER 3	TIER 4	
Hindalco Industries IN, Natural Resources	TIER 4	TIER 4	TIER 3	TIER 5	TIER 5	
HK & China Gas CN, Utilities	TIER 5	TIER 4	TIER 5	TIER 5	TIER 5	
Honeywell International US, Machinery & Equipment	TIER 5	TIER 5	TIER 5	TIER 3	TIER 4	

Highlighted companies and tiers indicate “top performers”

Hugo Boss DE, Retail	TIER 2	TIER 2	TIER 2	TIER 3	TIER 1	   
IDEX Corp US, Machinery & Equipment	TIER 5	TIER 3	TIER 5	TIER 5	TIER 5	   
IMI UK, Machinery & Equipment	TIER 3	TIER 5	TIER 2	TIER 3	TIER 3	   
Impala Platinum ZA, Natural Resources	TIER 3	TIER 1	TIER 4	TIER 2	TIER 5	   
Ingersoll-Rand US, Machinery & Equipment	TIER 1	TIER 1	TIER 1	TIER 1	TIER 2	   
Intl Flavors & Fragrances US, Chemicals	TIER 2	TIER 3	TIER 1	TIER 2	TIER 2	   
Johnson Control Intl US, Machinery & Equipment	TIER 5	TIER 2	TIER 4	TIER 5	TIER 5	   
Johnson Matthey UK, Chemicals	TIER 5	TIER 4	TIER 5	TIER 3	TIER 4	   
K+S DE, Chemicals	TIER 5	TIER 4	TIER 4	TIER 5	TIER 5	   
Kellogg's US, Food Processors	TIER 1	TIER 2	TIER 1	TIER 2	TIER 2	   
KION Group DE, Machinery & Equipment	TIER 5	TIER 3	TIER 5	TIER 5	TIER 4	   
Kingfisher UK, Retail	TIER 1	TIER 1	TIER 1	TIER 3	TIER 1	   
Kumba Iron Ore ZA, Natural Resources	TIER 5	TIER 3	TIER 5	TIER 3	TIER 5	   
Lanxess DE, Chemicals	TIER 2	TIER 3	TIER 1	TIER 3	TIER 1	   
Lennox International US, Machinery & Equipment	TIER 5	TIER 5	TIER 5	TIER 5	TIER 5	   
Liberty Global US, Machinery & Equipment	TIER 3	TIER 4	TIER 2	TIER 3	TIER 3	   
Linde AG DE, Chemicals	TIER 5	TIER 3	TIER 5	TIER 5	TIER 5	   
Linde Plc US, Chemicals	TIER 1	TIER 1	TIER 1	TIER 2	TIER 1	   

Highlighted companies and tiers indicate “top performers”

SUSTAINABILITY GOVERNANCE SCORECARD 2020

Company	Overall	Guidance	Implementation	Oversight	Learning	Initiatives
LONGi Green Energy CN, Natural Resources	TIER 5	TIER 5	TIER 3	TIER 5	TIER 3	 <IR> GRI
Lupin IN, Pharmaceuticals	TIER 5	TIER 5	TIER 5	TIER 4	TIER 3	 <IR> GRI
Mahindra & Mahindra IN, Automotive	TIER 1	TIER 1	TIER 1	TIER 1	TIER 1	 <IR> GRI
Marico IN, Food Processors	TIER 2	TIER 1	TIER 2	TIER 2	TIER 2	 <IR> GRI
Marks & Spencer Group UK, Retail	TIER 1	TIER 1	TIER 2	TIER 3	TIER 1	 <IR> GRI
Maruti Suzuki IN, Automotive	TIER 2	TIER 4	TIER 1	TIER 1	TIER 2	 <IR> GRI
Metro DE, Retail	TIER 1	TIER 1	TIER 1	TIER 2	TIER 3	 <IR> GRI
Migros Ticaret TR, Retail	TIER 2	TIER 1	TIER 1	TIER 5	TIER 4	 <IR> GRI
MMI Holdings ZA, Machinery & Equipment	TIER 3	TIER 4	TIER 3	TIER 3	TIER 2	 <IR> GRI
Molson Coors Brewing US, Food Processors	TIER 3	TIER 2	TIER 1	TIER 5	TIER 1	 <IR> GRI
Mondelez International US, Food Processors	TIER 2	TIER 2	TIER 2	TIER 1	TIER 3	 <IR> GRI
Morrisons UK, Retail	TIER 4	TIER 3	TIER 3	TIER 4	TIER 4	 <IR> GRI
Motherson Sumi Systems IN, Automotive	TIER 5	TIER 5	TIER 5	TIER 4	TIER 3	 <IR> GRI
Mr Price Group ZA, Retail	TIER 5	TIER 4	TIER 5	TIER 4	TIER 5	 <IR> GRI
MTN Group ZA, Telecommunication	TIER 1	TIER 1	TIER 2	TIER 1	TIER 2	 <IR> GRI
National Grid UK, Utilities	TIER 1	TIER 1	TIER 1	TIER 1	TIER 2	 <IR> GRI
Nestle India IN, Food Processors	TIER 4	TIER 5	TIER 4	TIER 4	TIER 3	 <IR> GRI
Newmont Mining US, Natural Resources	TIER 1	TIER 1	TIER 1	TIER 1	TIER 3	 <IR> GRI

Highlighted companies and tiers indicate “top performers”

SUSTAINABILITY GOVERNANCE SCORECARD 2020

Company	Overall	Guidance	Implementation	Oversight	Learning	Initiatives
NEXT UK, Retail	TIER 3	TIER 3	TIER 1	TIER 4	TIER 2	
NMDC IN, Natural Resources	TIER 4	TIER 4	TIER 4	TIER 4	TIER 5	
NTPC IN, Utilities	TIER 2	TIER 3	TIER 1	TIER 2	TIER 2	
Ocado UK, Retail	TIER 4	TIER 4	TIER 3	TIER 4	TIER 2	
Omnia Holdings ZA, Chemicals	TIER 4	TIER 1	TIER 5	TIER 2	TIER 5	
Oshkosh Corp US, Machinery & Equipment	TIER 2	TIER 1	TIER 2	TIER 1	TIER 1	
Osram DE, Machinery & Equipment	TIER 3	TIER 3	TIER 2	TIER 3	TIER 3	
Parker-Hannifin US, Machinery & Equipment	TIER 5	TIER 5	TIER 5	TIER 4	TIER 4	
Pennon Group UK, Utilities	TIER 3	TIER 3	TIER 4	TIER 5	TIER 2	
Petkim TR, Chemicals	TIER 5	TIER 5	TIER 5	TIER 5	TIER 5	
Pick n Pay Stores ZA, Retail	TIER 1	TIER 1	TIER 1	TIER 1	TIER 3	
Pioneer Foods ZA, Food Processors	TIER 3	TIER 2	TIER 4	TIER 1	TIER 5	
Puma DE, Consumer Goods	TIER 2	TIER 2	TIER 1	TIER 4	TIER 2	
Reckitt Benckiser Group UK, Consumer Goods	TIER 1	TIER 1	TIER 1	TIER 1	TIER 1	
Richemont ZA, Consumer Goods	TIER 2	TIER 1	TIER 2	TIER 3	TIER 1	
Rio Tinto UK, Natural Resources	TIER 1	TIER 2	TIER 1	TIER 3	TIER 1	
Rotork UK, Machinery & Equipment	TIER 4	TIER 4	TIER 3	TIER 4	TIER 3	
Royal Dutch Shell UK, Natural Resources	TIER 2	TIER 4	TIER 2	TIER 2	TIER 1	

Highlighted companies and tiers indicate “top performers”

SUSTAINABILITY GOVERNANCE SCORECARD 2020

Company	Overall	Guidance	Implementation	Oversight	Learning	Initiatives
RWE DE, Utilities	TIER 5	TIER 5	TIER 5	TIER 5	TIER 3	
Sainsbury's UK, Retail	TIER 5	TIER 5	TIER 5	TIER 3	TIER 4	
Sasol ZA, Chemicals	TIER 2	TIER 1	TIER 2	TIER 1	TIER 5	
Schlumberger US, Natural Resources	TIER 2	TIER 3	TIER 2	TIER 2	TIER 1	
Sempra Energy US, Utilities	TIER 1	TIER 1	TIER 3	TIER 1	TIER 3	
Severn Trent UK, Utilities	TIER 1	TIER 1	TIER 1	TIER 1	TIER 1	
Shanghai Electric Group CN, Machinery & Equipment	TIER 5	TIER 5	TIER 5	TIER 5	TIER 5	
Sibanye Stillwater ZA, Natural Resources	TIER 1	TIER 2	TIER 2	TIER 1	TIER 1	
Siemens Germany DE, Machinery & Equipment	TIER 3	TIER 3	TIER 3	TIER 3	TIER 2	
Siemens India IN, Machinery & Equipment	TIER 5	TIER 5	TIER 5	TIER 3	TIER 3	
Smiths Group UK, Machinery & Equipment	TIER 3	TIER 4	TIER 4	TIER 3	TIER 3	
South32 ZA, Natural Resources	TIER 3	TIER 1	TIER 5	TIER 2	TIER 5	
Spirax Sarco UK, Machinery & Equipment	TIER 3	TIER 4	TIER 3	TIER 2	TIER 3	
SSE UK, Utilities	TIER 2	TIER 2	TIER 2	TIER 3	TIER 1	
Sun Pharma IN, Pharmaceuticals	TIER 5	TIER 5	TIER 5	TIER 4	TIER 5	
Symrise DE, Chemicals	TIER 4	TIER 4	TIER 3	TIER 5	TIER 4	
Tata Chemicals IN, Chemicals	TIER 2	TIER 3	TIER 2	TIER 2	TIER 2	
Tata Global Beverages IN, Food Processors	TIER 5	TIER 5	TIER 5	TIER 4	TIER 5	

Highlighted companies and tiers indicate “top performers”

SUSTAINABILITY GOVERNANCE SCORECARD 2020

Company	Overall	Guidance	Implementation	Oversight	Learning	Initiatives
Tata Motors IN, Automotive	TIER 1	TIER 3	TIER 1	TIER 1	TIER 1	
Tate & Lyle UK, Food Processors	TIER 5	TIER 5	TIER 5	TIER 5	TIER 4	
TE Connectivity US, Natural Resources	TIER 2	TIER 3	TIER 2	TIER 2	TIER 2	
TechnipFMC US, Natural Resources	TIER 5	TIER 5	TIER 5	TIER 5	TIER 2	
Telefónica Deutschland DE, Telecommunication	TIER 2	TIER 2	TIER 1	TIER 3	TIER 3	
Telkom SA SOC ZA, Telecommunication	TIER 5	TIER 2	TIER 5	TIER 3	TIER 5	
Tesco UK, Retail	TIER 1	TIER 1	TIER 1	TIER 1	TIER 1	
Tesla US, Automotive	TIER 5	TIER 5	TIER 3	TIER 4	TIER 3	
The Foschini Group ZA, Retail	TIER 4	TIER 3	TIER 4	TIER 3	TIER 3	
Tiger Brands ZA, Food Processors	TIER 2	TIER 2	TIER 3	TIER 1	TIER 1	
Titan Company IN, Consumer Goods	TIER 4	TIER 4	TIER 4	TIER 5	TIER 2	
Tofaş TR, Automotive	TIER 3	TIER 5	TIER 2	TIER 3	TIER 2	
Truworths International ZA, Retail	TIER 5	TIER 3	TIER 5	TIER 4	TIER 5	
Tüpraş TR, Natural Resources	TIER 3	TIER 4	TIER 2	TIER 4	TIER 3	
Türk Telekom TR, Telecommunication	TIER 5	TIER 5	TIER 5	TIER 5	TIER 4	
Turkcell TR, Telecommunication	TIER 5	TIER 3	TIER 5	TIER 5	TIER 5	
Ülker Bisküvi TR, Food Processors	TIER 2	TIER 1	TIER 2	TIER 4	TIER 4	
Unilever UK, Consumer Goods	TIER 1	TIER 1	TIER 1	TIER 1	TIER 1	

Highlighted companies and tiers indicate “top performers”

SUSTAINABILITY GOVERNANCE SCORECARD 2020

Company	Overall	Guidance	Implementation	Oversight	Learning	Initiatives
United Utilities Group UK, Utilities	TIER 1	TIER 1	TIER 3	TIER 1	TIER 1	
UPL IN, Chemicals	TIER 3	TIER 4	TIER 2	TIER 4	TIER 2	
Vedanta IN, Natural Resources	TIER 4	TIER 2	TIER 4	TIER 4	TIER 5	
Vipshop Holdings CN, Retail	TIER 2	TIER 4	TIER 1	TIER 2	TIER 3	
Vodacom Group ZA, Telecommunication	TIER 1	TIER 3	TIER 1	TIER 1	TIER 1	
Vodafone Group UK, Telecommunication	TIER 1	TIER 1	TIER 1	TIER 1	TIER 1	
Waste Management Inc US, Utilities	TIER 2	TIER 1	TIER 2	TIER 1	TIER 4	
Weir Group UK, Machinery & Equipment	TIER 3	TIER 5	TIER 2	TIER 3	TIER 2	
WHSmith UK, Retail	TIER 5	TIER 5	TIER 5	TIER 5	TIER 5	
Wood Group UK, Natural Resources	TIER 1	TIER 1	TIER 1	TIER 3	TIER 3	
Woolworths Holdings ZA, Retail	TIER 1	TIER 1	TIER 1	TIER 1	TIER 2	
Xylem Inc US, Machinery & Equipment	TIER 1	TIER 1	TIER 1	TIER 2	TIER 3	
Zalando DE, Retail	TIER 3	TIER 3	TIER 2	TIER 4	TIER 2	
Zoetis US, Pharmaceuticals	TIER 5	TIER 5	TIER 4	TIER 5	TIER 3	
Zorlu Enerji TR, Utilities	TIER 5	TIER 4	TIER 4	TIER 4	TIER 5	

Highlighted companies and tiers indicate “top performers”

APPENDIX 2 – METHODOLOGY

The Sustainability Governance Scorecard is an impact-research with a motivation to help improve the state of the world by measuring and learning from the peers. It is designed as an improvement tool for the companies to have a more sustainable future.

Sampling

The research mainly focuses on quality of decision making and governance of sustainability issues. The scope encompassed 212 different companies from 10 industries in 7 countries. The companies are trading at key sustainability stock exchanges which are signatories of Sustainable Stock Exchanges Initiative. The companies which have asset size higher than 1 Billion Dollar are selected and diversified by different initiatives and reporting schemes. Selected 10 industries are comparable across countries. Financial and technology companies are not selected due to their regulatory standards may vary by country.

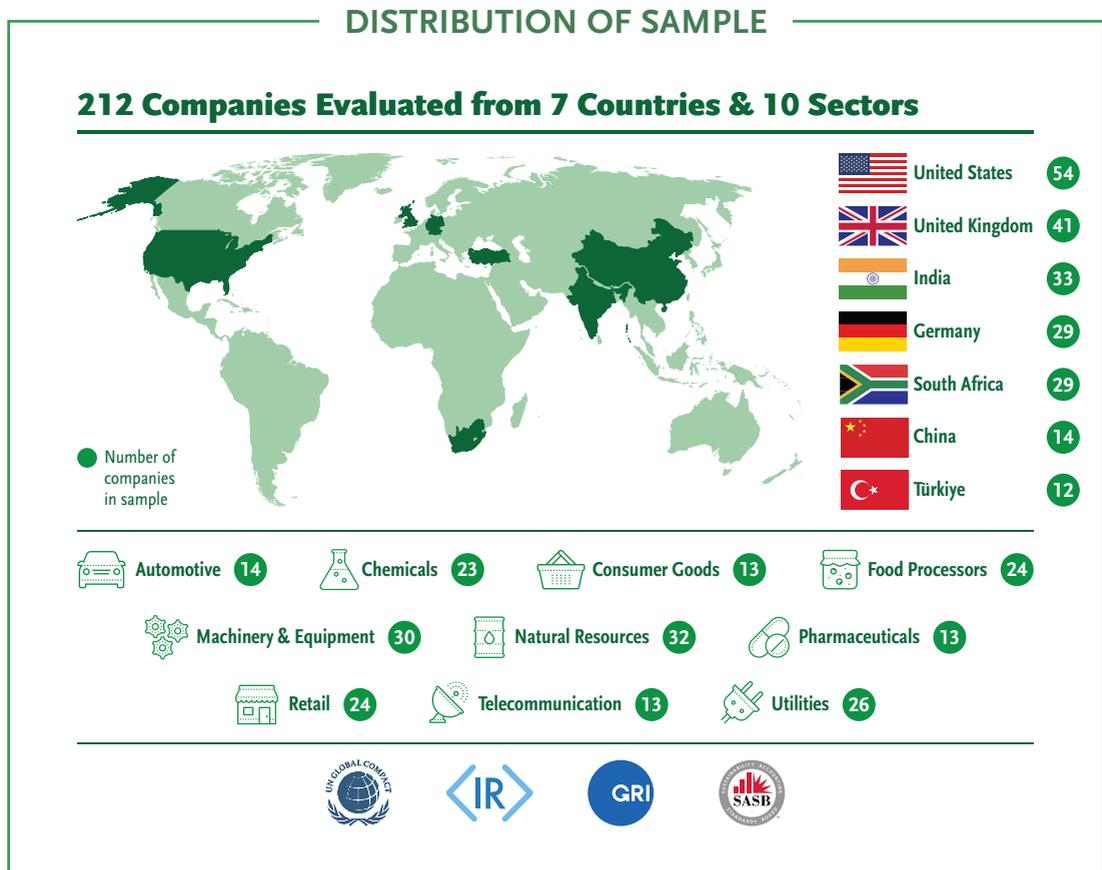


TABLE 26: DISTRIBUTION OF COMPANIES BY INITIATIVES

# of Companies	 Integrated Reporting	 SASB Reporting	 GRI Reporting	 UNGC Signatory	 UNGC 100 Companies	 UNGC Lead Companies
China	0	0	5	2	0	0
Germany	3	4	24	21	5	1
India	4	1	8	7	1	0
South Africa	25	3	18	10	1	0
Türkiye	0	1	6	3	1	0
UK	2	5	16	18	2	1
US	2	23	30	18	4	1
TOTAL	36	37	107	79	14	3

Evaluation Criteria:

The SG Scorecard® identifies and utilizes 390 measurable criteria for sustainability governance. The criteria are either met or not met (0/1). The criteria are defined to assess the governance quality of companies' sustainability efforts under four main areas:

- providing guidance,
- implementation,
- oversight of the board,
- continuous learning throughout the cycle.*

Each of these areas are assessed with objective criteria, designed through a lens of governance.

*This research was inspired by the publication of Dr. Yılmaz Argüden, which includes "The sustainability checklist for responsible boards". The short version of checklist is listed in Appendix 3. For the full version of the checklist, please refer to "Responsible Boards - Action Plan for a Sustainable Future" article of Dr. Yılmaz Argüden published in IFC Private Sector Opinion 36, 2015.

The key areas SG Scorecard identifies are listed in the following table:

KEY AREAS IDENTIFIED IN THE MODEL			
Guidance	Implementation	Oversight	Learning
Board Composition and Diversity (Skill Matrix)	ESG Results	Board Oversight Responsibilities	Resource allocations for improvement
Comprehensive board guidance on ESG (Policy, KPI, Target)	ESG Results Evaluation (Trend, benchmark)	Sustainability Governance Structure	ESG training
Stakeholder Map and Engagement	Supply Chain Coverage and Audit	Internal Control and Independent Audit	ESG developments (performance management, process change, resources allocated for improvement)
Materiality and board review	Community/Ecosystem /Partnership Results	Link to Executive Compensation	Scope of training and developments
Link to Executive Compensation	Results Alignment with SDGs	Board Evaluation	
Value Creation Model	Stakeholder consultation		
Strategy Alignment with SDGs	Risk mitigation		
<ul style="list-style-type: none"> Coverage: Across all employee groups, geographies, supply chain and impact of product throughout the life-cycle (ecosystem view) Depth: Depth of ESG reporting 			

Data Collection

The analysis is limited only with the publicly available data. The research utilizes;

- 2018 Annual Reports,
- 2018 Sustainability Reports,
- Governance and Sustainability section of the companies' Websites.

After the data collection process was finalized, we shared our evaluation of the data with the investment relations departments of Global Sustainability Leaders to provide them an opportunity to review the way we have interpreted their disclosures with respect to the 390 criteria (APPENDIX 4) for this research.

Evaluation Method

Measurement is conducted by weighted average method. The evaluation includes two dimensions;

- Breadth of sustainability approach: Criteria which all the company should adopt in order to ensure the sustainability climate in the company are named as breadth criteria. Breadth criteria give clue the question "What?". It provides information about the approach company adopted in terms of sustainability governance.
- Depth of sustainability approach: Criteria which show the internalization of the essence of sustainability governance culture are listed as depth criteria. Depth criteria give clue the question "How?". It provides the detailed information about how the company deploy sustainability governance throughout its impact span.

The scorecard is evaluated based on the combination of breadth and depth score and shared by 5 tiers to provide better granularity in order to identify good examples. The list in each tier is distributed alphabetically.

The SG Scorecard does not aim to measure the sustainability performance but seeks the presence of an environment and a climate of sustainability governance where sustainability efforts can flourish. In line with this perspective, the Report is distinguished by sharing best in class examples of various sustainability governance steps which fosters the learning pace among peers.

The research is expected to provide an opportunity for benchmarking and serve as a guideline for creating effective sustainability governance mechanisms, learning from peers, and thereby contributing to deployment of good practices on sustainability.

APPENDIX 3 - THE SUSTAINABILITY CHECKLIST FOR RESPONSIBLE BOARDS

Board Skills and Diversity

1. Does the board have **the right skills** to provide **guidance and oversight** to the sustainability plans of the corporation?
 - a. Does the Board have **sufficient expertise** to understand the decision-making processes of key stakeholders?
 - b. Does the Board have members who are familiar with the **evolving sustainability standards and benchmarks**?
 - c. Does the Board have enough **diversity to adequately evaluate the different dimensions** (industry experience diversity, age diversity, ethnic diversity, gender diversity, geographical diversity, stakeholder experience diversity) perspectives, and risks of the sustainability issues?
 - d. Is there a **board skills matrix** detailing the skills and experiences of board members across multiple dimensions, including **sustainability as skill** across ESG areas relevant for the company?

Materiality and Stakeholder Engagement

2. Have the **material issues** that would substantially affect the company's strategy, business model, capital or performance been properly identified?
 - a. Has the Board been involved in **setting the materiality thresholds** in each sustainability area? (economic, environmental, social, governance)?
 - b. Have the **trends, current and future impacts** been considered?
 - c. Has the management **prioritized** the key sustainability issues?
 - d. Has the management considered **resource requirements** to deal with the prioritized issues in its mitigation plans?
3. Has an adequate **stakeholder engagement process** been conducted?
 - a. Has the management comprehensively identified its relevant stakeholders and prepared a **stakeholder map**?
 - b. Has the management identified **material ESG issues for each stakeholder group** through **2-way communication** (including how the company can impact the issue and how the stakeholders can add value)?

- c. Has the management **identified sustainability initiatives** targeting each stakeholder group and communicated results to the company's stakeholders?
 - d. Does the Board have access to the **key issues raised** by this process?
 - e. Does the Board have a **process to evaluate** the management's sustainability **plans** to address the key issues?
4. Has the board reviewed the **materiality matrix** to include:
- a. Material ESG issues **for the company** in the **short-term and the long-term**?
 - b. Material effects of ESG issues on **all stakeholders including the planet, employees, and communities** in which the company operates in for the short-term and the long-term?

Comprehensive Scope and Deployment

5. Comprehensive Scope: Does the board have a **Sustainability Charter** with appropriate scope?
- a. Does it include **all areas of sustainability**, such as safety, health, environmental and community impact, human rights, labor rights, anti-corruption, and business ethics?
 - b. Does it include the responsibilities throughout the **value chain**?
 - c. Does it include product responsibilities throughout the **life cycle** of the corporation's full product portfolio?
 - d. Does it include **highest standards of conduct in all the jurisdictions** that the corporation operates in?
6. Leadership: Has the Board reviewed and approved the **company's sustainability mission**?
- a. Are the **key sustainability issues identified** and approved by the Board incorporated into the Corporation's strategies, policies, objectives, and associated management systems (value creation opportunities)?
 - b. Has the Corporation **allocated sufficient resources** to address the key sustainability issues? (sustainability of the efforts)
7. **Deployment**: Are all the executives and key employees of the corporation in different geographies familiar with the sustainability priorities of the corporation?
- a. **Incentives**: Does the Board link sustainability performance metrics with the remuneration policy for top management?
 - b. **Remedies**: Does the Board have an explicit policy for those who fail to follow the sustainability standards of the corporation?

Right Process and Information

8. Does the Board have the **right processes** to provide guidance and oversight to the sustainability plans of the corporation?
 - a. Has the Board established a special **Sustainability Committee** to review the sustainability risks and plans to highlight the key issues for the full Board to consider?
 - b. Does the Board understand the **sustainability risks and impacts** across the corporation's value chain and how this might impact the competitive positioning of the Corporation?
 - c. Does the Board provide **guidance** on incorporation of sustainability issues to **corporate strategy** and focus on sustainability **driven innovation**, value creation opportunities?
 - d. Does the Board provide **sufficient oversight** to the management's identification of **risks and opportunities** of sustainability issues, including those related to strategy, regulatory and legal liability, product development and pricing, disclosure, and reputation, as well as the management's action plans?
 - e. Does the Board have access to **outside experts** on various dimensions of sustainability to receive second opinion on management reports on sustainability issues?
 - f. Has the Board **allocated specific and sufficient time** during its annual time budget to adequately review sustainability issues for the corporation?
 - g. Does the Board conduct a **regular self-evaluation** exercise that incorporates the Board's approach and effectiveness in providing guidance and oversight on sustainability issues?
9. Does the Board receive **timely and adequate information** to **evaluate the performance** of the Corporation's sustainability plans?
 - a. **Oversight of the quality of implementation:** Does the Board regularly receive sufficient information about the sustainability performance of the corporation, including comparisons with past performance and budget targets?
 - b. **Continuous learning:** How about lead indicators, current trends, emerging issues, emerging benchmarks, compliance with applicable laws and regulations, and the key upcoming regulations and standards?
 - c. Is information about the level of **intellectual capital** and **reputation** of the Corporation measured and made available to the Board?
 - d. Does the board receive **findings** and **recommendations from any investigation or audit** by the internal audit department, external auditors, regulatory agencies, corporation's insurance companies, or third-party consultants concerning the corporation's sustainability matters on a timely basis?

Global Goals, Disclosure, and Learning

10. Partnership for Goals

- a. Has the company incorporated **SDGs into their sustainability strategy** process and prioritized relevant SDGs?
- b. Does the Board **set targets, measure impact and monitor progress** across relevant SDG categories?
- c. Does the Board **evaluate potential partnership** opportunities for progress against goals and **measure the combined impact** of cooperative initiatives?

11. Reporting and Communication

- a. Has the Board adopted a **disclosure policy** for the Corporation's sustainability program, and does it review the Disclosure on management approach to sustainability?
- b. How does the board ensure itself that the **sustainability reporting** by the company is adequate, appropriate, and **verifiable**?

12. Continuous Learning: How does the Board ensure continuous learning both within the organization, and throughout the supply chain regarding developing sustainability issues?

APPENDIX 4 - ASSESSMENT QUESTIONS

GUIDANCE			
SECTION	DETAIL	B/D	CRITERIA
Policy	Environmental policy	B	The company shares its environmental policies.
		D	Environmental policy includes water.
		D	Environmental policy includes climate change.
		D	Environmental policy includes energy.
		D	Environmental policy includes biodiversity.
		D	Environmental policy includes waste management.
		D	Environmental policy includes hazardous materials.
		D	Environmental policy includes responsible sourcing.
	Social policy	B	The company shares its social policies.
		D	Social policy includes human rights issues.
		D	Social policy includes product safety.
		D	Social policy includes customer privacy.
		D	Social policy includes stakeholder engagement.
		D	Social policy includes data security.
		D	Social policy includes customer/community related issues.
		D	Social policy includes child labor.
		D	Social policy includes forced labor.
		D	Social policy includes freedom of association.
		D	Social policy includes non discrimination.
		D	Social policy includes diversity and inclusion.
		D	Social policy includes gender equality.
		D	Social policy includes labor privacy.
		D	Social policy includes health and safety.
	D	Social policy includes human resources development.	
	Governance policy	B	The company shares its governance policies.
		D	Governance policy includes board diversity issues.
		D	Governance policy includes risk management.
		D	Governance policy includes Supplier Code of Conduct.
		D	Governance policy includes business ethics.
		D	Governance policy includes anti-corruption.
		D	Governance policy includes executive compensation.
		D	Governance policy includes donations.
		D	Governance policy includes related party transactions.
D		Governance policy includes succession planning.	
Supply chain policy	B	The company shares its Supplier Code of Conduct.	
	D	Supplier Code of Conduct includes environmental issues.	

SUSTAINABILITY GOVERNANCE SCORECARD 2020

SECTION	DETAIL	B/D	CRITERIA
Policy	Supply chain policy	D	Supplier Code of Conduct includes social issues.
		D	Supplier Code of Conduct includes governance issues.
Stakeholder Engagement	Stakeholder map	B	The company shares its stakeholder map.
		D	The shared stakeholder map includes Environment .
		D	The shared stakeholder map includes Public/Media .
		D	The shared stakeholder map includes Community .
		D	The shared stakeholder map includes NGOs .
		D	The shared stakeholder map includes Government .
		D	The shared stakeholder map includes Customers .
		D	The shared stakeholder map includes Supply Chain .
		D	The shared stakeholder map includes Employees .
		D	The shared stakeholder map includes Shareholders .
	Stakeholder objectives	B	The company shares objectives for its stakeholders.
		D	The company shares objectives for Environment .
		D	The company shares objectives for Public/Media .
		D	The company shares objectives for NGOs .
		D	The company shares objectives for Community .
		D	The company shares objectives for Government .
		D	The company shares objectives for Customers .
		D	The company shares objectives for Supply Chain .
		D	The company shares objectives for Employees .
		D	The company shares objectives for Shareholders .
Materiality	Materiality matrix	B	The company shares process for selecting material issues.
		B	The company shares list of material issues.
		D	The shared list of material issues includes environmental issues.
		D	The shared list of material issues includes social issues.
		D	The shared list of material issues includes issues related to governance .
		B	The company shares its materiality matrix.
		D	The company shares assessment of material issues for company .
		D	The company shares assessment of material issues for stakeholders .
KPIs	Environmental KPIs	B	The company shares its environmental KPIs.
		D	The company shares its KPIs related to water .
		D	The company shares its KPIs related to climate change/emissions .
		D	The company shares its KPIs related to energy .
		D	The company shares its KPIs related to waste management .
		D	The company shares its KPIs related to biodiversity .
		D	The company shares its KPIs related to hazardous materials .
		D	The company shares its KPIs related to responsible sourcing .
	Social KPIs	B	The company shares its social KPIs.
		D	The company shares its KPIs related to diversity .

SECTION	DETAIL	B/D	CRITERIA
KPIs	Social KPIs	D	The company shares its KPIs related to health and safety .
		D	The company shares its KPIs related to gender equality .
		D	The company shares its KPIs related to product responsibility .
	Governance KPIs	B	The company shares its governance KPIs.
		D	The company shares its board diversity KPIs.
		D	The company shares its KPIs related to age diversity .
		D	The company shares its KPIs related to tenure diversity .
		D	The company shares its KPIs related to experience diversity .
		D	The company shares its KPIs related to gender diversity .
		D	The company shares its KPIs related to geographical diversity .
		D	The company shares its KPIs related to race diversity .
		D	The company shares its KPIs related to background/education diversity .
		D	The company shares its KPIs related to stakeholder relations diversity .
		D	The company shares its executive compensation KPIs.
		D	The company shares its financial KPIs related to executive compensation.
		D	The company shares its non-financial KPIs related to executive compensation.
		D	The company shares its environmental KPIs related to executive compensation.
		D	The company shares its social KPIs related to executive compensation.
		D	The company shares its governance KPIs related to executive compensation.
		D	The company shares its compliance KPIs.
D	The company shares its KPIs related to ethics .		
D	The company shares its KPIs related to anti-corruption .		
D	The company shares its KPIs related to supplier code of conduct .		
Targets	Environmental Targets	B	The company shares its environmental targets.
		D	The company shares its targets related to water .
		D	The company shares its targets related to climate change/emissions .
		D	The company shares its targets related to energy .
		D	The company shares its targets related to waste management .
		D	The company shares its targets related to biodiversity .
		D	The company shares its targets related to hazardous materials .
		D	The company shares its targets related to responsible sourcing .
	Env.Targets for Value Chain	B	The company shares its environmental targets for value chain.
	Environmental Stewardship	B	The company shares its targets for environmental stewardship.
	Social Targets	B	The company shares its social targets.
		D	The company shares its targets related to diversity and inclusion .
		D	The company shares its targets related to health and safety .
		D	The company shares its targets related to human rights and labor practices .
	D	The company shares its targets related to product design and portfolio .	
Social Targets for Value Chain	B	The company shares its social targets for value chain.	

SUSTAINABILITY GOVERNANCE SCORECARD 2020

SECTION	DETAIL	B/D	CRITERIA
Targets	Community Empowerment	B	The company shares its targets for community empowerment.
	Governance Targets	B	The company shares its governance targets.
		D	The company shares its targets related to board diversity .
		D	The company shares its targets related to executive compensation .
		D	The company shares its targets related to compliance .
	Value Chain	B	The company shares its governance targets for value chain.
Stewardship	B	The company shares its targets for partnership for goals.	
Strategy	Business model	B	The company shares its value creation process visually.
		B	The company shares its business model.
		D	The company shares its assessment of human resources as a capital.
		D	The company shares its assessment of financial resources as a capital.
		D	The company shares its assessment of manufactured resources as a capital.
		D	The company shares its assessment of natural resources as a capital.
		D	The company shares its assessment of relationship resources as a capital.
	D	The company shares its assessment of intellectual resources as a capital.	
	Strategy link with SDGs	B	The company aligns its strategy with SDGs .
		D	The company aligns its strategy with SDG 1: No Poverty and shares it.
		D	The company aligns its strategy with SDG 2: No Hunger and shares it.
		D	The company aligns its strategy with SDG 3: Good Health and Well Being and shares it.
		D	The company aligns its strategy with SDG 4: Quality Education and shares it.
		D	The company aligns its strategy with SDG 5: Gender Equality and shares it.
		D	The company aligns its strategy with SDG 6: Clean Water and Sanitation and shares it.
		D	The company aligns its strategy with SDG 7: Affordable and Clean Energy and shares it.
		D	The company aligns its strategy with SDG 8: Decent Work and Economic Growth and shares it.
		D	The company aligns its strategy with SDG 9: Industry Innovation and Infrastructure and shares it.
		D	The company aligns its strategy with SDG 10: Reduced Inequality and shares it.
		D	The company aligns its strategy with SDG 11: Sustainable Cities and Communities and shares it.
		D	The company aligns its strategy with SDG 12: Responsible Consumption and Production and shares it.
		D	The company aligns its strategy with SDG 13: Climate Action and shares it.
		D	The company aligns its strategy with SDG 14: Life Below Water and shares it.
D		The company aligns its strategy with SDG 15: Life on Land and shares it.	
D	The company aligns its strategy with SDG 16: Peace and Justice Strong Institutions and shares it.		
D	The company aligns its strategy with SDG 17: Partnerships for the Goals and shares it.		
Board	Board charter	B	The company shares its Board Charter .
		D	The company defines and shares issues related to appointment and remuneration in its board charter.
		D	The company defines and shares issues related to succession planning in its board charter.
		D	The company defines and shares issues related to board independence in its board charter.
		D	The company defines and shares issues related to access to information/independent advice in its board charter.

SECTION	DETAIL	B/D	CRITERIA
Board	Board charter	D	The company defines and shares issues related to training/orientation in its board charter.
		D	The company defines and shares issues related to board evaluation in its board charter.
		D	The company defines and shares issues related to role of the chair in its board charter.
		D	The company defines and shares issues related to duties of the members in its board charter.
		D	The company defines and shares issues related to committees in its board charter.
		D	The company defines and shares issues related to conflict of interest and related party transactions in its board charter.
		D	The company defines and shares issues its code of conduct in the board charter.
	Board responsibilities	B	The company shares the role of the board in its Charter.
		D	The company defines and shares that strategy is one of the board's responsibilities.
		D	The company defines and shares that audit is one of the board's responsibilities.
		D	The company defines and shares that risk management is one of the board's responsibilities.
		D	The company defines and shares that sustainability is one of the board's responsibilities.
		D	The company defines and shares that internal control is one of the board's responsibilities.
		D	The company defines and shares that ethics is one of the board's responsibilities.
	Board composition	B	The company shares a board skills matrix
		D	The company shares sustainability as skill in skills matrix.
		D	The company shares human resources as skill in skills matrix
		D	The company shares stakeholder engagement as skill in skills matrix.
		D	The company shares risk management as skill in skills matrix.

IMPLEMENTATION			
SECTION	DETAIL	B/D	CRITERIA
Results	Environmental outcomes	B	The company shares its environmental performance results.
		D	The company shares its performance results related to water .
		D	The company shares its performance results related to climate change/emissions .
		D	The company shares its performance results related to energy .
		D	The company shares its performance results related to waste management .
		D	The company shares its performance results related to biodiversity .
		D	The company shares its performance results related to hazardous materials .
		D	The company shares its performance results related to responsible sourcing .
	Env. outcomes coverage	B	The company shares its environmental performance results by geography.
		B	The company shares its environmental performance results for supply chain.
	Env. stewardship results	B	The company shares its environmental performance results for environmental stewardship.
	Social outcomes	B	The company shares its social performance results.
		D	The company shares its performance results related to diversity and inclusion .
		D	The company shares its performance results related to health and safety .
		D	The company shares its performance results related to human rights and labor practices .

SUSTAINABILITY GOVERNANCE SCORECARD 2020

SECTION	DETAIL	B/D	CRITERIA
Results	Social outcomes	D	The company shares its performance results related to product design and portfolio .
	Social outcomes coverage	B	The company shares its social performance results by employee group .
		B	The company shares its social performance results by geography .
		B	The company shares its social performance results for supply chain
	Community empowerment results	B	The company shares its social performance results for community empowerment
	Governance outcomes	B	The company shares its governance performance results .
		D	The company measures and shares its board diversity .
		D	The company measures and shares its executive compensation .
		D	The company measures and shares its compliance data .
	Governance outcomes coverage	B	The company shares its governance performance results by employee group .
		B	The company shares its governance performance results by geography .
		B	The company shares its governance performance results for supply chain .
	Partnership for goals results	B	The company shares its governance performance results for partnership for goals .
	Value creation for stakeholders	B	The company measures and shares its value creation for external stakeholders .
		D	The company measures and shares its value creation for environment .
		D	The company measures and shares its value creation for community .
		D	The company measures and shares its value creation for government .
		B	The company measures and shares its value creation for internal stakeholders .
		D	The company measures and shares its value creation for customers .
		D	The company measures and shares its value creation for supply chain .
		D	The company measures and shares its value creation for employees .
		D	The company measures and shares its value creation for shareholders .
	Stakeholder engagement methods	B	The company shares its stakeholder engagement methods
		D	The company conducts surveys for stakeholder engagement and shares it.
		D	The company organizes workshops for stakeholder engagement and shares it.
		D	The company organizes one to one meetings for stakeholder engagement and shares it.
		D	The company organizes public meetings for stakeholder engagement and shares it.
		D	The company organizes focus groups for stakeholder engagement and shares it.
		D	The company conducts research for stakeholder engagement and shares it.
		D	The company uses participatory tools for stakeholder engagement and shares it.
	Results linked with SDGs	B	The company links its results with SDGs .
		D	The company shares its results linked with SDG 1: No Poverty .
D		The company shares its results linked with SDG 2: No Hunger .	
D		The company shares its results linked with SDG 3: Good Health and Well Being .	
D		The company shares its results linked with SDG 4: Quality Education .	
D		The company shares its results linked with SDG 5: Gender Equality .	
D		The company shares its results linked with SDG 6: Clean Water and Sanitation .	
D	The company shares its results linked with SDG 7: Affordable and Clean Energy .		

SECTION	DETAIL	B/D	CRITERIA
Results	Results linked with SDGs	D	The company shares its results linked with SDG 8: Decent Work and Economic Growth .
		D	The company shares its results linked with SDG 9: Industry Innovation and Infrastructure .
		D	The company shares its results linked with SDG 10: Reduced Inequality .
		D	The company shares its results linked with SDG 11: Sustainable Cities and Communities .
		D	The company shares its results linked with SDG 12: Responsible Consumption and Production .
		D	The company shares its results linked with SDG 13: Climate Action .
		D	The company shares its results linked with SDG 14: Life Below Water .
		D	The company shares its results linked with SDG 15: Life on Land .
		D	The company shares its results linked with SDG 16: Peace and Justice Strong Institutions .
		D	The company shares its results linked with SDG 17: Partnerships for the Goals .
Risk Management	Risk mitigation coverage	B	The company shares its risk mitigation approach.
		D	The company shares its financial risk mitigation approach.
		D	The company shares its environmental risk mitigation approach.
		D	The company shares its social risk mitigation approach.
	Risk management approach	D	The company shares its reputation risk mitigation approach.
		B	The company shares its risk management approach for sustainability.
		D	The company shares its risk transfer approach for sustainability.
		D	The company shares its risk taking approach for sustainability.
Supply Chain Assurance	Supply chain assurance coverage	D	The company shares its risk limitation approach for sustainability.
		B	The company shares its supply chain assurance results.
		D	The company shares its supply chain assurance results for environmental issues .
		D	The company shares its supply chain assurance results for social issues.
		D	The company shares its supply chain assurance results for governance issues .
		B	The company shares its assurance result for supply chain.
		D	The company shares its compliance assurance result for supply chain.
		D	The company shares its certification assurance result for supply chain.
D	The company shares its 3rd party verification/audit assurance result for supply chain.		

OVERSIGHT			
SECTION	DETAIL	B/D	CRITERIA
Results Evaluation	Environmental results evaluation	B	The company shares its evaluation of environmental results.
		D	The company shares its evaluation of results related to water .
		D	The company shares its evaluation of results related to climate change/emissions .
	Social results evaluation	D	The company shares its evaluation of results related to energy .
		D	The company shares its evaluation of results related to waste management .
		D	The company shares its evaluation of results related to biodiversity .
		D	The company shares its evaluation of results related to hazardous materials .
		D	The company shares its evaluation of results related to responsible sourcing .

SUSTAINABILITY GOVERNANCE SCORECARD 2020

SECTION	DETAIL	B/D	CRITERIA
Results Evaluation	Social results evaluation	B	The company shares its evaluation of social results.
		D	The company shares its evaluation of results related to gender equality .
		D	The company shares its evaluation of results related to health and safety .
		D	The company shares its evaluation of results related to diversity and inclusion .
		D	The company shares its evaluation of results related to product responsibility .
	Governance results evaluation	B	The company shares its evaluation of governance results .
		D	The company shares its evaluation of results related to board diversity .
		D	The company shares its evaluation of results related to executive compensation .
Board Evaluation	Evaluation methods	B	The company evaluates and shares lost time related to the incidents.
		B	The company shares its evaluation of the regulatory environment.
		B	The company shares its evaluation of emerging standards.
		B	The company shares its ex-post evaluation.
Audit/Assurance	Internal audit coverage	B	The company shares that the internal audit covers financials.
	Internal audit coverage	B	The company shares that the internal audit covers processes.
	Internal audit structure	B	The company defines and shares the role of the board in its audit committee charter.
	Internal audit coverage	D	The shared audit committee charter includes environmental issues.
		D	The shared audit committee charter includes social issues.
		D	The shared audit committee charter includes governance issues.
		B	The company shares that the internal audit directly reports to the board.
	Independent audit coverage	B	Independent audit covers financial issues.
		B	Independent audit covers non-financial issues.
		D	The independent audit covers environmental issues.
		D	The independent audit covers governance issues.
		D	The independent audit covers social issues.
		D	The independent audit covers governance issues.
	Supply chain assurance coverage	B	Independent audit covers supply chain.
B		The supply chain assurance process covers ESG issues.	
D		The supply chain assurance process covers environmental issues.	
D		The supply chain assurance process covers social issues.	
D		The supply chain assurance process covers governance issues.	
Audit/Assurance	Supply chain assurance coverage	B	The company shares its supply chain assurance process.
		D	The supply chain Assurance process includes compliance with Code of Conduct/Self-declaration .
		D	The supply chain Assurance process includes certification .
		D	The supply chain Assurance process includes internal audit/control .
		D	The supply chain Assurance process includes 3rd party verification/independent audit .
		B	The company shares its supply chain development approach.
		D	The supply chain Assurance process includes capability building/training .
		D	The supply chain Assurance process mentions channel for reporting violations/grievances .
		D	The supply chain Assurance process includes remedial action for high-risk suppliers .

SECTION	DETAIL	B/D	CRITERIA
Board	Board's oversight responsibilities	B	The company shares its board's oversight role.
		D	The company defines and shares that business strategy is one of the board's oversight responsibilities.
		D	The company defines and shares that environmental issues are listed in the board's oversight responsibilities.
		D	The company defines and shares that human rights are listed in the board's oversight responsibilities.
		D	The company defines and shares that labor rights are listed in the board's oversight responsibilities.
		D	The company defines and shares that customer/community related issues are listed in the board's oversight responsibilities.
		D	The company defines and shares that involvement in setting materiality levels is one of the board's oversight responsibilities.
		D	The company defines and shares that risk management is one of the board's oversight responsibilities.
		D	The company defines and shares that supplier code of conduct is one of the board's oversight responsibilities.
		D	The company defines and shares that executive compensation is one of the board's oversight responsibilities.
		D	The company defines and shares that succession planning is one of the board's oversight responsibilities.
		D	The company defines and shares that business ethics are listed in the board's oversight responsibilities.
		D	The company defines and shares that anti-corruption is one of the board's oversight responsibilities.
		D	The company defines and shares that related party transactions are listed in the board's oversight responsibilities.
		D	The company defines and shares that donations are listed in the board's oversight responsibilities.
	D	The company defines and shares that regulatory compliance is one of the board's oversight responsibilities.	
	Board committees	B	The company has an audit committee.
		D	The company shares its audit committee charter.
		D	The company shares that its audit committee has an independent chair.
		B	The company has a governance committee.
		D	The company shares its governance committee charter.
		D	The company shares that its governance committee has an independent chair.
		B	The company has a remuneration and nomination committee.
		D	The company shares its remuneration and nomination committee charter.
		D	The company shares that its remuneration and nomination committee has an independent chair.
		B	The company has a risk committee.
		D	The company shares its risk committee charter
		D	The company shares that its risk committee has an independent chair.
		B	The company has a sustainability committee.
		D	The company shares its sustainability committee charter.
D		The company shares that its sustainability committee has an independent chair.	

LEARNING & DEPLOYMENT			
SECTION	DETAIL	B/D	CRITERIA
Developments	Gap analysis	B	The company performs and shares its gap analysis to determine development opportunities.
		D	Gap analysis and development opportunities include environmental issues.
		D	Gap analysis and development opportunities include social issues.
		D	Gap analysis and development opportunities include governance issues.
		B	The company performs and shares its sustainability gap analysis by stakeholder group.
		D	The company performs and shares its sustainability gap analysis for employees .
		D	The company performs and shares its sustainability gap analysis by geography .
		D	The company performs and shares its sustainability gap analysis for supply chain .
		D	The company performs and shares its sustainability gap analysis for community .
	Resources	B	The company shares its resource allocation for development opportunities.
		D	The company shares its resource allocation for environmental issues.
		D	The company shares its resource allocation for social issues.
		D	The company shares its resource allocation for governance issues.
		B	The company shares its resource allocation for sustainability by stakeholder group.
		D	The company shares its resource allocation for sustainability for employees .
		D	The company shares its resource allocation for sustainability by geography .
		D	The company shares its resource allocation for sustainability for supply chain .
	Actions	B	The company takes action based on sustainability lessons learned.
		D	The company takes action based on sustainability lessons learned for environmental issues
		D	The company takes action based on sustainability lessons learned for social issues
		D	The company takes action based on sustainability lessons learned for governance issues
		B	The company takes action based on sustainability lessons learned by stakeholder group.
		D	The company takes action based on sustainability lessons learned for employees
		D	The company takes action based on sustainability lessons learned by geography
		D	The company takes action based on sustainability lessons learned for supply chain
		D	The company takes action based on sustainability lessons learned by communities
	Training	Environmental sustainability training	B
D			The company organizes and shares training for Climate change .
D			The company organizes and shares training for Water stewardship .
D			The company organizes and shares training for Energy efficiency .
D			The company organizes and shares training for Waste & packaging .
D			The company organizes and shares training for Responsible sourcing .

SECTION	DETAIL	B/D	CRITERIA
Training	Environmental sustainability training	B	The company shares metrics for environmental sustainability trainings.
		D	The company shares environmental sustainability training metrics for employees.
		D	The company shares environmental sustainability training metrics for management.
		D	The company shares environmental sustainability training metrics by geography.
		D	The company shares environmental sustainability training metrics for supply chain.
		D	The company shares environmental sustainability training metrics for community.
	Social sustainability training	B	The company conducts social sustainability trainings.
		D	The company organizes and shares training for health and safety.
		D	The company organizes and shares training for diversity and inclusion.
		D	The company organizes and shares training for stakeholder engagement.
		D	The company organizes and shares training for leadership development
		B	The company shares metrics for social sustainability trainings.
		D	The company shares social sustainability training metrics for employees.
		D	The company shares social sustainability training metrics for management.
		D	The company shares social sustainability training metrics by geography.
		D	The company shares social sustainability training metrics for supply chain.
		D	The company shares social sustainability training metrics for community.
	Governance sustainability training	B	The company conducts compliance sustainability trainings.
		D	The company organizes and shares training for anti-corruption.
		D	The company organizes and shares training for ethics.
		D	The company organizes and shares training for supply chain.
		B	The company shares metrics for governance sustainability trainings.
		D	The company shares governance sustainability training metrics for employees.
		D	The company shares governance sustainability training metrics for management.
		D	The company shares governance sustainability training metrics by geography.
		D	The company shares governance sustainability training metrics for supply chain.
		D	The company shares governance sustainability training metrics for community.

ARGÜDEN GOVERNANCE ACADEMY

Argüden Governance Academy is a foundation dedicated to improve the quality of “**Governance**” by **increasing trust** for the institutions to build a **better quality of life** and a **sustainable future**.

The Academy conducts education, research, and communication activities to disseminate **the good governance culture** at all levels of the society (public, civil society, private sector, and global actors), including children and the young leaders.

The Academy’s vision is to create a knowledge and **experience platform** on governance at the national and international level as “**a center of excellence in governance**” and “**a reference institution**”.

Argüden Governance Academy is committed to play a pioneering role by adopting “**Integrated Thinking**” and “**Good Governance Principles**” (**consistency, responsibility, accountability, fairness, transparency, effectiveness, and deployment**) to all its work and stakeholder relationships.

The Academy aims to:

- Ensure that good governance is adopted as a culture,
- Raise the understanding of “the key role of good governance in improving quality of life and sustainability of the planet”,
- Guide the institutions by developing methods to ease the implementation of good governance principles,
- Inspire future leaders by promoting “Best Practices” of good governance,
- Increase the next generation leaders’ experience of good governance,
- Disseminate global knowledge and experience at all levels of the society with a holistic approach,
- Become “the right cooperation partner” for the leading institutions in the world by creating common solutions for global issues.

The Academy advocated “Integrated Thinking” during Türkiye’s presidency of the G20 and adopts this culture in all its activities.

Argüden Governance Academy became **the first non-governmental institution in the world** to report its work as an Integrated Report **since its founding**.

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