SUSTAINABILITY GOVERNANCE SCORECARD

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SUSTAINABILITY GOVERNANCE SCORECARD

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ARGÜDEN
GOVERNANCE
ACADEMY

Good Governance for
Quality of Life

INDEX

PREFACE

The number of companies publishing sustainability reports is increasing every year, as well as improving in quality. Sustainability reporting standards are starting to become unified as well as becoming more decision-useful for different stakeholders. However, progress is still not sufficient to address the collective challenges our world is facing today. Each year, 30,000 square km of forests – the size of Switzerland – are lost. More than 1,000 species of animals go extinct per year, with 1Mn species threatened with extinction by the end of the century. Droughts, fires, and floods due to climate change are getting more severe, impacting livelihoods, health and displacement across the globe. According to UNHCR, almost 120 Mn people will be forcibly displaced due to war and climate change in 2023. Unsustainable development is rapidly degrading Earth's capacity to sustain human well-being for current and future generations. The world is in a critical decade for addressing environmental and societal challenges.

There is need to look at the state of the world with clarity and compassion, and to act to address the urgent problems of climate change, ecological destruction, rising inequality and corruption. We need a collective awakening to recognize our interconnectedness and collective action to reverse the effects of human-led damage on the environment and society. All stakeholders must be part of the solution to create a regenerative culture in which all forms of life are valued and respected.

The UN Climate Change Conference COP27 held in November 2022 was a critical event for climate action. It resulted in countries agreeing to a set of decisions that reaffirmed their commitment to limit global temperature rise to pre-industrial levels (1.5 C). The conference brought together 45,000 participants across countries, businesses, investors, lawmakers, and vulnerable populations to find solutions and collaborate towards climate action. Despite progress, the recent climate report by the UN makes it clear that a quantum leap is required to address the ticking time-bomb of climate change. As UN Secretary-General António Guterres put it, "COP27 concludes with much homework and little time – our world needs climate action on all fronts – everything, everywhere, all at once."

The IFRS Symposium held on February 2023 convened global businesses, investors, and policy makers in Montreal to discuss progress towards a global baseline of sustainability disclosures to inform investment decisions. The conference focused on sharing updates on the IFRS Sustainability Disclosure Standards, the first two parts (general requirements and climate-related disclosure requirements) being released by mid-2023. Stakeholders also addressed the need for capacity-building initiatives for sustainability-related reporting to accelerate adoption of a unified framework of sustainability reporting across borders. We shared the initial results of this years' research results as well as an opinion paper on the importance of governance for sustainability at the conference.

Action and collaboration between companies, policymakers, investors, and consumers will be key to transforming our decision-making processes to meet these varied, global challenges. Business action towards climate change and Sustainable Development Goals is accelerating but is not sufficient. 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 selective and defensive approach to show that you are doing is good, to defend against negative publicity.

This should include ensuring boards and top management to have the skills, structures, and responsibility for sustainability, setting up governance mechanisms to provide guidance and oversight to sustainability, setting rigorous targets for material sustainability issues for the company, its supply chain, and the ecosystem. Furthermore, companies should craft purpose-driven, stakeholder-centric models to inform strategy and adopt continuous improvement and collaboration as a mindset throughout the sustainability journey to achieve targets.

Governance of sustainability should be prioritized if we are to drive real change. The ESG acronym shows a limited view of governance as an additional dimension of sustainability impact. Rather than a separate impact domain, governance is a framework on how guidance and oversight is provided over all decisions and actions that have economic, environmental, and social impacts. Current reporting practices on governance encompass issues such as anti-corruption, but the more important focus should be on how sustainability is governed – the responsibilities and structures that define how decisions on sustainability are made. This should include definition of G as a central, overarching category and requires looking at the whole with integrated thinking.

This year marks the 4th year of our research – Sustainability Governance Scorecard. Since 2019, we have been reviewing the financial and sustainability disclosures of 200 Global Sustainability Leaders from 7 countries through a governance lens to create a baseline for how the best companies in the world approach sustainability governance and to provide examples for the rest of the world to follow. While the sustainability performance of various companies is difficult to compare, as such performance is context specific, their approach to governance of sustainability efforts provides important insights for everyone.

There is no question about the urgency of companies to adopt sustainability management practices. Learning is happening and more companies are embarking on and accelerating progress towards sustainability. While there has been progress, it is critical for these companies to take initiative to further improve and for those behind to step-up on their approach to sustainability.

Our intention with this research is to improve the state of the world by speeding up peer learning from global leaders in sustainability. Here, we propose a framework that can be used by novices and global leaders in sustainability alike. We propose this framework as an ideal to move toward – it's a process, not an event - it will take time. But we are running out of time and need to act fast. Looking at the sustainability journey and reporting practices with a governance lens can enable a company to assess its level of maturity and design its own journey by leveraging best practice examples from those companies who do it best.

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

Gizem Argüden Oskay

EXECUTIVE SUMMARY

A sustainable global economy is one that combines long term profitability with ethical behavior, social justice, and environmental care. When we look at the state of the world today – climate change, deteriorating water resources, plastic waste, income inequality, gender inequality, corruption – it is evident that institutions need to assume responsibility for sustainable development and take action.

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. 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.

For corporations to truly contribute to a sustainable future, there is a need to widen the lens through which we view sustainability. Sustainability requires decision-making processes that incorporate all potential impacts of a company, incorporating the positive and negative externalities into its decision-making processes, and avoiding short-sightedness and selfishness.

This means:

- Adopting a comprehensive view of how a company creates value beyond financial measures to include economic, environmental, social, and governance outcomes throughout the value chain,

- Adopting a long-term perspective and incorporating different time-horizons into the strategy and target-setting processes,

- Considering direct and indirect impacts of the company's decisions and actions,

- Becoming more inclusive by considering the impact of all their decisions and actions on all stakeholders, current and future,

- Taking responsibility for managing and positively influencing their value-chain and ecosystem and opening to new ways of collaboration to solve sustainability challenges.

Gaining the trust of stakeholders requires transparent disclosure on all these dimensions in an integrated manner. If we expand our perspective to include all the impacts that a company creates now and in the future; we need to upgrade our measurement, evaluation, and reporting practices accordingly.

200 Companies Evaluated from 7 Countries & 10 Sectors

Number of companies in sample

🇨🇳 China	12
🇩🇪 Germany	26
🇮🇳 India	30
🇿🇦 South Africa	24
🇹🇷 Türkiye	19
🇬🇧 United Kingdom	31
🇺🇸 United States	58

Automotive 16 Chemicals 18 Consumer Goods 12 Food Processors 19

Machine & Equipment 28 Natural Resources 31 Pharmaceuticals 14

Retail 20 Telecommunication 13 Utilities 29
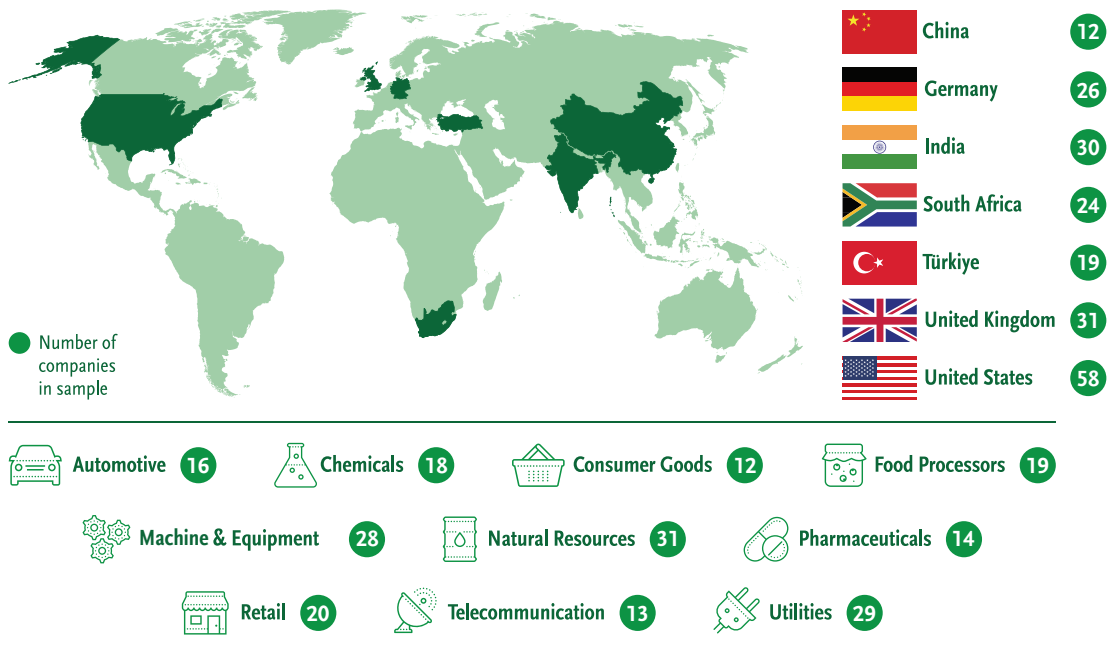
This year marks the 4th year of Sustainability Governance Scorecard – an impact-research aimed at improving the state of the world by accelerating learning from peers. Since 2019, we analyze the public disclosures of 200 Global Sustainability Leaders (GSLs) that are part of Sustainability Stock Exchanges Initiatives from 7 countries and 10 comparable sectors. We analyze annual and sustainability reports 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. Below, we summarize this year's results:
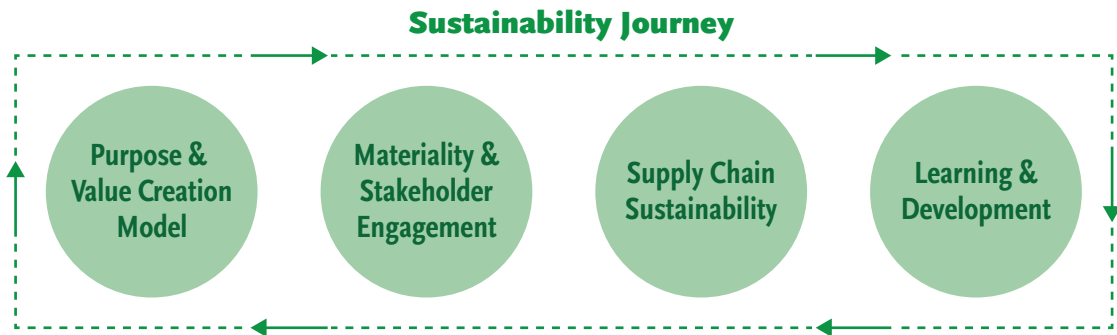
Sustainability Governance Scorecard©

Responsible Boards

Skill Matrix	Guidance
Executive Compensation	Oversight

Sustainability Performance

KPIs	Targets	Results	Results Evaluation
Scope of Implementation		Link to SDGs	

Sustainability Journey

Purpose & Value Creation Model

Materiality & Stakeholder Engagement

Supply Chain Sustainability

Learning & Development

KEY CONCLUSIONS

1. Build responsible boards and set up effective governance mechanisms for sustainability:

Boards set the tone at the top. Board Leadership is key for setting the company's direction and ensuring 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. This is possible through setting the right governance (guidance and oversight) 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.

- **SKILLS MATRIX**: GSLs that publish **Skills Matrix** increased from **26% in SGS 2019 to 60% in SGS 2022,** and 48% of those included sustainability as a skill in their skill matrix.

- **EXECUTIVE COMPENSATION:** Companies that share **compensation linked to sustainability KPIs** increased from **29% in SGS 2020 to 48% in SGS 2022.**

- **BOARD GUIDANCE AND OVERSIGHT:** All GSLs have adopted ESG policies in material topics. All GSLs define oversight structures & board committees to address sustainability risks and opportunities. In the last three years, some form of **independent audit** coverage of sustainability issues for **GSLs have been around 80%,** while independent audit **coverage for the supply chain increased from 23% in SGS 2019 to 58% in SGS 2022.**

2. Manage sustainability impact for the company, supply chain and ecosystem through rigorous target-setting and transparency on performance:

What gets measured gets improved. There is a 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 the 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.

- **KPIs, TARGETS, RESULTS, RESULTS EVALUATION:** 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 **>98% of GSLs report results on Environmental, Social and Governance Topics, while there is need for more rigorous target setting. 87% of GSLs set targets for environmental topics** (primarily climate change, significant room for improvement for other categories such as water, waste, biodiversity), 82% for governance (primarily executive compensation), **and 66% for social sustainability issues** (<50% for all sub-topics including Diversity and Health & Safety).

- **RESULTS COVERAGE:** 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. **Among the GSLs, 87% share sustainability targets for the business (compared to 76% in SGS 2020), while only 40% share targets for their supply chain (compared to 29% in SGS 2020).**

- **SUSTAINABILITY STEWARDSHIP:** 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. **Strategy alignment with Sustainable Development Goals has increased from 73% in SGS 2020 to 88% in SGS 2022, and results sharing linked to SDGs has increased from 58% to 82%.** Aligning incentives with the world we want in the future requires changes in the system. For this, Global Sustainability Leaders 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. **We find that only 57% of GSLs set targets for the SDGs in SGS 2022, a slight increase from 50% in SGS 2021.**

3. Craft a purpose-driven, stakeholder-centric model for managing sustainability and adopt continuous improvement as a mindset through the sustainability journey:

License to operate in today's world requires responsible leadership – companies who actively manage sustainability will be of benefit to both the company and the society. Reaching the SDGs requires setting-up a multi-layer multi-year process and requires cooperation from stakeholders. When crafting the sustainability approach, companies must move to a more stakeholder-centric model and widen their view to encompass their ecosystem and long-term impact.

- **VALUE CREATION MODEL AND PURPOSE:** 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 creates the link between strategy and capital allocation decisions. **We find that 65% of GSLs show a**

visual and holistic value creation model. Best examples of holistic thinking on value creation are found in companies that embrace Integrated Reporting.

- **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. 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. **Whereas only 46% of GSLs published a materiality matrix in SGS 2020, 62% of GSLs shared a materiality matrix in SGS 2022.**

- **SUPPLY CHAIN SUSTAINABILITY:** Many companies' greatest sustainability risks and opportunities are in their supply chain. As a result, companies must set standards, manage risks, 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. **Coverage of sustainability issues in the supplier assurance process increased from 75% in SGS 2020 to 85% in SGS 2022, and supply chain assurance results disclosure on sustainability increased from 43% in SGS 2020 to 61% in SGS 2022. Although there is progress, there is clearly room for more rigorous audit and more transparency.**

- **LEARNING AND DEVELOPMENT:** Sustainability is a continuous journey. 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 training, and sustainability practices need to be integrated into the company's processes. Furthermore, development training and development opportunities should cover employees in all geographies, supply chain and communities. **96% of GSLs reported conducting social sustainability training in SGS 2022 (mostly Health & Safety, Talent Development and Diversity training) and 78% reported governance training (mostly compliance-related). Less than half of all GSLs reported conducting environmental sustainability training (<20% of GSLs reported training on any environmental subtopic including climate change).**

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. Further analysis, best-practice examples and recommendations for each category of sustainability governance is presented in the relevant chapters throughout the report. For an interactive guide of SGS 2022 and to access previous reports, please visit our website at: sgscorecard.argudenacademy.org

OVERALL SCORES

The Sustainability Governance Scorecard consists of four main pillars including board guidance, implementation & 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 200 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.

Country Results
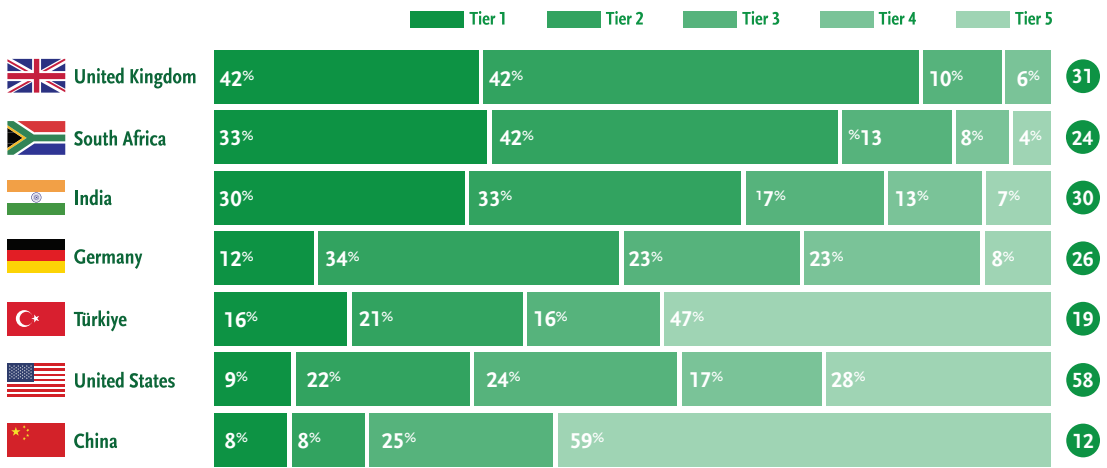
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	
United Kingdom	42%	42%		10%	6%	31
South Africa	33%	42%	13%	8%	4%	24
India	30%	33%	17%	13%	7%	30
Germany	12%	34%	23%	23%	8%	26
Türkiye	16%	21%	16%	47%		19
United States	9%	22%	24%	17%	28%	58
China	8%	8%	25%	59%		12

Based on Argüden Governance Academy's research for Sustainability Governance Scorecard©   ● Number of companies in sample

- Almost half of the GSLs in the United Kingdom (UK) are in Tier 1. In comparison to our 2020 Report, the percentage of UK companies in Tier 1 and Tier 2 increased from 59% to 84%.

- More than 70% of the GSLs in South Africa and more than 60% of the GSLs in India are either in Tier 1 or Tier 2. They are followed by companies in Germany, Türkiye, United States, and China, respectively.

- Percentage of the Tier 1 GSLs in Türkiye increased from 9% to 16%.

Industry Results

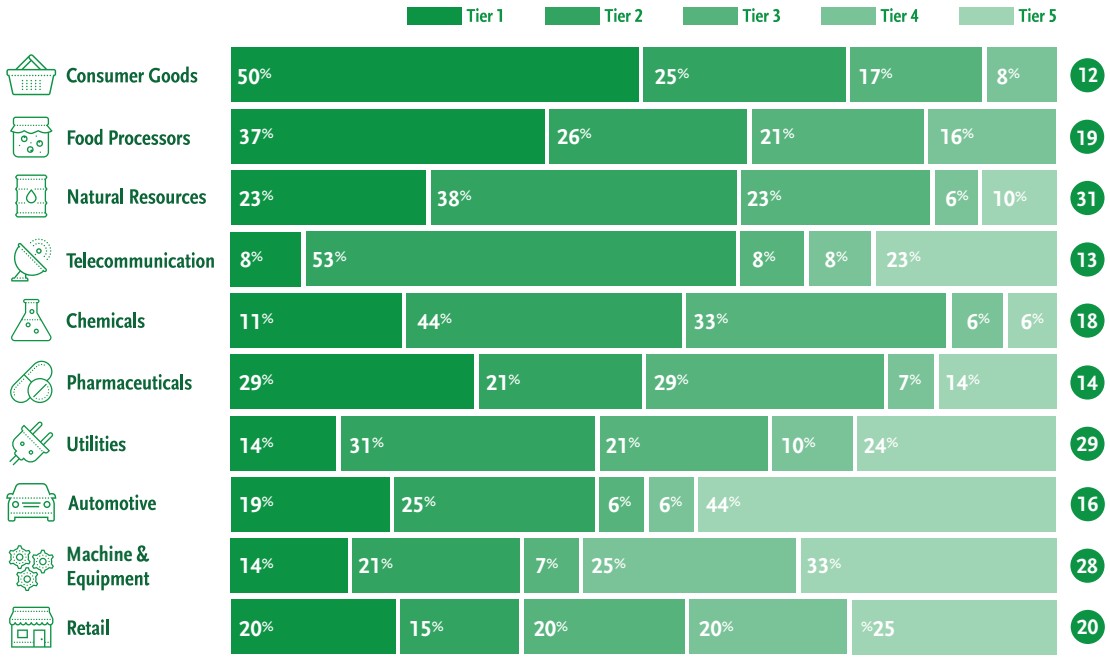|	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	
Consumer Goods	50%	25%	17%	8%		12
Food Processors	37%	26%	21%	16%		19
Natural Resources	23%	38%	23%	6%	10%	31
Telecommunication	8%	53%	8%	8%	23%	13
Chemicals	11%	44%	33%	6%	6%	18
Pharmaceuticals	29%	21%	29%	7%	14%	14
Utilities	14%	31%	21%	10%	24%	29
Automotive	19%	25%	6%	6%	44%	16
Machine & Equipment	14%	21%	7%	25%	33%	28
Retail	20%	15%	20%	20%	%25	20

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, food processors, natural resources, telecommunications, chemicals, and pharmaceuticals are either in Tier 1 or Tier 2.

- In comparison to SGS 2020, the percentage of Tier 1 and Tier 2 companies within the Machine & Equipment sector almost doubled, increasing from 17% to 35%.

Initiative Results

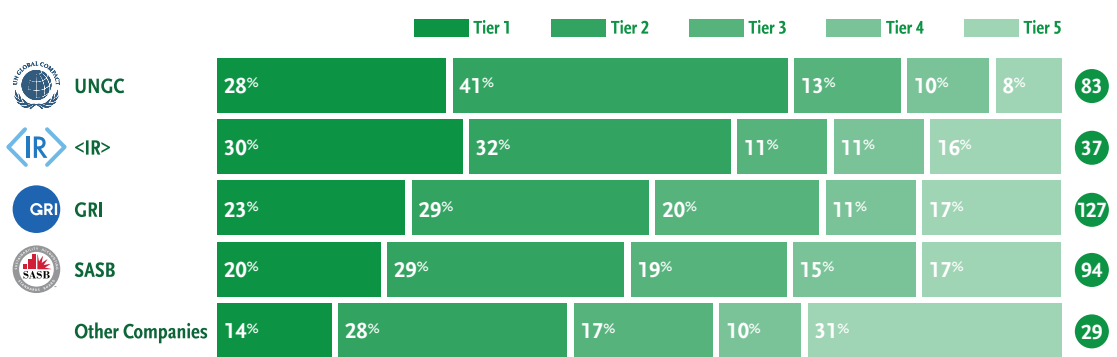|	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Number of companies in sample
UNGC	28%	41%	13%	10%	8%	83
<IR>	30%	32%	11%	11%	16%	37
GRI	23%	29%	20%	11%	17%	127
SASB	20%	29%	19%	15%	17%	94
Other Companies	14%	28%	17%	10%	31%	29

Based on Argüden Governance Academy's research for Sustainability Governance Scorecard©   ● Number of companies in sample

- Adopting global initiatives or approaches makes a reasonable difference in the sustainability governance quality of the GSLs.

- 62% of the <IR> Reporting GSLs are Tier 1 or Tier 2 companies.

- 52% of GRI Reporting companies are either in Tier 1 or Tier 2.

- 49% of SASB Reporting companies are either in Tier 1 or Tier 2.

Top Performers in Each Country

China	Germany	India	South Africa	Türkiye	United Kingdom	United States
CLP	Adidas	Dr Reddys Labs	Anglo American	Arçelik	BT Group	Alcoa Corp
	Henkel	Hindustan Zinc	Anglo American Platinum	Coca-Cola İçecek	Coca-Cola Europacific Partners	Cummins
	Merck	Marico	Exxaro Resources	Migros Ticaret	Coca-Cola HBC	General Motors
		Maruti Suzuki	Harmony		GlaxoSmithKline	General Mills
		NTPC	Woolworths Holdings		Unilever	Hershey's

Based on Argüden Governance Academy's research for Sustainability Governance Scorecard©, companies are written alphabetically in each country.

Top Performers in Each Industry

Automotive
General Motors
Mahindra & Mahindra
Maruti Suzuki

Chemicals
Linde plc
UPL

Consumer Goods
Adidas
Colgate-Palmoliv
Henkel
Marico
Unilever

Food Processors
Coca-Cola European Partners
Coca-Cola HBC
Coca-Cola İçecek
General Mills
Hershey's

Machine & Equipment
Arçelik
CNH Industrial
Cummins
Spirax-Sarco

Natural Resources
Anglo American
Anglo American Platinum
Exxaro Resources
Harmony
Hindustan Zinc

Pharmaceuticals
Cipla
Dr Reddys Labs
GlaxoSmithKline
Merck

Retail
Migros Ticaret
Pick n Pay Stores
Tesco
Woolworths Holdings

Telecommunication
BT Group

Utilities
Atlantica Sustainable Infrastructure
CLP
NTPC
United Utilities Group

Based on Argüden Governance Academy's research for Sustainability Governance Scorecard©, companies are written alphabetically in each sector.

Sustainability Governance Scorecard©

	TIER 1	TIER 2	TIER 3	TIER 4	TIER 5
China 12 Companies	CLP	Chine Mobile	China Gas Holdings Hong Kong & China Gas Shanghai Electric Group		BYD Co. China Unicom China Yangtze Power Contemporary Amperex Technology Dongfang Electric Corp Fuyao Glass Industry Nio Ads
Germany 26 Companies	Adidas Henkel Merck	Bayer BMW Deutsche Telekom E.ON Evonik Industries GEA Group Lanxess Siemens Germany Symrise	Beiersdorf Brenntag Covestro Hugo Boss Metro Puma	AB InBev Continental KION Group Knorr-Bremse RWE Zalando	Freenet Group Thyssenkrupp
India 30 Companies	Cipla Colgate-Palmoliv Dr Reddy's Laboratories Hindustan Zinc Mahindra & Mahindra Marico Maruti Suzuki NTPC UPL	Bharti Airtel Gail India Godrej Consumer Products Havells India Hero MotoCorp Hindalco Industries Hindu Unilever Tata Motors Tata Power Vedanta	Ashok Leyland BPCL Reliance Industr Sun Pharma. Tata Consumer Products	Britannia Industries Nestle India Titan Company Voltas	Lupin Siemens India
South Africa 24 Companies	Anglo American Anglo American Platinum Exxaro Resources Harmony Pick n Pay Stores Sibanye Gold Tiger Brands Woolworths Holdings	African Rainbow Minerals Aspen Pharmacare BHP Group Glencore Impala Platinum MTN Group Sasol Shoprite Telkom Sa Soc Vodacom Group	Kumba Iron Ore Northam Platinum The Foschini Group	Clicks Group Mr Price Group	The Spar Group

Companies are listed alphabeticaly in each tier

Sustainability Governance Scorecard©

	TIER 1	TIER 2	TIER 3	TIER 4	TIER 5
Türkiye 19 Companies	Arçelik Coca-Cola İçecek Migros Ticaret	Anadolu Efes Ford Otosan Ülker Biskuvi Zorlu Enerji	Enerjisa Enerji Tüpraş Turkcell		Aksa Enerji Aygaz Bim Petkim Şok Marketler Tofaş Türk Telekom Vestel Vestel Beyazeşya
United Kingdom 31 Companies	Atlantica Sustainable Infrastructure B+T Group CNH Industrial Coca-Cola Europacific Partners Plc Coca-Cola HBC Diageo Glaxosmithkline Linde Plc Reckitt Benckiser Group Spirax-Sarco Tesco Unilever United Utilities Group	Antofagasta Associated British Foods Astra Zeneca Burberry Group Croda International Evraz National Grid Polymetal International Rio Tinto Rolls-Royce Holdings SSE Vodafone Group WH Smith	Compass Group Johnson Matthey Next	Ocado Group Royal Dutch Shell	
United States 58 Companies	Alcoa Corp Cummins General Mills General Motors Hershey's	3M Co Albemarle Archer-Daniels-Midland Freeport-McMoRan Gap Inc International Flavors & Fragrances Mondelez International Newmont Mining Williams Companies Waste Management Whirlpool Corporation Xcel Energy Xylem Inc.	AbbVie Inc AES Corp. Air Products & Chemicals Biogen Campbell Soup ConocoPhillips DowDuPont Hess Corp Ingersoll-Rand Kellogg's NextEra Energy PPG Industries Regeneron Pharmaceuticals Sempra Energy	AT&T Deere & Co Eaton Corp Ecolab Exelon Corp Gilead Sciences Johnson Controls Intl Oneok Oshkosh Corp PG&E Corp	American Water Works Amgen Avangrid Caterpillar Dana Incorporated Duke Energy eBay Emerson Electric Entergy Etsy Honeywell International NiSource Southern Copper Corporation Stanley Black & Decker Tesla Weyerhaeuser

PART I
RESPONSIBLE BOARDS

1. SKILLS MATRIX

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 pay-outs to non-financial sustainability metrics, Boards can sharpen management's focus on sustainability issues.

KEY FINDINGS

Board Skills Matrix
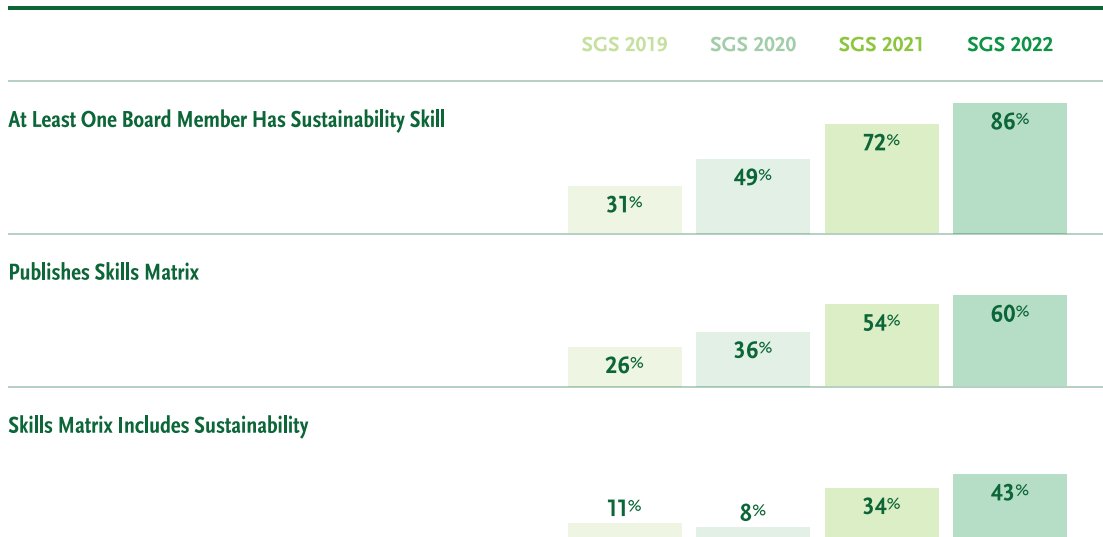
	SGS 2019	SGS 2020	SGS 2021	SGS 2022
At Least One Board Member Has Sustainability Skill	31%	49%	72%	86%
Publishes Skills Matrix	26%	36%	54%	60%
Skills Matrix Includes Sustainability	11%	8%	34%	43%

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

Our research shows that companies' use of skills matrices and evaluation of board member skills in sustainability has increased significantly since 2019:

- GSLs that have at least one board member with sustainability as a skill increased from 31% in SGS 2019 to 86% in SGS 2022.

- GSLs that published Skills Matrix increased from 26% in SGS 2019 to 60% in SGS 2022, and 48% of them included sustainability as a skill in the skill matrix.

BOARD SKILLS MATRIX BY COUNTRY

	Türkiye	India	China	Germany	South Africa	United Kingdom	United States
At least one board member has a Sustainability skill	84%	93%	42%	85%	83%	87%	93%
Environment	11%	17%	17%	27%	42%	29%	40%
Social	5%	23%	42%	23%	50%	55%	36%
Governance	74%	83%	17%	42%	67%	48%	66%
Shares board skill matrix	0%	90%	25%	12%	67%	81%	79%
Skill Matrix includes sustainability	0%	80%	17%	12%	54%	52%	47%

- Leading countries in sharing a board skills matrix are India (90%), UK (81%) and the US (79%) – whereas none of the companies in Türkiye shared a board skills matrix.

- For all countries except China, +80% of GSLs had at least one board member with sustainability skill in their resumes. However, environmental sustainability skills are still very low rare; highest for South Africa (42%) and the US (40%), and much lower for other countries. Social sustainability skills are also low rare; highest for the UK (55%) and South Africa (50%), and much lower for others.

BOARD SKILLS MATRIX BY SECTOR

	Automotive	Chemicals	Consumer Goods	Food Processors	Machine and Equipment	Natural Resources	Pharmaceu-ticals	Retail	Telecommu-nications	Utilities
At least one board member has a Sustainability skill	81%	83%	92%	100%	79%	94%	93%	65%	77%	93%
Environment	13%	39%	8%	26%	14%	48%	21%	20%	8%	55%
Social	19%	33%	33%	47%	36%	55%	29%	15%	31%	31%
Governance	56%	44%	58%	63%	61%	71%	86%	50%	54%	59%
Shares board skill matrix	38%	56%	75%	63%	57%	77%	86%	50%	31%	59%
Skill matrix includes sustainability	31%	39%	58%	47%	29%	68%	57%	25%	15%	45%

- Highest skills matrix sharing is in Pharma (86%), Natural Resources (77%) and Consumer Goods (75%), while there is significant room for improvement for Telecommunications (31%) and Automotive (38%).

- All companies in Food Processors had at least one board member that has a sustainability skill, followed by Natural Resources (94%), Utilities (93%) and Consumer Goods (92%). However, there is still significant room for improvement in environmental sustainability skill, coverage is highest for Utilities (55%) and Natural Resources (48%), but much lower in other sectors. Similarly, social sustainability as a board member skill is rare; highest for Natural Resources (55%) and Food Processors (47%), much lower in other sectors.

Top Performers in Board Skills Matrix

Automotive	Chemicals	Consumer Goods	Food Processors	Machinery & Equipment
	Albemarle		Nestle India	Havells India
	Sasol			Stanley Black & Decker

Natural Resources	Pharmaceuticals	Retail	Telecommunication	Utilities
African Rainbow M.	Aspen Pharmacare	Pick n Pay Stores	Bharti Airtel	Exelon Corp
Exxaro Resources	Gilead Sciences	Woolworths Holdings		National Grid
Freeport-McMoRan				Sempra Energy
Kumba Iron Ore				SSE
Rio Tinto				

Based on Argüden Governance Academy's research for Sustainability Governance Scorecard©, companies are written alphabetically in each sector.

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.

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 skills matrix should include business priorities, skills and experience of board members in a table format, including information to assess diversity, management experience, relevant industry and geographical experience as well as sustainability skills relevant for the companies' priorities.

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.

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.
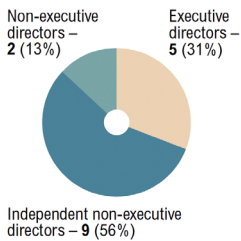
SKILLS MATRIX

Natural Resources · **South Africa** · **ARM — African Rainbow Minerals**

DIRECTORS	Commercial and business acumen	Economics	Engineering	Executive leadership	Financial acumen	Financial expert (including CA(SA))	Governance and ethics	Government relations experience	Human capital best practice	International experience	Legal and regulatory compliance
Executive											
Dr PT Motsepe (executive chairman)	○			○	○		●	○		●	○
MP Schmidt (chief executive officer)	○		○	●	○		○		○	○	○
TTA Mhlanga (finance director)	○			○	●	●	○			○	○
J Magagula	○	○		●	○					○	
HL Mkatshana			○	○	○		○	○	○	○	○
Non-executive											
AK Maditsi (lead independent)	●			○			○	○	○	○	●
F Abbott (independent)	●			○	●	○	○			○	○
M Arnold	○		○	●	●	●	○			○	○
TA Boardman (independent)	○			●	●	●	○		○	○	○
AD Botha (independent)	○	○		●	○	●	○		●	○	○
JA Chissano (independent)							○	●	●	○	
WM Gule (independent)				●			○		●		
P Mnisi (independent)	○			○	○	●	○		○	○	○
DC Noko (independent)	○		○	●			○	○	○	○	○
Dr RV Simelane (independent)		●		○	○		○	○	○	○	●
JC Steenkamp (independent)	○		○	○	○		○			○	

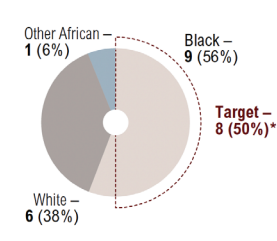| DIRECTORS	Mining technical expertise	Mining strategy	Health and safety	Operational experience	Risk management	Stakeholder engagement	Strategic leadership	Sustainability best practice	Tax expertise	Technical insight	Technology and information	Transformation best practice
Executive												
Dr PT Motsepe (executive chairman)		○			○	○	●	○				○
MP Schmidt (chief executive officer)	●	●	○	○	○	○	○	○		○	○	○
TTA Mhlanga (finance director)		○			○		○		●		○	
J Magagula		●					○	○				
HL Mkatshana	●	○	○	●	○	○	○	○		○		
Non-executive												
AK Maditsi (lead independent)		○	○			○	●					
F Abbott (independent)							○		○			
M Arnold	○	○					○		○	○		
TA Boardman (independent)		○			○	○	○	○				○
AD Botha (independent)		○				○	○	○	○		○	○
JA Chissano (independent)							○					
WM Gule (independent)		○	○				○	●				
P Mnisi (independent)		●	○	●			○		○			
DC Noko (independent)	○	●	○	○	○	○	○	●		○		
Dr RV Simelane (independent)		○	○		○	○	○	○				
JC Steenkamp (independent)	●	○	○	●	○	○	○	○		○		

Key
- ● Top three areas in which a director has more than 10 years' experience
- ○ Other skills and experience

For more information on how the company delivers competitive returns and sustainable value, see the integrated annual report.

MIX

Non-executive directors – **2 (13%)**
Executive directors – **5 (31%)**
Independent non-executive directors – **9 (56%)**

DIVERSITY

Other African – **1 (6%)**
Black – **9 (56%)**
White – **6 (38%)**
Target – 8 (50%)*

GENDER

Female – **4 (25%)**
Target – 4 (25%)*
Male – **12 (75%)**

AGE**

70 years and older – **2 (12%)**
Under 50 years – **3 (19%)**
50 to 59 years – **3 (19%)**
60 to 69 years – **8 (50%)**
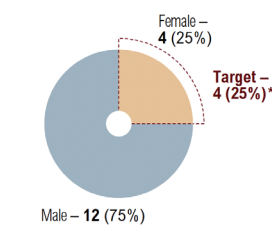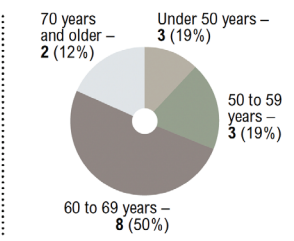
*   Target in terms of the board-approved policy.
** At the date of the 2020 annual general meeting.

- Shares detailed skills matrix with relevant skills for business, separates executive and non-executive directors and details the level of expertise by identifying top 3 areas for each director with 10+ years experience.
- Identifies sustainability areas in its skills matrix such as governance and ethics, human capital best practice, legal and regulatory compliance, health and safety, stakeholder engagement, sustainability best practices.
- Shares the mix of executive, non-executive, and independent non-executive directors; percentage of board diversity in terms of ethnicity, gender diversity, and age diversity. In addition to sharing the current ratios, the company also shares its targets in its diversity metrics.

‹IR› **GRI**

SKILLS MATRIX

Natural Resources

South Africa

AngloAmerican
PLATINUM

Balance of knowledge and skills

Anglo American Platinum is a diverse company, with impact demands from areas such as industrial processes, markets, products and applications. We have done significant work to deepen technical competence on the board and introduce non-financial skills that are becoming increasingly important at this level – innovation, problem-solving, strategic thinking and relationship building. Thabi Leoka and Roger Dixon joined the board in July 2020, in line with our succession blueprint of current and future critical skills. This will ensure a strategic, long-term and orderly succession of directors and maintain an appropriate balance of knowledge, skills, experience, diversity and independence on the board.

To equip the board to discharge its governance responsibilities objectively and effectively, we continue to focus on securing specific skills over the next five years to achieve an ideal balance that supports our strategy:
– Sales and marketing in mining
– People development
– Mining technology/modernisation/mechanisation
– Industrial sector experience
– Futurist/innovation.

Progression of current skills versus ideal

Legend: ■ 2020 ■ 2018 — Ideal
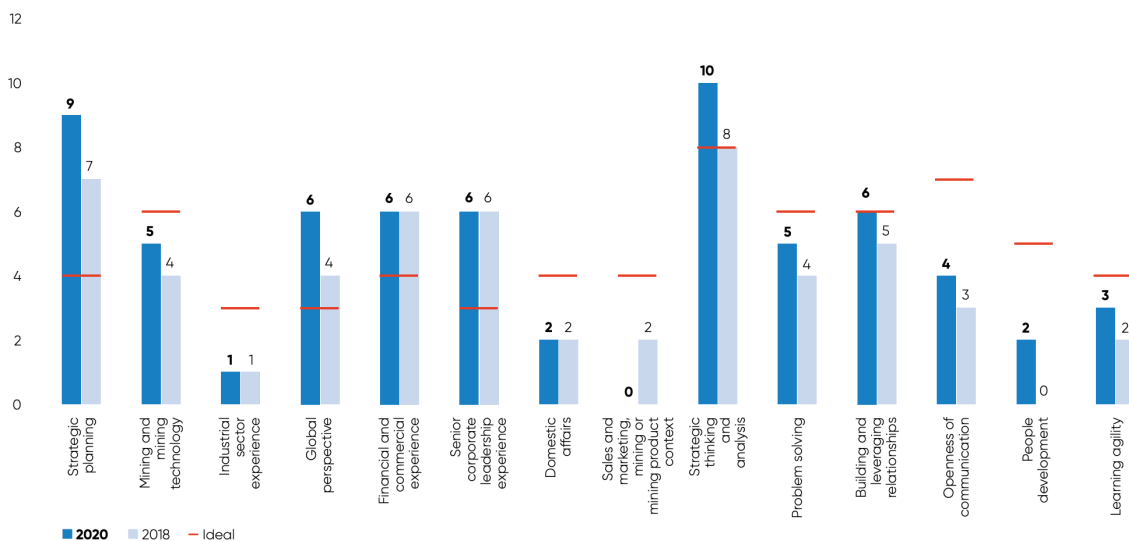
- Discloses the knowledge and skills distribution of the Board of Directors. The company visualizes the progression of current skills versus ideal scenario for the Board of Directors. Tracks the yearly change of the board's knowledge and skills. The progression graph clearly shows the gap to be closed in order to reach the ideal level for the specified skills. The company also shares the explanation of the knowledge and skills balance. In the graph, especially learning agility and people development is listed.

Source: Integrated Report .2020.Page 29

25

SKILLS MATRIX

Natural Resources

South Africa

AngloAmerican PLATINUM

Diversity (IV)

Female representation is 33%, exceeding the target as per our gender and race diversity policy. We met our target of aligning to the mining charter in 2020, with 42% HDSA board representation.

Gender diversity (%)

33

67

■ Male
■ Female

Race diversity (%)

42

58

■ HDSA
■ Non-HDSA
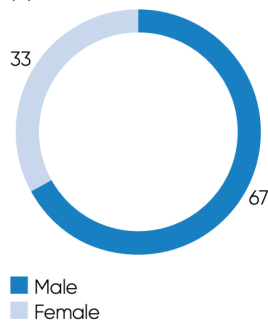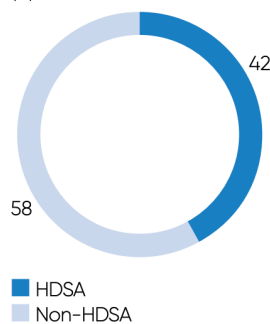
Tenure (IV)

Our average board tenure is 4.5 years and the average age of directors is 57.

Board tenure

Board members	
1 year	3
2 years	2
3 years	1
4 years	0
5 years	0
6 years	0
7 years	5
8 years	1

0   2   4   6   8
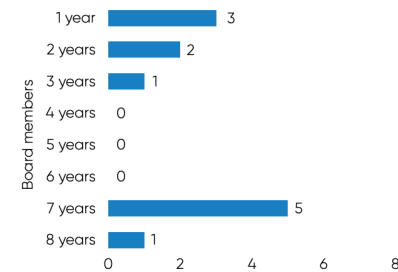
- Shares that the company adopts good governance in order to create sustainable value. The company also discloses its values which includes sustainability aspects such as safety, integrity, care and respect, etc.
- Shares the tenure, gender, and race diversity of the Board of Directors. The company also links how its board composition is aligned with the principles and recommended practices in the King Report on Governance for South Africa 2016 which is referenced in the relevant section as IV.

IR

GRI

Source: Integrated Report .2020.Page 29

SKILLS MATRIX

🧪 **Chemicals**　　🇺🇸 **US**　　　　**ALBEMARLE**

Summary of Skills, Experience, and Background for Director Nominees

	Brlas	Masters	Minor	O'Brien	O'Connell	Seavers	Steiner	Van Deursen	Wolff
KEY COMPETENCIES									
Current or Recent Public Company CEO or COO	n	n		n		n			
P&L Experience	n	n	n	n	n	n	n	n	
Relevant Industry Experience	n	n	n	n	n	n	n	n	n
R&D / Innovation Experience	n	n		n	n	n	n	n	n
Manufacturing / Operations Experience	n	n		n	n	n	n	n	n
Global / Emerging Markets Experience	n	n	n	n	n	n	n	n	n
Supply Chain and Logistics Experience	n	n		n	n			n	
IT / Cybersecurity / Technology Capability	n		n	n	n				n
Financial Literacy	n	n	n	n	n	n	n	n	n
M&A Experience	n	n	n	n	n	n	n	n	n
Risk Management	n	n	n	n	n	n	n	n	n
Public Company Compliance / Governance	n	n	n	n	n	n	n	n	n
Strategy Development	n	n	n	n	n	n	n	n	n
Public Company Executive Compensation	n	n	n	n				n	n
Leadership Development / Succession Planning	n	n	n	n	n	n	n	n	n
Public / Government Affairs		n	n	n	n	n	n	n	n
Diversity, Equity & Inclusion	n	n	n			n		n	n
Natural Resource Management / Environment	n	n		n	n	n	n	n	
Safety / Health	n	n		n	n	n	n	n	n
COMPLIANCE									
Independent Director	Y	N	Y	Y	Y	Y	Y	Y	Y
Audit Committee Financial Expert	Y	N	Y	Y	N	N	N	N	N
Total Public Company Boards (including ALB)	4	1	3	3	2	4	1	4	1
Total Audit Committee Service (including ALB)	3	—	3	1	—	2	—	3	—
DEMOGRAPHICS									
Age	63	60	64	66	57	60	60	62	64
Tenure	4	6	2	9	3	3	8	2	6
DIVERSITY									
Gender (**F**emale, **M**ale)	F	M	F	M	M	M	M	F	M
Race (**B**lack, **H**ispanic, **W**hite)	W	W	B	W	W	B	W	W	H
BOARD COMMITTEES (Chair, Member)									
Audit & Finance	C		M	M				M	
Capital Investment	M					C		M	
Executive Compensation					M	M		M	C
Health, Safety & Environment						M	C		
Nominating & Governance			M	C					M
Lead Independent Director				Y					

- Highlights the qualifications and experience of each member of the Board of Directors that contributed to the Board's determination that each individual is uniquely qualified to serve on the Board.
- Shares skills, experience, and background for director nominees. These competencies include sustainability related skills, such as supply chain experience, diversity, equity and inclusion, natural resource management and environment, safety and health.
- The table also includes compliance details, demographic info, diversity metrics, and board committees' membership. This is detailed for each member.
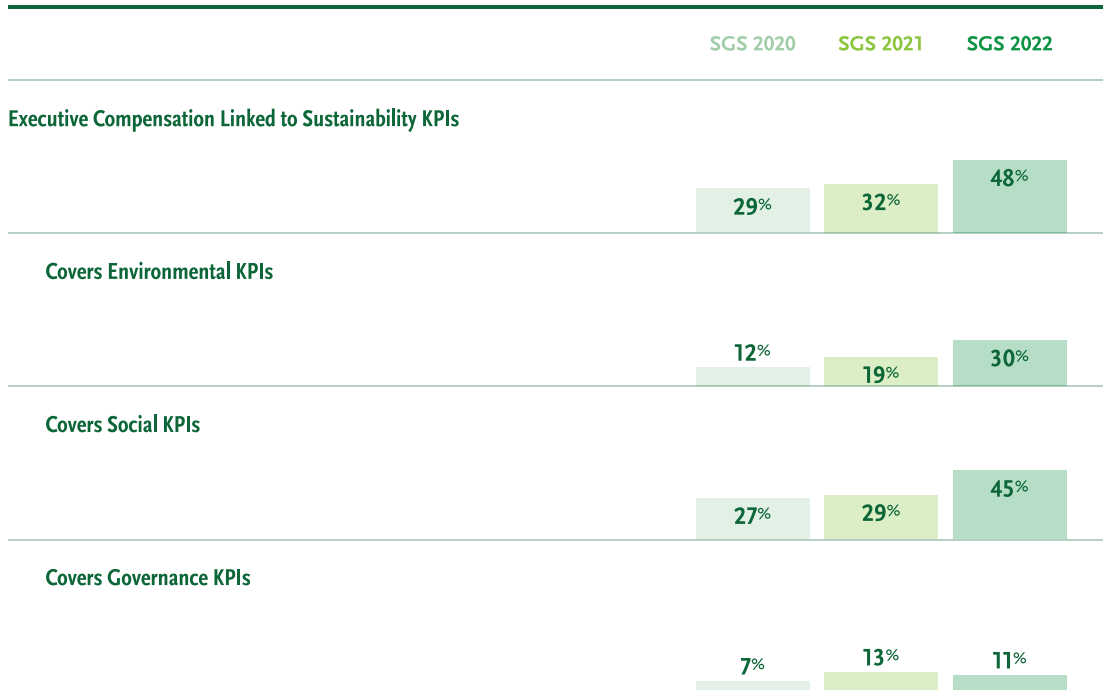
2. EXECUTIVE COMPENSATION

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 pay-outs to non-financial sustainability metrics, Boards can sharpen management's focus on sustainability issues.

KEY FINDINGS

Executive Compensation Linked to Sustainability KPIs

	SGS 2020	SGS 2021	SGS 2022
Executive Compensation Linked to Sustainability KPIs	29%	32%	48%
Covers Environmental KPIs	12%	19%	30%
Covers Social KPIs	27%	29%	45%
Covers Governance KPIs	7%	13%	11%

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

There has been a significant increase in the share of companies that disclose executive compensation linked to sustainability KPIs but there is still significant room for improvement even among GSLs:

- Companies that share compensation linked to sustainability KPIs increased from 32% in SGS 2021 to 48% in SGS 2022.

- Companies focus more on social sustainability KPIs (45%) and environmental KPIs (30%), whereas only 11% link to governance KPIs.

EXECUTIVE COMPENSATION LINKED TO SUSTAINABILITY KPIs BY COUNTRY

	Türkiye	India	China	Germany	South Africa	United Kingdom	United States
Shares executive compensation link to financial KPIs	47%	53%	42%	100%	96%	100%	100%
Shares executive compensation link to sustainability KPIs	5%	7%	25%	54%	79%	77%	57%
Covers environmental KPIs	0%	3%	17%	19%	50%	65%	33%
Covers social KPIs	0%	7%	17%	46%	79%	71%	55%
Covers governance KPIs	0%	3%	8%	19%	21%	10%	10%

- All companies in the US, UK and Germany share executive compensation link to financial KPIs, whereas <50% companies share this link in Türkiye, China and India. There is more need for transparency regarding executive compensation in these countries.

- South Africa and the UK are the countries with the highest share of executive compensation link to sustainability KPIs, 79% and 77% respectively. These companies primarily link their executive compensation with social KPIs, and mostly with environmental KPIs, but the linking to governance KPIs is very low (21% and 10% respectively).

- In Türkiye, India and China, sharing executive compendation link to sustainability KPIs is almost non-existent: at 5%, 7% and 25% respectively.

EXECUTIVE COMPENSATION LINKED TO SUSTAINABILITY KPIs BY SECTOR

	Automotive	Chemicals	Consumer Goods	Food Processors	Machine and Equipment	Natural Resources	Pharmaceuticals	Retail	Telecommunications	Utilities
Shares executive compensation link to financial KPIs	75%	89%	75%	74%	93%	94%	86%	80%	77%	83%
Shares executive compensation link to sustainability KPIs	31%	44%	42%	58%	46%	68%	36%	30%	38%	59%
Covers environmental KPIs	19%	28%	33%	26%	25%	55%	14%	10%	23%	38%
Covers social KPIs	31%	44%	42%	53%	39%	65%	36%	20%	38%	55%
Covers governance KPIs	13%	6%	17%	11%	14%	10%	7%	5%	15%	10%

- More than 75% of companies in each sector shares links of executive compensation with financial KPIs.
- Linking executive compensation and sustainability KPIs is below 50% across all sectors except Natural Resources (68%), Utilities (59%) and Food Processors (58%).

Top Performers in Executive Compensation

Automotive	Chemicals	Consumer Goods	Food Processors	Machinery & Equipment
Ashok Leyland	Linde Plc	Adidas		GEA Group
BMW		Puma		Honeywell International

Natural Resources	Pharmaceuticals	Retail	Telecommunication	Utilities
Harmony	Aspen Pharmacare			Duke Energy
Hess Corp				

Based on Argüden Governance Academy's research for Sustainability Governance Scorecard©, companies are written alphabetically in each sector.

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, CO_2 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.

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. 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 GSLs clearly disclose rationale with metrics in line with business strategy and allow sufficient information for investors to assess performance and pay-outs 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.

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.

Good Practice Examples

EXECUTIVE COMPENSATION

Consumer Goods	UK	Unilever

Performance measures and the link to strategy

Incentive plan	Performance measure	Link to strategy
Short-term: Annual Bonus	Underlying Sales Growth (USG) at constant FX rates	Clear, simple and well understood measure supporting the achievement of Unilever's growth ambition.
	Underlying Operating Margin Improvement (UOM) at current FX rates	Underlines the importance of achieving increasingly profitable growth.
	Free Cash Flow (FCF) at current FX rates	Provides clear focus on the achievement of Unilever's cash generation ambition.
Long-term: PSP	Competitiveness % Business Winning Market Share measure *New measure for this policy*	Growing faster than the market and so winning market share are key strategic drivers for our long-term sustainable growth.
	Cumulative Free Cash Flow at current FX rates measure *New measure for this policy*	Free Cash Flow from operating activities in current currency ensures sufficient cash is available to fund a range of strategic capital allocation choices.
	Return On Invested Capital (ROIC) at exit year %	Supports disciplined investment of capital within the business and encourages acquisitions which create long term value (an especially relevant measure for members of the ULE who make investment decisions).
	Unilever Sustainability Progress Index (Compass) (SPI)	Unilever is committed to demonstrating that the Compass, our purpose-led, future-fit strategy, drives superior performance, which protects our consumers, people, planet and society, customers, suppliers and business partners and shareholders. To capture the breadth and depth of the Compass in relation to the SPI, the Corporate Responsibility Committee and Compensation Committee agree a number of key performance indicators (KPIs) to assess progress towards the Compass targets in our reported Compass sustainability commitments (see page 10). These KPIs illustrate how Unilever aims to address a number of its principal risks such as brand preference, climate change, supply chain and ethics (see Our risks on page 44). For the 2021 PSP award, progress will be measured against the forerunner of the Compass, the Unilever Sustainable Living Plan (USLP).

- Unilever's remuneration policy combines short-term and long-term targets and is linked to financial and sustainability targets.
- The policy report outlines fixed pay, benefits and annual bonus. Each indicator is clearly linked to the main pillars of strategy and details are provided for how it will be measured.
- Short-term metrics include underlying sales growth, underlying operating margin improvement and free cash flow.
- Long-term metrics include competitiveness % business winning market share, cumulative free cash flow, return on invested capital on exit year as well as Unilever Sustainability Progress Index – for which performance indicators are determined yearly by the Corporate Responsibility Committee and Compensation Committee.
- The remuneration policy applies to top management as well as new hires, service contracts, and non-executive directors.

Source: Unilever Annual Report and Accounts 2020.93

EXECUTIVE COMPENSATION

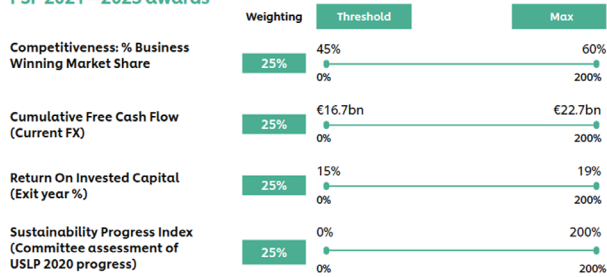|	
Consumer Goods	UK

Unilever

Elements of remuneration continued

Planned for 2021

As detailed in our new Remuneration Policy (as set out on pages 79 to 87), the performance conditions for PSP awards are assessed over a three-year period with a further two-year retention period. The performance conditions and target ranges for 2021 awards under the PSP will be as follows:

PSP 2021 – 2023 awards

	Weighting	Threshold	Max
Competitiveness: % Business Winning Market Share	25%	45% (0%)	60% (200%)
Cumulative Free Cash Flow (Current FX)	25%	€16.7bn (0%)	€22.7bn (200%)
Return On Invested Capital (Exit year %)	25%	15% (0%)	19% (200%)
Sustainability Progress Index (Committee assessment of USLP 2020 progress)	25%	0% (0%)	200% (200%)

SPI Category	KPIs	SPI 2020 Judgement	2019 actuals	SPI 2019 2018 actuals	SPI 2018 2017 actuals	SPI 2017 2016 actuals	2015 actuals
USLP							
Health & Well-being	With our Dove brand help young people build up positive body confidence and self-esteem through educational programme (millions)	Over-achieved	>60m	35m	29m	23m	19.4m
Environmental Impact	Reduce CO₂ emissions from energy from our factories per tonne of production vs 2008 baseline (%)	Over-achieved	-65%	-52%	-47%	-43%	-39%
	Increase the recycled plastic material content in our packaging (% purchased)	Partly achieved	5%	4845T (<1%)	4850T	3830T	4900T
Enhancing Livelihoods	Source our procurement spend through suppliers meeting the mandatory requirements of our Responsible Sourcing Policy (%)	Achieved	70%	61%	55%	67%	54%
	Reduce our Total Recordable Frequency Rate (TRFR) for accidents in our factories and offices (#)	Achieved	0.76	0.69	0.89	1.01	1.12
Transformational change agenda							
Sustainable Palm Oil	Purchase crude palm oil from physically certified sustainable sources (%)	Over-achieved	95%	81%	56%	42%	19%
External recognition							
Rankings and ratings*	Achieve Leader/A ratings (number)	Over-achieved	5 of 5	3 of 5	4 of 5	5 of 5	4 of 5
Annual SPI outcome		130%		125%	120%	120%	
Average SPI outcome for **MCIP 2017-2020**		124%					

* DJSI, CDP Climate, CDP Water, CDP Forests, GlobeScan

- The main pillars of the Unilever Sustainable Living Plan are health & wellbeing, environmental impact, and enhancing livelihoods. The company also has a transformational target for sourcing sustainable palm oil.
- Health & well-being is assessed by helping young people build up positive body confidence and self-esteem through educational programs in millions, 2020 is assessed as over-achieved with over 60m.
- The KPI for environmental impact is set by two indicators; reduction of CO2 emissions from their factories per ton of production vs 2008 baseline as percentage (assessed as over-achieved by 65% reduction) and increase the recycled plastic material content in the packaging (assessed as partly achieved 5%).
- Enhancing livelihoods is another KPI for executive compensation in Unilever. It is assessed by two KPIs; source of procurement spend through suppliers meeting the mandatory requirements of their Responsible Sourcing Policy which is achieved in 2020 by 70% and reduce the Total Recordable Frequency Rate (TRFR) for accidents in factories and offices which is achieved by 0.76 in 2020.
- The executive compensation scheme also includes external recognition criteria in sustainability including achieving A ratings in sustainability rankings, annual Sustainability Progress Index (SPI) outcome and average SPI for MCIP cycle 2017-2020.

Natural Resources	US

Alcoa

Company IC Plan Metrics

The below chart describes the specific 2020 metrics and results for the 2020 Company IC Plan awards:

Performance Metrics[1]	Metric Weight	Performance Minimum (0%)	Performance Threshold (50%)	Performance Target (100%)	Performance Maximum (150%)	Performance Super-Maximum (200%)	Performance Results	Achievement %	Weighted Result
Financial Metrics (70%)									
Adjusted EBITDA Excluding Special Items–Non-Normalized ($M)[2]	20.0%	389	889	1,389	1,889	2,389	1,236	84.7%	**16.9%**
Free Cash Flow—Normalized ($M)[2]	20.0%	(421)	(246)	(71)	229	529	330	166.8%	**33.3%**
Bauxite Wet production (tpd)	10.0%	121,679	122,920	124,162	124,783	125,404	123,879	89%	**8.9%**
Alumina digester production (tpd)	10.0%	36,093	36,454	36,822	37,006	37,190	37,082	171%	**17.1%**
Aluminum EBITDA—Normalized ($M)[2]	10.0%	460	510	560	610	660	625	165%	**16.5%**
Non-Financial Metrics (30%)									
Safety Zero Fatalities (count)[3]	10.0%	1	—	—	—	0	1	0%	**0.0%**
FSI—Actual (count)[4]	10.0%	—	5	3	—	1	1	100%	**10.0%**
Diversity Global Women (%)[5]	5.0%	—	15.86%	16.16%	—	16.57%	15.63%	0%	**0.0%**
Female Hires (%)	2.5%	—	25.16%	25.46%	—	25.88%	22.30%	0%	**0.0%**
Women Job Band 30+ (%)	2.5%	—	26.05%	26.36%	—	26.77%	25.92%	0%	**0.0%**
Total	100.0%								**102.7%**

(1) The maximum payout for each financial and non-financial metric is 200%.

(2) Adjusted EBITDA Excluding Special Items–Non-Normalized, Free Cash Flow—Normalized, and Aluminum EBITDA—Normalized are Non-GAAP financial measures. Please see *"Attachment A—Additional Information Regarding Financial Measures"* for further discussion regarding how these numbers are calculated from Alcoa's Consolidated Financial Statements. Additionally, as a result of EBITDA not being normalized for the effects of currency, metal prices and API, the target varies year-over-year, and may be less than the prior year.

(3) This metric is achieved (at the super-maximum performance level of 200%) only if there are zero fatalities.

(4) The Fatal and Serious injuries ("FSI")—Actual safety metric focuses on reducing the number of fatal and serious injuries/illnesses that are life-altering or life-ending and is capped at a target payout if there is any fatality during the annual performance period.

(5) This metric represents the percentage of females in the Company's global workforce.

- Shares executive compensation policy and process, clearly linked to financial (70%) and non-financial (30%) metrics.
- Provides threshold, target, and maximum measures as well as achievement against those targets for multiple metrics under non-financial metrics such as safety and diversity measures which in total affect executive compensation by 30%.
- Non-financial metrics include safety and diversity measures. Safety indicators are zero fatalities (10%) and actual fatal and serious injuries (10%). Diversity metrics include share of global women (5%), share of female hires (2.5%) and women job band over 30+ (2.5%).
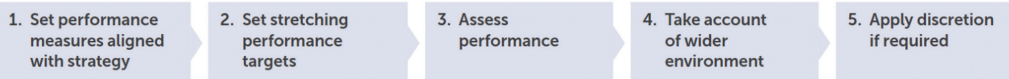
SASB

EXECUTIVE COMPENSATION

Utilities   UK   sse

Annual Incentive Plan and Performance Share Plan

In setting targets and assessing performance, the following process is used for both the AIP and PSP:

| 1. Set performance measures aligned with strategy | 2. Set stretching performance targets | 3. Assess performance | 4. Take account of wider environment | 5. Apply discretion if required |

2020/21 Annual Incentive Plan

1. Set performance measures aligned with strategy

AIP requires broad performance across a number of financial metrics (Adjusted EPS, DPS Growth and Cashflow) and strategic metrics (Personal, Stakeholders and Sustainable Development Goals). These reflect a review of performance measures in 2019/20 which resulted in some strategic measures being updated to reflect SSE's evolving business. The Stakeholders and Sustainable Development Goals performance measures replaced the former Customer and Teamwork measures. The performance measures and their weightings are shown below.

Financial (50%)			Personal (15%)	Stakeholders (15%)			Sustainable Development Goals (20%)			
Adjusted EPS (30%)	Cashflow (10%)	DPS (10%)	Individual Objectives (15%)	Customers (5%)	Employees (5%)	Suppliers (5%)	Carbon Intensity (5%)	Renewable Output (5%)	Elective Vehicle Infrastructure (5%)	Fair Tax & Living Wage (5%)

2. Set stretching performance targets

The financial performance targets were set at the start of the financial year taking into account internal financial plans, external consensus where it exists and the expected impact of identified opportunities and threats to the business in the context of wider economic conditions. The performance target range is set on a realistic basis but requires true outperformance for Executive Directors to achieve the maximum. The Remuneration Committee has a history of setting challenging targets, evidenced by the average AIP payout of 48% since 2012 as shown on page 157 📖.

3. Assess performance

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

AIP	Adjusted EPS	Cashflow 1	Cashflow 2	DPS	Personal	Stakeholders	Sustainable development goals	Total
Link to strategy	Simple Stewardship Stakeholders	Simple Sustainable 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 to net debt	Funds from operations to net debt	Return on investment through payment of dividends	To reflect those activities which go beyond the normal responsibilities of the role	Customers, employees and suppliers	Contribution to the four UN SDGs for 2030	
Weighting	30%	5%	5%	10%	15%	15%	20%	
Threshold	78.6p	10.5%	18%	81.0p				
Max	91.0p	11.5%	20%	82.6p				
Outcome	87.5p	Below threshold	Below threshold	81.0p	See next section			
Performance	83%	0%	0%	50%	92%	86%	85%	
Outturn (% of max)	25%	0%	0%	5%	14%	13%	17%	74%

- Adopts a holistic approach in disclosing the compensation report. The company shares the process in setting targets and assessing performance for annual incentive plan and performance share plan.
- The annual incentive plan is linked to financial (50%), personal (15%), stakeholder (15%) and Sustainable development goals (20%).
- Discloses the way of measuring which includes its linked to strategy, rationale, weighting, threshold, max level, outcome, performance and outturn. Targets are specifically detailed and are SMART.

Utilities | UK | **sse**

High-level measure	Detailed measure	Factors to be assessed	Summary performance	Assessment	Outcome (% of max)
Stakeholders 15%	**Customers 2.5%**	**Business Energy** – A range of measures including customer complaints and satisfaction. Gateway for threshold performance at median performance of Citizens Advice league table.	Rank 3 against 17 business energy providers by Citizens Advice.	✓✓✓	93%
	2.5%	**Electricity Networks** – A range of measures including customer interruptions and customer minutes lost.	Improved performance on previous year across a range of metrics as other DNOs have improved too. There is tight clustering in the league tables where a single percentage point can be the difference between below median and first. The out-turn reflects particularly strong performance in the North and in the Connections business.	✓	40%
	Employees 2.5%	**Safety** – Total Recordable Injury Rate (TRIR) and Accident Frequency Rate (AFR) for direct employees. TRIR target of <0.15.	TRIR at 0.15 reduced compared with last year and AFR has been maintained at the same low level as 2019/20. Significantly more 'safe days' than previous year. See page 143 ▣.	✓✓✓	95%
Stakeholders 15% (cont)	2.5%	**Engagement** – A range of measures including employee engagement survey score, employee uptake of share plans and retention rate. Board and leadership engagement with employees.	Significantly increased employee engagement score relative to previous year and against external benchmarks. A programme of employee engagement activity has been delivered. See page 48 ▣.	✓✓✓	95%
	2.5%	**Inclusion and diversity** – progress made closing SSE's median UK gender pay gap and progress made against SSE's Inclusion Strategy including progress on Return on Inclusion.	Improved Return on Inclusion with 'champion' status reached. Decreased gender pay gap. Employee Difference groups established. See page 49 ▣.	✓✓✓	85%
	Suppliers 2.5%	**Safety** – Total Recordable Injury Rate (TRIR) and Accident Frequency Rate (AFR) for contractors.	12-month rolling combined TRIR and AFR rate remained similar to the previous year. The number of contractors injured (30) in 2021/22 was significantly fewer than the 35 injured in 2019/20. In a challenging year the contractor safety performance exceeded expectations. See page 143 ▣.	✓✓✓	92%
Contribution to the UN Sustainable Development Goals 20% (see the Sustainability Report ▣)	**Climate action (5%):** Take urgent action to combat climate change and its impacts	Reduce the carbon intensity of electricity generated by 60% by 2030, compared to 2017/18 levels, to around 120gCO$_2$e/kWh.	Carbon intensity of electricity generated decreased by 11% compared to the previous year and was the lowest since SSE's records began. No coal output following closure of last coal-powered station in March 2020. Keadby 3 progressing through planning as part of Zero Carbon Humber. Progress in development of Peterhead CCUS.	✓✓	80%
	Affordable and clean energy (5%): Affordable, reliable and sustainable energy for all	Develop and build by 2030 more renewable energy to contribute renewable output of 30TWh a year.	SSE's renewable generation output decreased over the year due to poor weather conditions across wind and hydro. However, excellent progress was made over the year to develop and construct the assets which will enable SSE to meet its 2030 Goal.	✓✓✓	85%
	Industry, innovation and infrastructure (5%): Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	Build electricity network flexibility and infrastructure that helps accommodate 10 million electric vehicles in GB by 2030.	Project LEO and a partnership between Government and network owners in Scotland represent two of the most significant projects in the UK that will help accelerate transport electrification. RIIO–ED2 business plan is nearing completion, which will inform the investment needed in ED2 and beyond to meet the net zero decarbonisation goal. Launched a new low emission company car scheme to deliver a focus on the benefits of low emission cars.	✓✓✓	85%
	Decent work and economic growth (5%): Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Be the leading company in the UK and Ireland championing Fair Tax and a real Living Wage.	SSE achieved ongoing accreditation of both the Fair Tax Mark and the Living Wage, supporting both campaigns to attract more companies to become accredited. Furthermore, SSE published its Talking Tax reports offering transparent disclosure of its tax approach. SSE has become one of the first companies to gain Living Hours accreditation.	✓✓✓	90%

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

- Stakeholder measures affect 15% of the annual incentive plan and is divided into customers, employees, and suppliers. Clearly specifies factors to be assessed, summary performance, assessment, and outcome.
- Contribution to UN SDGs measures affect 20% of the annual incentive plan and is divided into climate action (5%), affordable and clean energy (5%), industry, innovation, and infrastructure (5%), and decent work and economic growth (5%). Clearly specifies factors to be assessed, summary performance, assessment, and outcome.

Source: Annual Report 2020 Pages: 21.157

3. 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 risks 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.

KEY FINDINGS

Achieving 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:

ESG POLICY

	SGS 2022
Environmental	
Water	
Climate Change	
Energy	
Waste & Packaging	
Biodiversity	
Hazardous Materials	
Responsible Sourcing	

	SGS 2022
Social	
Human Rights & Labor Practices	
Labor Rights (Eg: child labor, forced labor, freedom of association, etc.)	
Occupational Health and Safety	
Diversity & Inclusion	
Talent Development & Employee Wellbeing	
Product Design & Portfolio	
Data Security & Customer Privacy	
Social Responsibility & Local communities	

	SGS 2022
Governance	
Board Diversity	
Risk Management	
Supplier Code of Conduct	
Compliance (eg:Ethics, Anti-corruption, Code of Conduct)	
Business Ethics	
Anti-corruption	
Executive Compensation	
Donations	
Related Party Transactions	
Succession Planning	

■ 100% ■ >90% ■ >80% ■ >70%

- **Environmental Policy:** >90% have climate change, energy, waste & packaging, hazardous materials, and water policy. There is potential for improvement in developing policies on responsible sourcing and biodiversity.

- **Social Policy:** >90% of GSLs policies cover all social topics which are human rights, labor practices, occupational health and safety, diversity & inclusion, talent development & employee wellbeing, product design & portfolio, data security & customer privacy and social responsibility & local communities.

- **Governance Policy:** >90% of Governance policies of GSLs cover all topics which are board diversity, risk management, supplier code of conduct, compliance (eg: ethics, anti-corruption, code of conduct), business ethics, anti-corruption, executive compensation, donations, related party transactions and succession planning.

Policies should be substantiated through relevant KPIs, targets and measurement of results, which will be discussed in the next section on sustainability performance.

RECOMMENDATIONS

1. **The Board should provide guidance on sustainability and set the tone at the top:** Board's role is to ensure a systematic approach that 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.

- Social policy can cover a wide range of issues including health & safety, human rights, non-discrimination, child labor, diversity inclusion, gender equality.

- 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 jurisdictions that the company operates in. OECD Guidelines for Multinational Enterprises particularly focus on this issue.

4. **Regularly review the policy, benchmark with peers and collaborate** with sector standards and best-practice examples to keep the policy relevant to changing conditions.

4. 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.

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.

BOARD'S OVERSIGHT RESPONSIBILITIES

Board Oversight Covers	SGS 2021	SGS 2022
Business Strategy	100%	100%
Environmental Issues	91%	96%
Human Rights	90%	92%
Labor Practices	85%	92%
Customer / Community Issues	89%	95%
Setting materiality thresholds	63%	85%
Risk management	100%	99%
Supplier Code of Conduct	91%	90%
Executive compensation	96%	95%
Succession planning	89%	93%
Business ethics	97%	97%
Anti-corruption	95%	93%
Related party transactions	87%	91%
Donations (ie. Political)	66%	82%
Regulatory compliance	93%	93%

■ 100%   ■ >80%   ■ >60%

- All GSLs have set up Board Oversight structures comprehensively across all relevant categories >80%.

- There was a significant increase in the board's role in setting materiality thresholds and political donations, from >60% to >80% between SGS 2021 and SGS 2022.

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 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).

BOARD COMMITTEES

	Has a Committee		Has a Charter		Has an Independent Chair	
	SGS 2021	**SGS 2022**	**SGS 2021**	**SGS 2022**	**SGS 2021**	**SGS 2022**
Sustainability	54%	59%	53%	51%	43%	47%
Audit	100%	100%	99%	98%	96%	98%
Remuneration	89%	85%	88%	85%	84%	82%
Risk	49%	49%	49%	48%	44%	48%
Governance	59%	66%	59%	65%	55%	65%

- All companies have an audit committee with a charter and independent chair, and more than 80% of all companies have a remuneration committee.

- Having a governance committee of the GSLs increased from 59% in SGS 2021 to 66% in SGS 2022 as well as almost committees have a charter and independent chair.

- There is room for improvement in risk and sustainability committees – to create a forum in which sustainability opportunities and risks can be addressed.
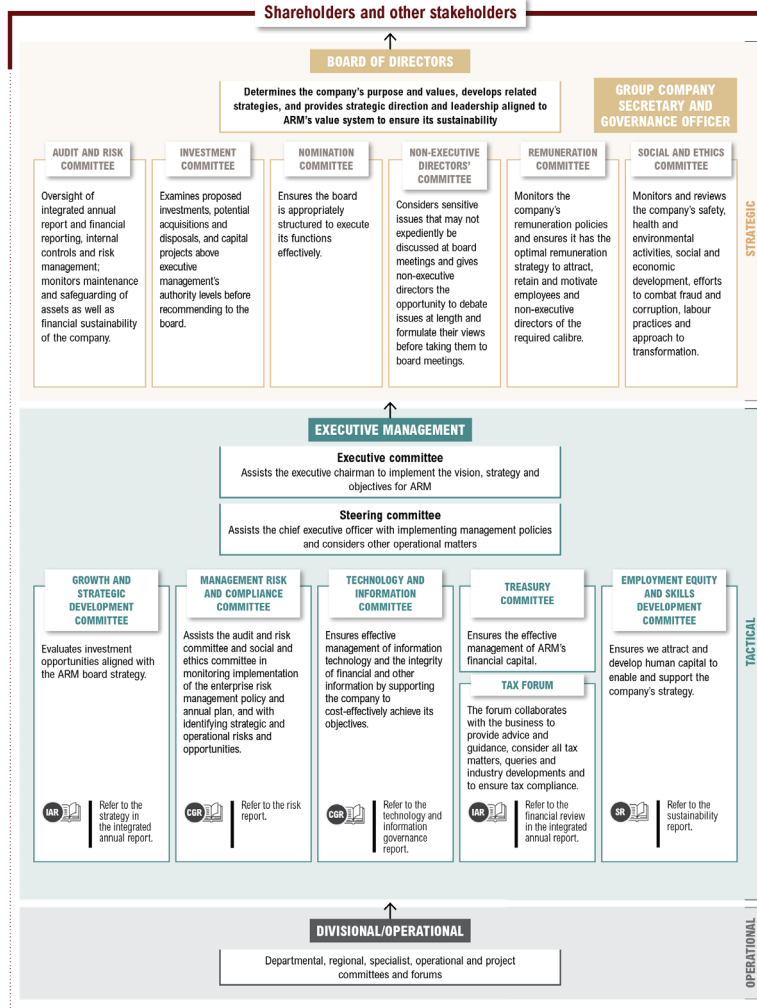
BOARD OVERSIGHT

Natural Resources

South Africa

ARM
African Rainbow Minerals

GOVERNANCE FRAMEWORK

Shareholders and other stakeholders

BOARD OF DIRECTORS

Determines the company's purpose and values, develops related strategies, and provides strategic direction and leadership aligned to ARM's value system to ensure its sustainability

GROUP COMPANY SECRETARY AND GOVERNANCE OFFICER

STRATEGIC

AUDIT AND RISK COMMITTEE	INVESTMENT COMMITTEE	NOMINATION COMMITTEE	NON-EXECUTIVE DIRECTORS' COMMITTEE	REMUNERATION COMMITTEE	SOCIAL AND ETHICS COMMITTEE
Oversight of integrated annual report and financial reporting, internal controls and risk management; monitors maintenance and safeguarding of assets as well as financial sustainability of the company.	Examines proposed investments, potential acquisitions and disposals, and capital projects above executive management's authority levels before recommending to the board.	Ensures the board is appropriately structured to execute its functions effectively.	Considers sensitive issues that may not expediently be discussed at board meetings and gives non-executive directors the opportunity to debate issues at length and formulate their views before taking them to board meetings.	Monitors the company's remuneration policies and ensures it has the optimal remuneration strategy to attract, retain and motivate employees and non-executive directors of the required calibre.	Monitors and reviews the company's safety, health and environmental activities, social and economic development, efforts to combat fraud and corruption, labour practices and approach to transformation.

EXECUTIVE MANAGEMENT

Executive committee
Assists the executive chairman to implement the vision, strategy and objectives for ARM

Steering committee
Assists the chief executive officer with implementing management policies and considers other operational matters

TACTICAL

GROWTH AND STRATEGIC DEVELOPMENT COMMITTEE	MANAGEMENT RISK AND COMPLIANCE COMMITTEE	TECHNOLOGY AND INFORMATION COMMITTEE	TREASURY COMMITTEE	EMPLOYMENT EQUITY AND SKILLS DEVELOPMENT COMMITTEE
Evaluates investment opportunities aligned with the ARM board strategy.	Assists the audit and risk committee and social and ethics committee in monitoring implementation of the enterprise risk management policy and annual plan, and with identifying strategic and operational risks and opportunities.	Ensures effective management of information technology and the integrity of financial and other information by supporting the company to cost-effectively achieve its objectives.	Ensures the effective management of ARM's financial capital.	Ensures we attract and develop human capital to enable and support the company's strategy.
			TAX FORUM The forum collaborates with the business to provide advice and guidance, consider all tax matters, queries and industry developments and to ensure tax compliance.	
IAR — Refer to the strategy in the integrated annual report.	CGR — Refer to the risk report.	CGR — Refer to the technology and information governance report.	IAR — Refer to the financial review in the integrated annual report.	SR — Refer to the sustainability report.

DIVISIONAL/OPERATIONAL

Departmental, regional, specialist, operational and project committees and forums

OPERATIONAL

SR — King IV application register and IBIS ESG Consulting Africa (Pty) Ltd comprehensive assurance statement in the 2020 sustainability report are on our website: **www.arm.co.za.**
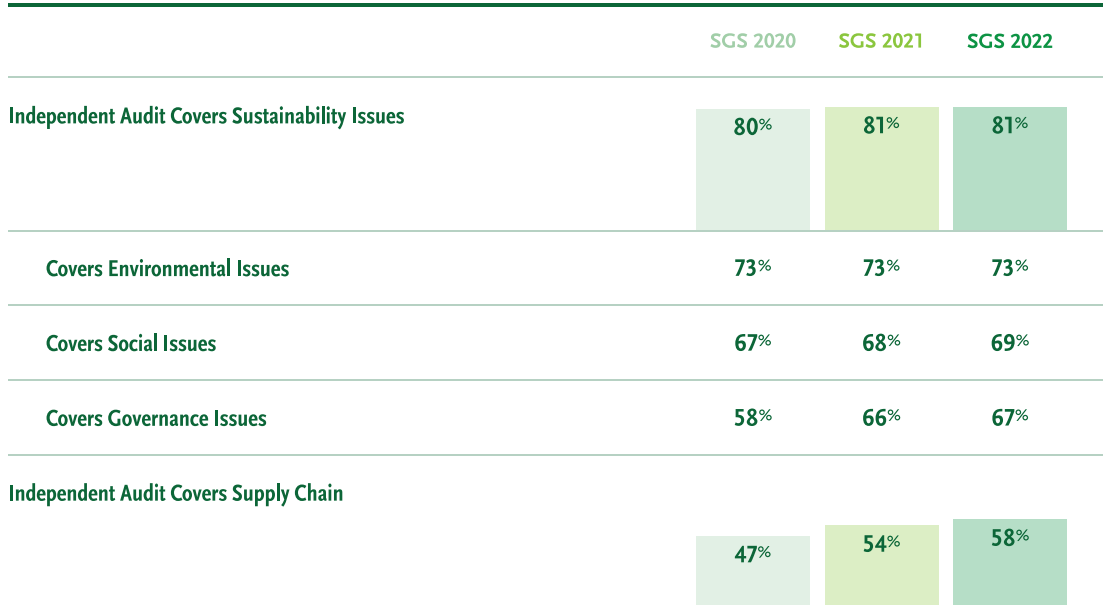
- Discloses the governance framework in a clear format, detailing the roles and responsibilities of the Board and Executive Committees.
- Has a social and ethics committee that monitors and reviews the company's safety, health and environmental activities, social and economic development, efforts to combat fraud and corruption, labor & practices and approach to transformation.
- Clearly specifies that the Board is responsible to shareholders as well as other stakeholders, providing a comprehensive view of the responsibilities of the company.

IR

GRI

Source: Integrated Annual Report 2020 Page:97

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.

Independent Audit

	SGS 2020	SGS 2021	SGS 2022
Independent Audit Covers Sustainability Issues	80%	81%	81%
Covers Environmental Issues	73%	73%	73%
Covers Social Issues	67%	68%	69%
Covers Governance Issues	58%	66%	67%
Independent Audit Covers Supply Chain	47%	54%	58%

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

- >80% of GSLs reported some form of independent audit coverage over sustainability issues.

- Independent audit coverage is 73% for environmental issues, while 69% for social issues and 67% for governance issues.

- Independent audit coverage for the supply chain increased from 47% in SGS 2020 to 58% in SGS 2022.

INDEPENDENT AUDIT COVERAGE BY COUNTRY

	Türkiye	India	China	Germany	South Africa	United Kingdom	United States
Independent audit covers sustainability issues	53%	83%	33%	100%	88%	87%	84%
Covers environmental issues	53%	80%	25%	96%	83%	77%	67%
Covers social issues	32%	77%	25%	92%	88%	74%	64%
Covers governance issues	21%	77%	33%	92%	83%	71%	62%
Independent audit covers supply chain	32%	60%	17%	77%	58%	68%	60%

- Independent audit coverage of sustainability issues is 100% in Germany, followed by >80% in US, UK and India.

- There is room for improvement in sustainability coverage of independent audit in Türkiye (53%) and China (33%).

- Independent audit coverage of the supply chain is highest for Germany (77%) and UK (68%), whereas Türkiye (32%) and China (17%) are significantly lagging behind.

INDEPENDENT AUDIT COVERAGE BY SECTOR

	Automotive	Chemicals	Consumer Goods	Food Processors	Machine and Equipment	Natural Resources	Pharmaceuticals	Retail	Telecommunications	Utilities
Independent audit covers sustainability issues	50%	100%	83%	78%	82%	87%	93%	70%	92%	76%
Covers environmental issues	50%	89%	83%	74%	79%	81%	64%	55%	85%	66%
Covers social issues	50%	83%	75%	74%	68%	74%	71%	50%	85%	62%
Covers governance issues	50%	67%	67%	53%	64%	81%	71%	60%	69%	72%
Independent audit covers supply chain	50%	72%	67%	74%	50%	58%	64%	65%	38%	48%

- All companies in Chemicals and 93% of companies in Pharma conduct independent audit covering sustainability topics, Automotive lags behind with 50%.

- Independent audit coverage of the supply chain is highest for Food Processors (74%) and Chemicals (72%), Telecom and Utilities lag behind with <50%.

Top Performers in Board Oversight & Audit

🚗 Automotive	🧪 Chemicals	🧺 Consumer Goods	🍫 Food Processors	⚙️ Machinery & Equipment
	🇩🇪 Symrise	🇩🇪 Adidas	🇬🇧 Coca-Cola EP	🇮🇳 Havells India
		🇺🇸 Colgate-Palmolive	🇬🇧 Coca-Cola HBC	🇩🇪 Siemens Germany
		🇬🇧 Unilever	🇹🇷 Coca-Cola İçecek	

🪨 Natural Resources	💊 Pharmaceuticals	🏬 Retail	📡 Telecommunication	🔌 Utilities
🇺🇸 Alcoa Corp	🇬🇧 GlaxoSmithKline	🇿🇦 Pick n Pay Stores	🇬🇧 Vodafone Group	🇮🇳 NTPC
🇿🇦 Exxaro Resources	🇮🇳 Sun Pharma	🇿🇦 Woolworths Holdings		
🇮🇳 Hindalco Industries				
🇿🇦 Impala Platinum				

Based on Argüden Governance Academy's research for Sustainability Governance Scorecard©, companies are written alphabetically in each sector.

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 linkages with the business strategies and priorities; and provide a framework for integration with the company's risk management systems.

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. GSLs tend to establish separate board committees to provide sufficient attention to sustainability matters and bring 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.

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 with 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 on 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. To provide effective oversight over sustainability issues; the Board must ensure that independent third-party reviews cover environmental, social, and governance issues.

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.

AUDIT & SUPPLY CHAIN

Consumer Goods | Germany | adidas

Number of audits by region and type

Region	Initial assessment[1]		Performance audit[2]		Environmental assessment[3]		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Asia	120	159	311	511	420	384	851	1,054
Americas	5	20	12	38	18	19	35	77
EMEA	2	10	20	35	13	15	35	60
Total[4]	127	189	343	584	451	418	921	1,191

1 Every new factory has to pass an initial assessment to prove compliance with the Workplace Standards before an order is placed. The data includes both initial assessments and initial assessment follow-ups.
2 Audits conducted in approved factories that have passed the initial assessment.
3 Includes environmental assessments, SAC HIGG data verification and wastewater test assessments according to the ZDHC Wastewater Guidelines.
4 Includes audits done in licensee factories.

Download ⬇

Supply chain: Progress toward 2020 targets

2020 Targets		2020	2019	2018
Strategic Tier 1 suppliers[1]	80% to reach at least 4C rating	91%	68%	62%
	10% to reach 5C rating	12%	12%	7%
Strategic licensees	80% to achieve 80% or above in Score Card reports	82%	86%	80%
	10% to achieve Sustainability Leadership	14%	14%	20%

1 Strategic factories are responsible for around 90% of our global production volume.

Number of warning letters by region[1]

Region	1st warning		2nd warning		3rd and final warning		Total warning letters	
	2020	2019	2020	2019	2020	2019	2020	2019
Asia	16	27	2	5	–	1	18	33
Americas	2	4	–	–	–	–	2	4
EMEA	1	3	1	1	–	–	2	4
Total	19	34	3	6	–	1	22	41

1 Includes warning letters issued by licensees and agents, but excluding warnings to factories for the non-disclosure of subcontractors, which are issued either directly through business entities, or by the adidas Legal department where there is a breach of contract obligations under a manufacturing agreement. A third and final warning results in a recommended termination.

- For Adidas, independent audit for the supply chain belongs to a broader framework of the company's approach to working conditions of its supply chain. Factory performance, onboarding, engagement, and training precedes monitoring of suppliers in this approach. Independent audit coverage and audit results are presented in a transparent manner, consisting of self-governance and collaboration audits, together with relevant rating tools.

AUDIT & SUPPLY CHAIN

Consumer Goods | Germany | adidas

Social compliance performance rating of strategic supplier factories by C-KPI rating

	1C	2C	3C	4C	5C
2020		1	9	86	13
2019		5	28	56	12
2018		5	33	55	7

■ 2020 ■ 2019 ■ 2018
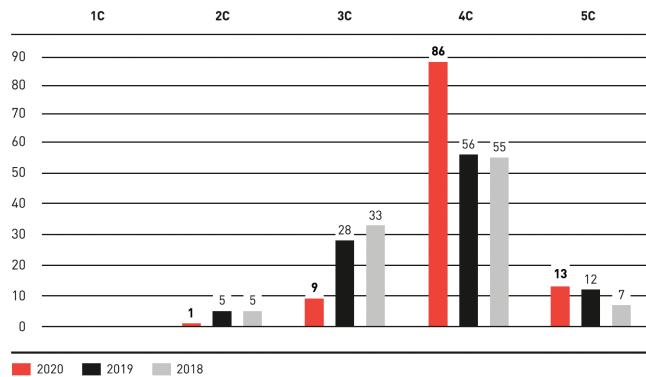
Top 10 shortcomings in the area of labor identified during audits in 2020

22% Other[1]

3% Social and medical insurance
3% Post-hiring
4% Excessive hours
4% Management systems for disciplinary practices
6% Communication systems

16% Management systems for working hours
14% Management systems for fair wages
12% No standardized filing system[2]
9% Company policy/staff handbook
7% Annual leave/public holidays
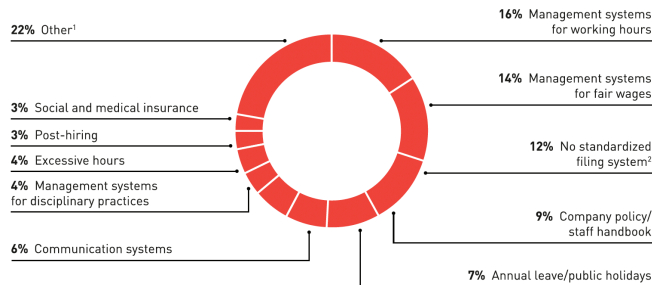
1 'Other' includes, for example, freedom of association issues.
2 'No standardized filing system' indicates a factory does not keep relevant information/documents and records which demonstrate compliance with laws and regulations.

Number of business relationship terminations due to compliance problems

Region	2020	2019
Asia	0	2
Americas	0	0
EMEA	0	0
Global	0	2

- The presentation of regional data while covering independent audit for the supply chain (initial assessment, performance audit and environmental audit) enables us to see the 2-year trend in the number of various audits.
- Clearly articulates supply chain targets for Strategic Tier 1 suppliers and Strategic licenses, as well as reporting details on the actions taken for non-compliance including warning letters and number of business terminations due to compliance problems.
- Shares detailed results from audits, including top 10 shortcomings in the area of labor identified during audits, suggesting in-depth analysis of root-causes and social compliance performance rating of strategic supplier factories that enables comparison across 3 years.

Machine & Equipment

Türkiye

arçelik

SUPPLIER SUSTAINABILITY INDEX

In 2018, we initiated the in-house Supplier Sustainability Index Project to conduct supplier sustainability risk assessment. We extend this project further as Supplier Sustainability Data Monitoring and Development Project in collaboration with an independent, accredited audit firm. We analyzed the sustainability risks in our supply chain and assessed 175 suppliers in 2020 based on those risks. With supplier monitoring through a self-assessment questionnaire that includes qualitative and quantitative metrics via a data collection platform accessible by suppliers we follow our suppliers' current and past three years sustainability performance. Up to now, 133 of our suppliers were evaluated 1% of them were included in the High-Risk category and 7% in the Middle Risk category. These suppliers were audited in 2020 within the scope of business ethics. By 2025, we aim to collect and monitor environmental data from approximately 400 suppliers making 90% of our purchasing volume, encourage them to set their own targets and publicly disclose their data. In 2020, we collected environmental data from 60 suppliers in scope of our efforts to reach this target.

Supplier Capacity Building

Potential Human Rights/OHS/Environment Issues in Supplier Business Ethics Audit Findings

Main Category	Topic Details	Non-conformities	Improved*	In Progress*
Social Management System and Cascade Effect	Number of disabled employees, existence of dismissal procedure	61	4	57
Workers Involvement and Protection	Existence of Wish and Complaint system	20	1	19
The Rights of Freedom of Association and Collective Bargaining	No	20	1	19
No Discrimination	No	0	0	0
Fair Remuneration	No	21	3	18
Decent Working Hours	Night work system, overtime hours, at least one day off per week	81	12	69
Occupational Health and Safety	Proper storage of chemicals, presence of smoke detectors, emergency exits	135	26	109
No Child Labor**	No employee ID copy	2	1	1
Special Protection for Young Workers	Young employee working hours	6	1	5
No Precarious Employment	Existence of subcontractor employee information records	10	2	8
No Bonded Labor	Working overtime with the consent of the employee	4	1	3
Protection of the Environment	Environmental management system, waste site, environmental risk analysis, protection of chemicals	110	35	75
Ethical Business Behavior	No	6	2	4
Total		**476**	**89**	**387**
		Total number of audits: 36	**Total number of follow-up audits: 13**	

* Follow-up and CAPA management system
** There was no specific child labor finding. There was lack of transparency of ID documentation.

- Arçelik depicts an improvement in the supplier assessment process compared to the previous year, placing the company among the top tier according to this year's results.
- Multi-legged approach to the supplier evaluation is justified in making sure the company values and commitments are valid throughout the supply chain. This multi-legged approach consists of supplier evaluations, supplier sustainability index, supplier audits, and supplier capacity buildings.
- Each facet of the supplier assessment is presented in a transparent manner, with corresponding data and methodologies matching with the relevant metrics.

SASB

UN GLOBAL COMPACT

GRI

Source: Sustainability Report 2020, Pages 174-180

AUDIT & SUPPLY CHAIN

Machine & Equipment

Türkiye

arçelik

We helped protect both our suppliers' health and business continuity during the COVID-19 pandemic through training and audits. Manufacturing processes were audited remotely, and online product audits were conducted to ensure high product quality. Before July 2020, a total of 325 audits were carried out in more than 130 suppliers at home and abroad. According to results of the audits, hygiene measures and corrective actions were monitored and, when necessary, alternative supplier transitions carried out without interrupting business continuity.

To leverage our sustainability activities and strategy and drive continuous improvement throughout our value chain, we engage with our suppliers, support them in building capacity on ESG management, and strengthen our relations through social and environmental training, supplier visits and meetings, and the supplier development program jointly delivered with our R&D teams.

Raw Material Procurement Distribution 2020

50% Plastic
42% Sheet Metal
3% Aluminum
5% Copper

Purchasing Cost per Region of Origin

50% Turkey
2% Africa
21% Europe
24% Far East
3% Middle East
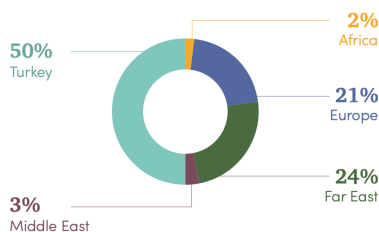
TRAINING

An important part of our approach consists of working with suppliers to ensure continuous improvement. The Supplier Education Platform includes free online training:

- Arçelik Suppliers Sustainability Strategies
- Global Code of Conduct and related Policies
- EU Horizon 2020 and Horizon Europe Support Programs Information
- ISO 50001: 2018 Energy Management System and Implementation Principles
- Energy Efficiency and Renewable Energy Applications in Industry
- Green Chemistry Management on Products
- ISO 14001: 2015 Environmental Management System
- ISO 14064-1: 2018 Greenhouse Gas Inventory Reporting
- Compliance with Environmental Legislation
- Occupational Health and Safety
- COVID-19

In 2020, we provided a total of 3,345 person*hours of training on the above mentioned topics.

SUPPLIER DEVELOPMENT PROGRAMS

At Arçelik, we believe in growing together with our suppliers. In 2020, we carried out 35 supplier process inspections and 3,160 product inspections. Furthermore we:

- implemented 438 projects to support them with a focus on quality improvement, efficiency increase, digital transformation, and design changes
- held 20 workshops on process improvement and alternative process applications, and also started working on 55 selected projects
- collaborated with our suppliers to manufacture 29 imported materials domestically
- added new suppliers to the food and personal care segments which allowed us to add cost-effective products to our portfolio
- supported our business partners to gain new manufacturing capabilities in areas different from their specialization to help them increase their business volume and ensure sustainable, high-quality and low-cost manufacturing especially for vacuum cleaners, irons, and beverages
- organized two Technology Days to which 230 suppliers participated and discussed different topics including machine learning models, quality control with digital tools, occupational security with video processing and RPA.

- Potential issues are identified from the supplier audits, based on non-conformities and the improved cases, for each category of potential human rights, OHS and environment issues.
- Discloses current situation as well as future targets – By 2025, aims to collect and monitor environmental data from approximately 400 suppliers making 90% of purchasing volume, encouraging them to set their own targets and publicly disclose their data. In 2020, collected environmental data form 60 suppliers in scope of efforts to reach this target.

SASB

UN GLOBAL COMPACT

GRI

Pharmaceuticals   UK

GSK

Your business is important to our business

Doing business → Sharing values → Third Party Oversight → Reducing risk

What happens if I don't complete an assessment?

If you are late in responding to the assessment you will be sent reminders from EcoVadis. If you choose not to complete the assessment a red flag will be raised in GSK. We will assess the implications for our relationship and may take further action, including changes to our contractual agreement, the need for audit or the potential to terminate the engagement with you.

What next?

We will check your assessment and due diligence and come back to you with one of three outputs.

High score: your scorecard demonstrates your commitment to CSR as such you are in our top performing group. We congratulate you on your excellent work, thank you for your efforts and look forward to our continued and valued working relationship.

Medium score: Your scorecard demonstrates that you are committed to CSR in some areas, but there is room for improvements in others to reach the level we strive for.

Low score: Your scorecard falls below the standard of performance that GSK expects from its business partners. To enable us to continue to work with you, improvements need to be made within the next 12 months.

You can chose to work with EcoVadis to help support you in your improvement activities. They have a corrective action programme which you may choose to engage with to understand your scorecard and deliver appropriate improvements prior to re-assessment.

What support is available?

Your GSK contact (either the Business Owner or your Procurement contact)

Our **Ethical conduct and third party** pages set out our expectations on gsk.com

Business to business pages on gsk.com

Your EcoVadis scorecard

Third Party Oversight

Our **Public Policy Statement** on working with Third Parties

EcoVadis FAQ pages

GSK Supplier portal

The GSK TPO Service (English only) – a managed service handling your risk assessments

Please **do not contact** your GSK Business Owner with specific EcoVadis assistance

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- GlaxoSmithKline leverages third-party oversight before onboarding a supplier to reduce sustainability risks.
- The company has partnered with EcoVadis to complete Corporate Social Responsibility assessments on his behalf. The assessments include labor rights, sustainable supply chain, health & safety, and the environment.
- In the supplier portal, the EcoVadis assessment process for suppliers is described in detail, associating the steps for the assessment process with the company's codes. In this good example, we see the description and clarification, as well as a justification of the third party assessment process for suppliers, instead of just the results.

Consumer Goods **UK**

Unilever

Total number of non-conformances found during supplier audits in 2019*

There were a total of 9,441 non-conformances found in all our audits across suppliers in our extended supply chain. A non-conformance is identified when a supplier is found to be in breach of any of the mandatory requirements of our RSP.

The RSP is designed to set both the minimum threshold for suppliers' practices defined as Mandatory Requirements, as well as defining what both Good and Best Practices

are, with the aim of helping suppliers to further improve practices. As previously reported, auditors will provide suppliers with observations where their practices are below what Unilever defines as Good Practices, but these are not classed as non-conformances.

Of the 9,441 non-conformances found, 7,609 related to our eight salient issues, with 66% of these from issues found concerning health and safety. The next most prevalent issues were fair wages and working hours, at 15% and 12% respectively.

* Against our 8 salient issues.
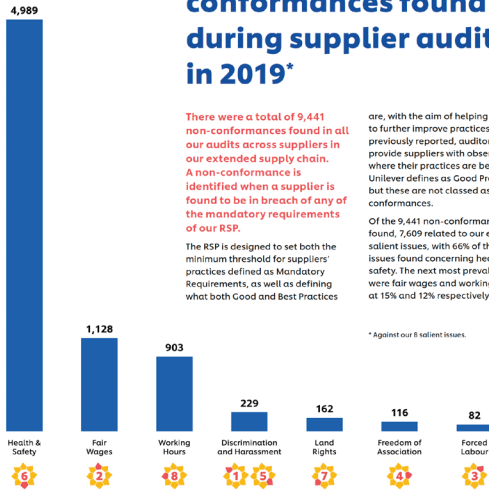
Key Incidents in 2019.

Unilever defines the most severe non-conformances as key incidents. A key incident is typically defined as representing a significant risk to life or injury, or a significant human rights contravention. Key incidents are escalated to Unilever within 24 hours by the auditors and require the creation of a Corrective Action Plan within seven days by the supplier. As with all non-conformances, a follow-up audit is required within 90 days to confirm that the actions taken have been sufficient to remediate the identified issues.

The nature of some key incidents means it may not be possible to close them within this time frame before the follow-up audit, because capital investment or significant changes are needed. In such cases, the supplier will need to develop an interim plan to reduce the risk until the permanent solution can be put in place. The key incident will continue to be recorded as 'open' until fully remediated.

KEY

FIRE SAFETY
Issues such as: non-functioning or absent fire alarms or fire-fighting equipment/systems that would not warn workers of a fire emergency or allow the fire to be controlled.

HEALTH & SAFETY
Issues that represented a threat to life or imminent risk of injury.

LABOUR RIGHTS
Issues relating to: excessive working hours and contravention of minimum wages, documentation retention or other matters indicative of forced labour.

BUSINESS INTEGRITY
Issues relating to conducting business with integrity and in accordance with relevant legal requirements.

11 Working hours and wage records
7 Workers' access to remedies and procedures
7 Workers' documentation retention

Top Key Incidents in 2019

(donut chart values: 1, 25, 19, 87)

(right bar chart legend)
- Not current supplier
- Delisted
- Closed
- Open with CAP
- Open

10 Unilever Human Rights report 2020 Supplier audit update

11 Unilever Human Rights report 2020 Supplier audit update

Bar chart values (left): Health & Safety 4,989; Fair Wages 1,128; Working Hours 903; Discrimination and Harassment 229; Land Rights 162; Freedom of Association 116; Forced Labour 82

Non-conformances per country by salient issue 2019.

Asian countries continue to represent the majority of our non-conformances with over 69% of our total number of non-conformances with South Asia representing 21%. Health & Safety issues are fairly consistent across all geographies as being the biggest area of non-conformances. They represent an average of 66% of all non-conformances. In India, Southeast and North Asia non-conformances relating to fair wages represent over 12% of non-conformances, which is four times the prevalence of the same issue in other geographies.

Legend:
- Forced labour
- Freedom of association
- Discrimination & harassment
- Land rights
- Fair wages
- Working hours
- Health & safety

Non-conformances geographical spread 2019

Country bar values: India 1,629; Indonesia 940; China 859; Brazil 543; Thailand 486; Philippines 354; Mexico 311; Turkey 264; Colombia 263; Sri Lanka 240; Vietnam 205; Malaysia 203; Pakistan 198; South Africa 188; Slovenia 173; Argentina 134; Egypt 111; Kenya 90; Bangladesh 82; Ecuador 61; United Arab Emirates 40; Russia 38; Algeria 34; Saudi Arabia 31; Ghana 23; Peru 16; Oman 12; Romania 12; (11)

Other countries: 10 Iran. 9 El Salvador. 7 Malawi. 6 Bolivia, United States of America. 4 Côte d'Ivoire, Morocco, Myanmar, Ukraine. 3 Guatemala. 1 Serbia

12 Unilever Human Rights report 2020 Supplier audit update

- Unilever has a comprehensive supplier audit process that ensures compliance with its Responsible Sourcing Policy across multiple dimensions including health & safety, fair wages, working hours, discrimination, freedom from association, land rights and forced labor.
- The RSP is intended to set both a minimum threshold for supplier practices, as well as defining what both Good and Best Practices are, with the aim of helping suppliers to improve their practices.
- The company reports the number of non-conformances across each category, identifies key incidents to focus efforts on Supply Chain development, and reports audit results by geography to identify geographical differences.

AUDIT & SUPPLY CHAIN

Retail | Türkiye

MiGROS

SUPPLIERS AUDIT RESULT FOR 2020

TYPE OF AUDIT	TYPE OF SUPPLIER	NUMBER OF SUPPLIERS AUDİTED	NUMBER OF AUDITS	SUCCESS RATE**	AVERAGE SCORE	NUMBER OF SUPPLİERS SUBJECTED TO FOLLOW-UP AUDİT	NUMBER OF FOLLOW-UP AUDİTS	SUCCESS RATE OF FOLLOW-UP AUDIT*
Product Safety - IFS Global Market	Total Number of Audited* Suppliers	285	324	83.16%	82,98%	41	47	89.66%
	Candidate Suppliers	75	96	74.6% (56 suppliers)	78,21%			
Ethical and Social Compliance, Environment, Occupational Health and Safety - GC	Total Number of Audited* Suppliers	279	297	78.14%	86,40%	18	19	58.82%
	Candidate Suppliers	49	56	79.5% (39 suppliers)	82,93%			

* The total number of suppliers audited includes current suppliers audited, candidate suppliers and suppliers undergoing follow-up audits.
** Suppliers scoring 75 and above are considered successful.

The scope of our assurance is limited to the Selected Information listed for Migros below:

• Number of discrimination incidents – in accordance with the definition of GRI 406-1
• Percentage of employees covered by collective bargaining and measures taken to promote this right - in accordance with the definition of GRI 407-1
• Number of child labor incidents and measures taken - in accordance with the definition of GRI 408-1
• Operations evaluated at significant risk for forced or compulsory labor and number of incidents identified - in accordance with the definition of GRI 409-1
• Percentage of the new suppliers that were screened through social audits - in accordance with the definition of GRI 414-1

• Number of social audits conducted on suppliers, number of identified incidents that have significant negative social impact and actions taken, rate of improvement upon measures taken on incidents and number of suppliers with which the relationship is terminated due to negative social impact - in accordance with the definition of GRI 414-2
• Employee training on human rights policies or procedures - in accordance with the definition of GRI 412-2
• Requirements for product and service information and labeling - in accordance with the definition of GRI 417-1
• Diversity and equal opportunity - in accordance with the definition of GRI 405-2
• Parental leave - in accordance with the definition of GRI 401-3
• Security personnel trained in human rights policies or procedures - in accordance with the definition of GRI 410-1

- Audits both the current suppliers and candidate suppliers based on safety, ethical and social compliance, environment, and OHS metrics, and shares the number of audited suppliers together with success rate for each type of suppliers.
- Introduces a metric for success rate for these audits, which is an important step for measuring progress, together with follow-up audits and success rate for these audits as well.
- Introduces an incentive mechanism for suppliers, which works as follows: Suppliers who are successful in both audits are awarded "GC Migros Approved Supplier Certificate". In 2020, 57.7% of Migros' suppliers are reported to be awarded this certificate.
- Migros Ticaret shares the assurance auditing process for supply chain in a transparent way, consisting of internal and external audits, certifications, obedience to the company codes previously specified. Above you can see a good example of including supply chain ESG disclosure within the scope of independent assurance statement.

GRI

Consumer Goods

India

COLGATE-PALMOLIVE

Responsible Sourcing

Colgate's Third Party Code of Conduct conveys our expectations regarding the ethical conduct we expect from our suppliers and business partners, and all other third parties with whom we work. The strength of our reputation is based, not only on our own conduct, but also on the actions of those with whom we do business. For that reason, we aspire to work only with third parties who share our values and reflect the same high ethical standards.

Colgate's Third Party Code of Conduct establishes our expectations for suppliers and business partners in a number of critical areas, including labor practices and universal human rights, protecting the environment, health and safety, and ethical dealings. Sections of the Third Party Code are modeled on, or contain language from, the Universal Declaration of Human Rights and the standards of the International Labor Organization.

Assessing and Managing Supplier Risk

As a multinational company with a global supply chain, adverse actions and events associated with our supply chain could affect our reputation as a responsible company. To manage the risk to the company and to the workers in our supply chain, we have a formal process to identify and manage social, ethical and environmental risks in our supply chain and with other business partners.

Colgate's Supplier Responsible Sourcing Assessment (SRSA) program requires selected suppliers and business partners to complete a self-assessment focused on labor practices, human rights, worker health and safety, environmental management and business integrity. Risk factors considered in the selection of suppliers to participate in the program include: geographic risks (using the Verisk Maplecroft Risk Indexes), Colgate's in-country knowledge, industry-associated risks and business criticality to our operations. Through the use of a supplier risk assessment scorecard, selected suppliers and business partners are scored against critical risk factors to determine the need to conduct a social compliance audit. When a supplier is assessed as high risk, a third-party audit of its facility is required. Through the SRSA program, we have assessed the performance of more than 70 percent of our suppliers in high-risk geographies since 2012, driving improved working conditions for more than 155,000 employees across our external supply chain. To date, there are currently 600 suppliers and service providers in the program and 50% have conducted a social compliance audit.

As a member of the Supplier Ethical Data Exchange (Sedex), we use the Sedex Members Ethical Trade Audit (SMETA) protocol when required to assess suppliers' compliance with laws covering freedom of association, forced and child labor, health and safety, wages and benefits, working hours and discrimination as well as environmental and business ethics matters. Since the program's inception in 2012, we have assessed more than 80 percent of our spend, including raw material and packaging suppliers, contract manufacturers, co-packing facilities and warehousing operations. Beginning in late 2018, we expanded our risk assessment scope to include third-party labor providers in our Asia-Pacific operations with other regions to be included in

36

- Colgate Palmolive presents a straightforward, simple and transparent framework for the supply chain assurance process.
- At the core of the company's supply chain assurance lies Third Party Code of Conduct, and other commitments and declarations by the company specifically on topics like human rights and conflict minerals.
- The company is a member of Supplier Ethical Data Exchange (Sedex), enabling it to use Sedex Members Ethical Trade Audit (SMETA), and a member of AIM-PROGRESS, a global industry forum dedicated to the promotion of responsible sourcing practices and sustainable production systems. The significance of the company's partnership to the independent forums as exemplified, is that they enable the suppliers perform efficiently as they relieve the burden of what is called the "audit-fatigue" by enabling them to share non-competitive audit data to other manufacturing companies that use the same suppliers, through the principle of mutual audit recognition.
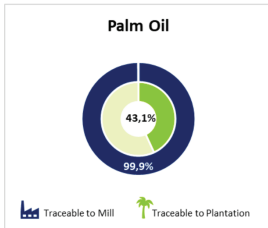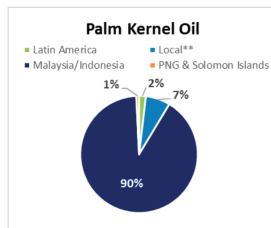
GRI

Source: Sustainability Report 2020 Page 36

AUDIT & SUPPLY CHAIN

Food Processors US

ADM®

Overall Traceability

	Palm Oil	Palm Kernel Oil
Traceable to Mill	99.9 %	98.6 %
Traceable to Plantation*	43.1 %	44.8 %

Palm Oil

43,1%
99,9%

🏭 Traceable to Mill 🌴 Traceable to Plantation

Palm Kernel Oil

44,8%
98,6%

🏭 Traceable to Mill 🌴 Traceable to Plantation
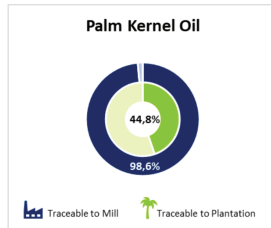
Volume Sourced by Region of Origin

The charts below represent total volumes of palm and palm kernel products sourced from various origins into ADM globally.

Palm Oil

- Latin America
- Local**
- Malaysia/Indonesia
- PNG & Solomon Islands

3%   1%
8%
88%

Palm Kernel Oil

- Latin America
- Local**
- Malaysia/Indonesia
- PNG & Solomon Islands

1% 2%
7%
90%
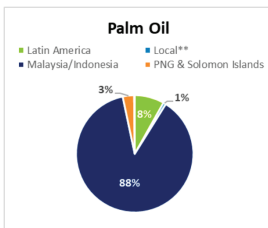
*Traceable to Plantation: self-reported information from suppliers that has not been verified
**Local: products which are directly purchased from refineries in Europe and USA

VERIFICATION STATEMENT

As an independent third-party

Control Union Certifications B.V.
Meeuwenlaan 4-6
8011 BZ Zwolle
The Netherlands

confirms to have verified that

Traceability to mill (January–December 2021)
IRF (January–December 2021)

as published by

Archer Daniels Midland Co (ADM)
77 West Wacker Drive, Suite 4600
Chicago, Illinois, 60601
USA

A description of the methodology applied for the verification process is provided below

Attestation information
Verification code: CU2021ADM
Place and date of issue:
Malaysia, 25-07-2022
Last date of Assessment:
24-06-2022

Declared by:
On behalf of the Managing Director

SASB
UN GLOBAL COMPACT
GRI

- Shares overall traceability of key raw materials (ie: palm oil and palm kernel oil) as well as volume sourced by region and evidence for audit by independent 3rd party.

PART II SUSTAINABILITY PERFORMANCE

1. TARGETS AND RESULTS

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 takes action on sustainability. It can also mobilize stakeholders to contribute to 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.

KEY FINDINGS

Sustainability performance assessment is based on whether the policies and guidelines are materialized, as well as disclosed performance cover all areas including environment, social & 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.

TARGETS AND RESULTS

SUSTAINABILITY PERFORMANCE	Material Issues	Policy	Target	Results	Results Evaluation
Environmental	89%	100%	87%	98%	96%
Water	66%	97%	49%	94%	90%
Climate Change	85%	99%	83%	98%	96%
Energy	68%	99%	63%	97%	95%
Waste & Packaging	67%	98%	54%	96%	92%
Biodiversity	44%	78%	15%	50%	36%
Hazardous Materials	24%	91%	17%	77%	73%
Responsible Sourcing	38%	88%	27%	61%	48%
Social	91%	100%	66%	99%	91%
Human Rights & Labor Practices	53%	94%	10%	46%	26%
Labor Rights (Eg: child labor, forced labor, freedom of association, etc.)	26%	90%	6%	30%	17%
Occupational Health and Safety	78%	98%	45%	94%	87%
Diversity & Inclusion	70%	98%	50%	95%	88%
Talent Development & Employee Wellbeing	73%	98%	24%	92%	83%
Product Design & Portfolio	54%	95%	19%	64%	49%
Data Security & Customer Privacy	48%	96%	2%	21%	14%
Social Responsibility & Local communities	58%	95%	24%	74%	54%
Governance	76%	100%	82%	98%	98%
Board Diversity	6%	95%	63%	99%	53%
Compliance (eg:Ethics, Anti-corruption, Code of Conduct)	49%	99%	16%	60%	28%
Executive Compensation	2%	95%	65%	99%	99%

100%   **>80%**   **>60%**   **>40%**   **>20%**   **>0%**

Global Sustainability Leaders have successfully integrated policy, KPIs, 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 98% of companies consistently report on environmental topics, 99% on social topics, and 98% on governance topics:

- The gap between sharing environment policy and setting targets is highest for Biodiversity, Hazardous Materials and Responsible Sourcing.

- The gap between sharing social policy and setting targets is highest for Human and Labor Rights, Product Design & Portfolio, Talent Development & Employee Wellbeing, Data Security & Consumer Privacy, and Social Responsibility & Local communities.

- The gap between sharing governance policy and setting targets is highest for Compliance.

Sustainability Results Breakdown by Geography & Employee Group
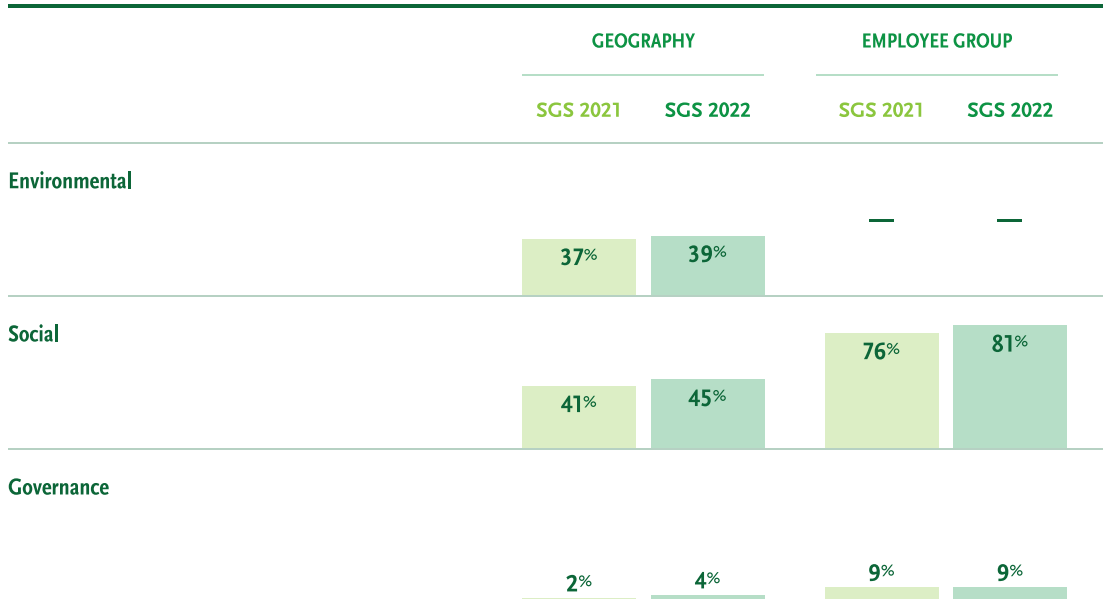
	GEOGRAPHY		EMPLOYEE GROUP	
	SGS 2021	SGS 2022	SGS 2021	SGS 2022
Environmental			—	—
	37%	39%		
Social			76%	81%
	41%	45%		
Governance				
	2%	4%	9%	9%

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

- There is a slight increase in the percentage of companies that share sustainability results breakdown by geography: 45% of GSLs share social results breakdown by geography, 39% share environmental results by geography while only 4% of companies share governance results by geography.

- 81% of companies share social sustainability results breakdown by employee group, while only 9% share this breakdown for governance results.

Top Performers in Targets & Results

Automotive	Chemicals	Consumer Goods	Food Processors	Machinery & Equipment
	🇬🇧 Croda International	🇩🇪 Adidas	🇬🇧 Coca-Cola HBC	🇬🇧 CNH Industrial
	🇩🇪 Lanxess	🇹🇷 Arçelik	🇹🇷 Coca-Cola İçecek	🇩🇪 GEA Group
		🇩🇪 Henkel	🇹🇷 Ülker Bisküvi	
		🇩🇪 Puma		
		🇬🇧 Unilever		

| Natural Resources	Pharmaceuticals	Retail	Telecommunication	Utilities
🇿🇦 Anglo American	🇺🇸 Merck	🇩🇪 Hugo Boss		🇮🇳 NTPC
🇿🇦 Anglo American Platinum		🇹🇷 Migros Ticaret		🇬🇧 United Utilities Group

Based on Argüden Governance Academy's research for Sustainability Governance Scorecard©, companies are written alphabetically in each sector.

2. 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.

KEY FINDINGS

Sustainability Targets & Results for Value Chain
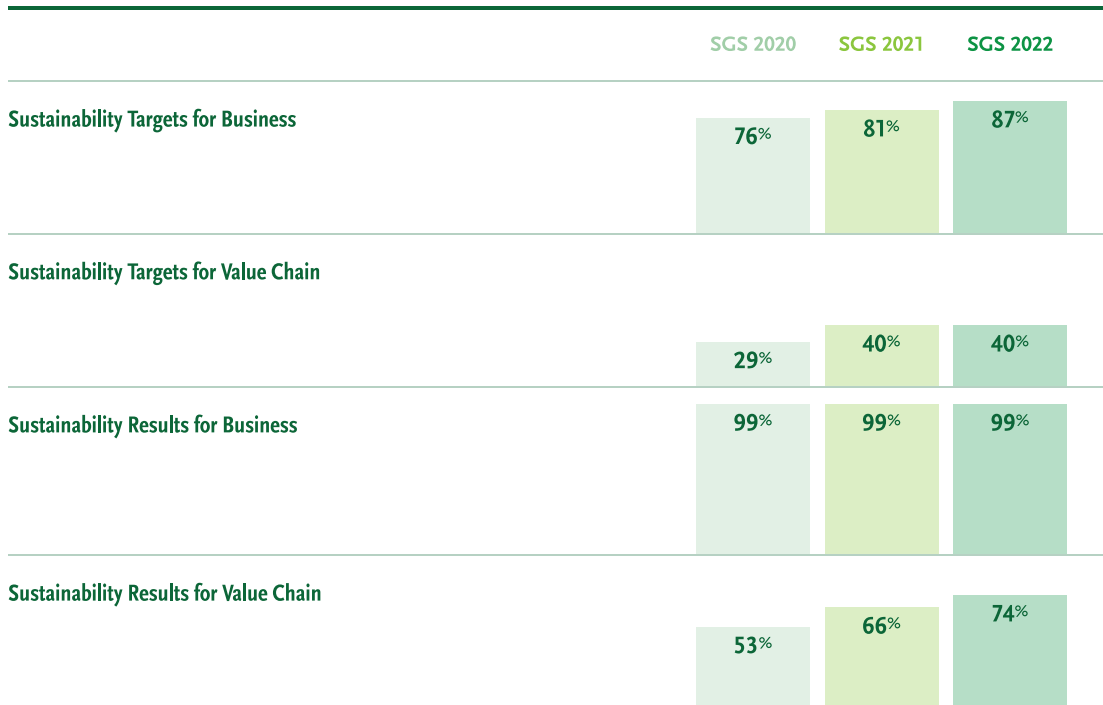
	SGS 2020	SGS 2021	SGS 2022
Sustainability Targets for Business	76%	81%	87%
Sustainability Targets for Value Chain	29%	40%	40%
Sustainability Results for Business	99%	99%	99%
Sustainability Results for Value Chain	53%	66%	74%

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

- Share of companies that publish sustainability targets for business increased from 76% in SGS 2020 to 87% in SGS 2022. Only half of those companies publish targets for the value chain.

- 99% of GSLs disclose sustainability results for the business in SGS 2022, while only 74% report results for the value chain – a significant increase from 53% in SGS 2020.

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 with financial metrics and disclosing performance against these metrics.

2. **What gets measured gets improved:** Set targets, report results, and 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.

3. **Assess results and share remedial action to address gaps:** Learn from peers, disclose trends and benchmarks 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.

5. **Develop a 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 including anti-corruption and ethics (governance).

6. **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 a company's performance and ease of understanding so it can be used as an input for decision-making. Simplification would also be beneficial in terms of time and cost efficiency.

7. **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 should be 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.

8. **Communicate value of metrics and feedback on its usefulness for decision making:** Investors should communicate the benefit of information most as a useful input for decision-making.

Good Practice Examples

TARGETS & RESULTS

Consumer Goods — **Germany**

PUMA

Annual Report 2020 ↗ Sustainability

Annual Report 2020 ↗ Sustainability

↗ **G.03 PUMA'S 2025 SUSTAINABILITY TARGETS**

Human Rights (SDG 3, 5, 8 and 10*)	Biodiversity (SDG 14 and 15*)	Fair Income (SDG 1, 2 and 10*)	Products (SDG 12*)
Health and Safety (SDG 3*)	PUMA SUSTAINABILITY TARGETS 2025		Circularity (SDG 9, 12, 14 and 15*)
Chemicals (SDG 3 and 6*)	Water and Air (SDG 6, 14 and 15*)	Climate (SDG 7 and 13*)	Plastics and the Oceans (SDG 3, 14, and 15*)

*SDG: United Nations Sustainable Development Goals

PUMA 10FOR25 SUSTAINABILITY TARGETS PERFORMANCE SUMMARY

↗ **T.01 PUMA 10FOR25 SUSTAINABILITY TARGETS PERFORMANCE SUMMARY**

Target	Baseline	Action scheduled for 2021	Target for 2025	Status
01 Human Rights	Equal gender distribution in almost all PUMA entities; no specific training yet in factories	ITC-ILO training on harassment and violence at work for local sustainability staff (train the trainer)	Target 1: Train 100,000 direct and indirect staff members on women empowerment	Not started yet
	T2 supplier mapping ongoing; subcontractor mapping not yet started	Complete T2 supplier mapping; start comprehensive T3 supplier mapping	Target 2: Map subcontractors and T2 suppliers for human rights risks	In progress
	19,000 community hours (some activities paused due to COVID-19)	Increase level of community engagement to 23,000 hours	Target 3: 25,000 hours of global community engagement per year	In progress
02 Health and Safety	Zero fatal accidents since 2018	ITC-ILO training on OHS for sustainability staff (train the trainer)	Target 1: Zero fatal accidents (PUMA and suppliers)	Achieved for 2020
	Supply-chain injury rate reduced from 0.5 to 0.4	ITC-ILO training on OHS for sustainability staff (train the trainer)	Target 2: Reduce accident rate to 0.5 (PUMA and suppliers)	Achieved for 2020
	Bangladesh Accord in transition; other activities paused in 2020 due to COVID-19	Resume Building Safety Assessment Program in 2021; conduct building inspections in India and Pakistan	Target 3: Building safety policy operational in all high-risk countries	In progress

Target	Baseline	Action scheduled for 2021	Target for 2025	Status
03 Chemicals	0.59% of RSL failure cases at the product level among all products	Pilot OEKO-TEX®-certified polyester used in footwear; continue staff and supplier training	Target 1: Ensure 100% of PUMA products are safe to use	Achieved for 2020
	1.2% RSL failure rate	Reduce RSL failure rate to below 1.1%	Target 2: Reduce Restricted Substances List (RSL) failures to under 1%	In progress
	VOC index of 15 gr/pair	Continue VOC Reduction Program	Target 3: Reduce organic solvent usage to under 10 gr/pair	In progress
04 Water and Air	Target achieved for all parameters (90% compliance with ZDHC Wastewater Guidelines on parameter level)	Roll out supplier chemical conformity reports	Target 1: 90% compliance with ZDHC Wastewater Guidelines	Achieved for 2020
	Draft ZDHC Air Emission Guidelines issued; supplier mapping completed	Start air emissions testing	Target 2: 90% compliance with ZDHC Air Emissions Guidelines	Not started yet
	2% water reduction in textile production YOY	Expand Water Efficiency Program	Target 3: 15% of water reduction per pair or piece based on 2020 baseline	Not started yet
05 Climate	Initial mapping of 1.5 degree alignment completed	Execute alignment as part of wider industry target (Fashion Industry Charter)	Target 1: Align PUMA's Climate target with 1.5 degrees global warming scenario	In progress
	100% renewable electricity for PUMA entities (including RECs)	100% renewable electricity for PUMA entities	Target 2: 100% renewable electricity for PUMA entities	Achieved
	Solar Photovoltaic Feasibility Programs in place; first suppliers started purchasing off-site renewable electricity	Finalize feasibility studies and start installing solar panels; accelerate off-site renewable electricity purchase	Target 3: 25% renewable energy for core suppliers	In progress
06 Plastics and the Oceans	400 tons of plastic bags used in PUMA stores	50% reduction to 200 tons	Target 1: Eliminate plastic bags from PUMA stores globally	In progress
	Joined Microfiber Consortium	Test PUMA's main synthetic fabrics for microfiber shedding	Target 3: Support scientific research on microfibers	In progress
	Internal circularity training and workshop; biodegradability standards introduced	Continue research until standards are met	Target 3: Research biodegradable plastics options for products	In progress

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- Adopts a holistic, comprehensive, and detailed approach in setting targets. The company defined 2025 sustainability targets in human rights, biodiversity, fair income, products, health and safety, chemicals, water and air, climate, plastics and oceans, and circularity. Each pillar is linked with relevant SDGs.
- Pillars are detailed in one table in the aspects of its baseline, action scheduled for next year, target for 2025, and its current status stating whether it's still in progress, achieved or not started yet.

UN GLOBAL COMPACT

GRI

Source: Puma, Annual Report 2020, Page: 35-89

Consumer Goods

Germany

PUMA

HUMAN RIGHTS

Relates to United Nations Sustainable Development Goals 3, 5, 8 and 10

3 GOOD HEALTH AND WELL-BEING
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES

Examples of the 10FOR25 human rights targets:
Target 1: Train 100,000 direct and indirect staff on women empowerment
Target 2: Map subcontractors and T2 suppliers for human rights risks
Target 3: 25,000 hours of community engagement globally per year

KPIs:
- Percentage of worker complaints resolved
- Number of factories with an A, B+, B-, C or D grade
- Number of T2 suppliers and subcontractors included in our risk mapping
- Number of zero-tolerance issues prevailing at year end
- Number of employee hours spent on community engagement (KPI shared with HR)
- Number of workers trained on women empowerment

PLASTICS AND THE OCEANS

Target description:
- Support initiative and scientific research on microfibers, work with core suppliers to reduce microfiber release
- Research biodegradable polyester for use in PUMA products
- Eliminate plastic bags from PUMA stores and review the impact of hangers and fixtures

Relates to United Nations Sustainable Development Goals 3, 14 and 15

3 GOOD HEALTH AND WELL-BEING
14 LIFE BELOW WATER
15 LIFE ON LAND

KPIs:
- Tons of plastic bags used in PUMA stores
- Percentage of PUMA offices that have eliminated single-use plastic
- Percentage of plastic packaging recycled

↗ **T.15 ELIMINATION OF SINGLE USE PLASTICS**

Sub-targets	Baseline 2020	Target 2025
Plastic shopping bags (stores, tons)	400	0
Plastic bags (product packaging, tons)	245	
Plastic bags recycled (product packaging, recycled (%))	4.9%	
Offices that have eliminated single-use plastic (%)	0%	100%

- For each pillar, detailed sections provide information on target description and specific KPIs, as well as explanations of current performance. For example, plastics and the oceans KPIs include tons for plastic bags used in Puma stores, percentage of Puma offices that have eliminated single-use plastic and percentage of plastic packaging recycled, covering different sections of the product life-cycle.

UN GLOBAL COMPACT

GRI

Consumer Goods | UK | **Unilever**

Unilever Sustainable Living Plan: Summary of 10 years' progress

IMPROVING HEALTH AND WELL BEING FOR MORE THAN 1 BILLION
By 2020 we will help more than a billion people take action to improve their health and well-being.

Contributing to the following SDGs:

REDUCING ENVIRONMENTAL IMPACT BY HALF
By 2030 our goal is to halve the environmental footprint of the making and use of our products as we grow our business.

Contributing to the following SDGs:

ENHANCING LIVELIHOODS FOR MILLIONS
By 2020 we will enhance the livelihoods of millions of people as we grow our business.

Contributing to the following SDGs:

HEALTH AND HYGIENE
By 2020 we will help more than a billion people to improve their health and hygiene. This will help reduce the incidence of life-threatening diseases like diarrhoea.

☑ **1.3 BILLION** people reached by end of 2020.

- Reduce diarrhoeal and respiratory disease through handwashing
- Provide safe drinking water
- Improve access to sanitation
- Improve oral health
- Improve self-esteem
- Help improve skin healing

NUTRITION
We will continually work to improve the taste and nutritional quality of all our products. The majority of our products meet, or are better than, benchmarks based on national nutritional recommendations. Our commitment goes further: by 2020, we will double the proportion of our portfolio that meets the highest nutritional standards, based on globally recognised dietary guidelines. This will help hundreds of millions of people to achieve a healthier diet.

☑ **61%** of our portfolio by volume met Highest Nutritional Standards in 2020.

- Reduce salt levels
Saturated fat:
- Reduce saturated fat
- Increase essential fatty acids
- Reduce saturated fat in more products
- Remove trans fat
- Reduce sugar
Reduce calories:
- In children's ice cream
- In more ice cream products
- Provide healthy eating information

GREENHOUSE GASES
Our products' lifecycle: Halve the greenhouse gas (GHG) impact of our products across the lifecycle by 2030.

☑ **−10%** our greenhouse gas impact per consumer use has decreased by around −10% since 2010.

Our manufacturing: By 2020 CO₂ emissions from energy from our factories will be at or below 2008 levels despite significantly higher volumes.

☑ **−75%** reduction in CO₂ from energy per tonne of production since 2008.

Become carbon positive in manufacturing:
- Source all energy renewably
- Source grid electricity renewably
- Eliminate coal from energy mix
- Make surplus energy available to communities
Reduce GHG from washing clothes:
- Reformulation
- Reduce GHG from transport
- Reduce GHG from refrigeration
- Reduce energy consumption in our offices
- Reduce employee travel

WATER
Our products in use: Halve the water associated with the consumer use of our products by 2020.

○ **0%** our water impact per consumer use has not changed since 2010.

Our manufacturing: By 2020 water abstraction by our global factory network will be at or below 2008 levels despite significantly higher volumes.

☑ **−49%** reduction in water abstraction per tonne of production since 2008.

Reduce water use in the laundry process:
- Products that use less water
- Reduce water use in agriculture

WASTE
Our products: Halve the waste associated with the disposal of our products by 2020.

☑ **−34%** our waste impact per consumer use has reduced by around 34% since 2010.

Our manufacturing: By 2020 total waste sent for disposal will be at or below 2008 levels despite significantly higher volumes.

☑ **−96%** reduction in total waste per tonne of production since 2008.

Reduce waste from manufacturing:
- Zero non-hazardous waste to landfill
- Reusable, recyclable or compostable plastic packaging
- Reduce packaging
Recycle packaging:
- Increase recycling and recovery rates
- Increase recycled content
- Tackle sachet waste
- Eliminate PVC
Reduce office waste:
- Recycle, reuse, recover
- Reduce paper consumption
- Eliminate paper in processes

SUSTAINABLE SOURCING
By 2020 we will source 100% of our agricultural raw materials sustainably.

☑ **67%** of agricultural raw materials sustainably sourced by end of 2020.

- Sustainable palm oil
- Paper and board
- Soy beans and soy oil
- Tea
- Fruit
- Vegetables
- Cocoa
- Sugar
- Sunflower oil
- Rapeseed oil
- Dairy
- Fairtrade Ben & Jerry's
- Cage-free eggs
- Increase sustainable sourcing of office materials

FAIRNESS IN THE WORKPLACE
By 2020 we will advance human rights across our operations and extended supply chain.

☑ **83%** of procurement spend through suppliers meeting our Responsible Sourcing Policy.

We continued to embed human rights, focusing on eight salient issues in our Human Rights Report.

Our Total Recordable Frequency Rate for safety reached 0.63 per million hours worked, 70% less than in 2008.

- Implement UN Guiding Principles on Business and Human Rights
- Source 100% of procurement spend in line with our Responsible Sourcing Policy
- Create framework for fair compensation
- Improve employee health, nutrition and well-being
- Reduce workplace injuries and accidents

FOR WOMEN
By 2020 we will empower 5 million women.

○ **2.63 MILLION** women enabled to access initiatives aiming to promote their safety, develop their skills or expand their opportunities.

- Build a gender-balanced organisation with a focus on management
- Promote safety for women in communities where we operate
- Enhance access to training and skills
- Expand opportunities in our retail value chain

INCLUSIVE BUSINESS
By 2020 we will have a positive impact on the lives of 5.5 million people.

○ We enabled access to initiatives aiming to improve agricultural practices or increase incomes for

832,000 smallholder farmers and

1.83 MILLION small-scale retailers.

- Improve livelihoods of smallholder farmers
- Improve incomes of small-scale retailers

KEY:
- ☑ Achieved by target date
- Target ongoing
- ○ Target nearly achieved *
- Target not achieved

‡ In seven water-scarce countries representing around half the world's population.
† Subject to PwC assurance. For details and the basis of preparation, see www.unilever.com.
* Within 10% of the target by the end date.

- Presents its 10 year targets and progress across the 3 key pillars of its strategy and 10 sub-pillars including health & wellbeing (health & hygiene, nutrition), environmental impact (greenhouse gasses, water, waste, responsible sourcing) and social equity (fairness in the workplace, for women and inclusive business).
- For each sub-target, results of 10 years progress is given numerically and further sub-targets are identified (in the report, detailed results are given for each target). A key is provided to show whether the target has been achieved by target date, ongoing, nearly achieved or not achieved.
- Targets include company-level targets as well as value chain and ecosystem level targets and are linked to SDGs.

Source: Unilever Sustainable Living Plan 2010 to 2020 Summary of 10 years' progress Page 4

Food Processors

Türkiye

CCI

Occupational Health and
SAFETY

Goals and Successes

Targets for 2020	2020 Performance	Status	2021 Targets
Continue to receive no-fail status from all types of independent audits.	The five virtual KORE audits that took place in Ankara, Elazığ, Sapanca, Erbil, Multan, Gujranwala, Faisalabad, Baku, Madaba, Nur-Sultan and Karbala were all successfully passed.	Achieved	Continue to receive no-fail status from all types of independent audits over the next three years.
Reduce vehicle accidents by 10%.	Reduced vehicle accidents across CCI by 12%.	Achieved	Continue to reduce vehicle accidents by 10%.
Continue to perform trip/ route risk assessments for fleet vehicles in all countries.	Trip/route risk assessments continue, but could not be completed due to the Covid-19 pandemic.	Ongoing	Continue to perform trip/route risk assessments for fleet vehicles in all countries.
Reduce the LTIR score by 10%.	Reduced the LTIR score by 25%.	Achieved	Reduce the LTIR score by 10%.
Reduce contractor incidents by 30%.	Contractor incidents were reduced by 30%, but contractor deaths did occur.	Partly achieved	Reduce contractor incidents by 30%.

Health and Safety Management

Health and safety issues managed in parallel to the Coca-Cola Operating Requirements (KORE) are also addressed within the context of collective bargaining agreements signed with labor unions.

Location-based cross-functional H&S committees meet on a monthly basis and report to the Country Health and Safety committees on a quarterly basis. The Group H&S Manager coordinates H&S issues in collaboration with the Country Committees

throughout all CCI countries, and reports to the Health & Safety Steering Committee that meets once every six months. The CEO is the highest ranking executive and assumes the ultimate responsibility, while the HR Director heads up the chain-of-command for H&S.

All of our operating plants received OHSAS 18001 Management System Certification up to 2019. The plan to transition all of our plants to the new ISO 45001 standard was 70% completed due to delays caused by Covid-19. This transition will be fully completed in 2021.

Main Health & Safety Objectives

It is our primary responsibility to provide our employees with a safe and healthy work environment, in order to improve their work/life balance and positively influence their motivation, productivity and business performance.

Accordingly, our main H&S targets are:

- Protect the most valuable and important resource of our company – our human capital – from occupational health and safety risks or hazards.
- Ensure that H&S remains an integral part of our business, and is actively supported through management, leadership and commitment.
- Protect the company from any legal challenges by complying with local legal requirements and applying industry best practices to set standards above those requirements.
- Protect all other resources and assets from any losses that may arise due to work-related risks and hazards.

Creating Value For
OUR EMPLOYEES

Human Rights

We are committed to creating a safe and equitable workplace for all and have a positive impact on every individual in our value chain through our pioneering policies and practices.

At CCI, one of our fundamental values is to respect human rights. We believe that our success, which has been built on our company values, our standards of operational excellence, and our commitment to compliance with the law, regulations and human rights, stems from the contributions made by each of our employees. We are determined to provide a place of work in which universal human rights are respected, and which is open, diverse and participatory. We value each of our employees and strive to create a work environment that is equal in all respects. We aim to inspire our employees so that they can realize their professional goals and achieve their full potential.

Since December 2018, when we published our first Human Rights Policy, we have integrated workplace rights and human rights into all applications across our value chain, our corporate values, and our sustainability strategy as a continuation of our existing CCI Workplace Rights Policy. This policy, which represents a fundamental building block of our vision, is transmitted consistently and without interruption along our entire procurement chain. The CCI Human Rights Policy is based on international human rights standards as prescribed by the United Nations Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, and the United Nations Global Compact.

Human Rights Across The Value Chain

Goals and Successes

Targets for 2020	2020 Performance	Status	2021 Goal
Achieve a 96% success rate in the SGP Audits of CCI plants	A 96% success rate was achieved.	Achieved	Achieve a 96% success rate in the SGP Audits of CCI plants

CCI Human Rights Policy Please click here for details.

The CCI Human Rights Policy addresses the following topics:

- Community and stakeholder engagement
- Diversity and inclusion
- Discrimination
- Freedom of association and collective bargaining
- Safe and healthy workplaces
- Workplace security
- Prohibition of forced labor and human trafficking
- Commitment to not employ child labor
- Fair work hours, wages and benefits
- The right to use land and water

Respect for human rights is a fundamental value of CCI

- The report is structured around drivers for value creation, and targets are determined for each category including employees, customers and communities. Under each broader ESG topic, the company also shares the links to the SDGs, the sub-topics and previous targets, performance, status, and a new goal for a wide range of indicators referring to each sub-heading.

Food Processors   **Türkiye**   CCI

Water Management

Goals and Successes

2020 Goals	Performance in 2020	Status	2021 Goals
Achieve a Water Usage Ratio of; Turkey: 1.50 L/L Jordan: 1.60 L/L Kazakhstan: 1.49 L/L Azerbaijan: 1.57 L/L Pakistan: 1.97 L/L Kyrgyzstan: 1.62 L/L Tajikistan: 1.95 L/L	Performed by: Turkey: 1.45 L/L Jordan: 1.46 L/L Kazakhstan: 1.51 L/L Azerbaijan: 1.64 L/L Pakistan: 2.09 L/L Kyrgyzstan: 1.68 L/L Tajikistan: 2.26 L/L Turkmenistan: 2.62 L/L Iraq: 1.92 L/L	Compared to Annual Targets Turkey: Above the 3% target Jordan: Above the 9% target Kazakhstan: Under the 2% target Azerbaijan: Under the 5% target Pakistan: Under the 6% target Kyrgyzstan: Under the 4% target Tajikistan: Under the 16% target	Turkey: 1.48 L/L Jordan: 1.4 L/L Kazakhstan: 1.5 L/L Azerbaijan: 1.62 L/L Pakistan: 1.9 L/L Kyrgyzstan: 1.62 L/L Tajikistan: 1.95 L/L Turkmenistan: 2.25 L/L Iraq: 1.9 L/L
Conducting SVA work at the Astana, Çorlu, Izmir, Mersin, Ankara and Baku plants	The targeted SVA work was carried out at the Astana, Çorlu, Izmir, Mersin, Ankara, Baku and Ashgabat plants in 2020.	Achieved	TBD

2021 targets were set based on 2019 performance due to the deviation in 2020 performance as a consequence of COVID-19.

Living standards improve along with developments in technology. However, this development results in an increase in consumption habits. A 40% increase in the demand for water is expected until 2030. One of our most critical natural resources, water is the fundamental content of our products, and an indispensable element of our production. Aware of the impact of the sustainable use of water on the sustainability of our business, we fully support TCCC's ultimate goal of 'replenishing every drop of water we use' with the aim of minimizing our negative impact on water, which is a high-priority topic for us, and sustaining water-efficient operations. At all of our plants, we consider the impact of the climate crisis on water sources in the basins where our plants are located. On this basis, every year we develop water saving programs in line with the Operational Excellence Culture, make investments, and implement them. In 2020, we saved approximately 104,000 m³ of water in the countries in which we operate.

Our water management strategy is summarized below:

- Improving the overall water-use efficiency at our plants;
- Implementing Source Vulnerability Assessment (SVA) and Source Water Protection (SWP) studies to protect water catchment basins in the regions where our plants are located;
- Managing wastewater and storm water discharge at our plants (achieving 100% compliance in wastewater treatment);
- Replenishing the water we use back to nature by implementing locally relevant programs;
- Mitigating risk for communities and for our business by partnering with governments, NGOs and communities to assess, understand and generate effective, long-term water stress solutions and implement source water protection plans;
- Researching and investing in new technologies to reduce water consumption;
- Investigating opportunities and conducting feasibility studies to supply sustainable sources.

Creating Value For
THE COMMUNITY
Community Development

We continue making positive economic and social impacts through our projects addressing the empowerment of youth and women, and our investments in water and waste management. We carry out these projects with the voluntary participation of our employees, promising to become a good corporate citizen who proudly serves their community.

CCI's fundamental objective is to be recognized by all its stakeholders as one of the most responsible corporate citizens. To this end we carry out various projects that attach importance to increasing the well-being and quality of life of the communities in which we operate. Converting the economic contribution we make as CCI into social responsibility projects that create value for the communities in our geography is among our top priorities.

At CCI, we review our projects and programs every year in view of the community's needs. This year, due to the impact of the Covid-19 pandemic, we actualized many projects in line with needs in different areas, in addition to the projects we have carried out so far. As well as the cash support we provided in cooperation with government agencies, NGOs and various platforms, we donated the disinfectants and sanitizers we produced at our plants, as well as CCI products, and helped meet the need for masks and gloves.

Operating in 10 countries with 780,000 sales points and serving 400,000 million consumers, CCI has a significant impact on communities. CCI operations create about 30,000 direct and indirect employment opportunities throughout its geographies. Our operations enable TL 4.1 billion of added value in retail business and generate income for 160,000 farmers.

At CCI, we locally produce, source (where possible), distribute and sell our products. A bottle of Coca-Cola creates added value for multiple sectors during its journey from production line to consumer. Many sectors, including agriculture, energy, production, transportation, distribution, retail, cooling, advertising, media and packaging, play roles in the production of a single bottle of Coke. Thus, our business stimulates a significant volume of job creation throughout the value chain.

In each region we operate in, we contribute to the economic welfare of the community through the taxes we pay and the support we lend to social investment programs, in addition to our contribution to the employment of local people.

Goals and Successes

2020 Goals	Performance in 2020	Status	2021 Goals
Continue monitoring and protecting the economic input we create in the countries in which we operate through our investments and operations. Conduct economic impact studies for other countries in which CCI operates.	Preparations started in the large markets in which CCI operates. Not everything could be completed due to the Covid-19 pandemic. Economic impact studies were completed in Turkey, Kazakhstan, Pakistan and Kyrgyzstan.	Partially.	Completing economic impact studies for Azerbaijan and Iraq.

CCI's Economic Impact *	Economic Impact Factor	Employment Factor
Pakistan	1:2.74 PKR (Rupees)	1: 3.87
Turkey	1:9.7 TL (Liras)	30,000 indirect jobs
Kazakhstan	1:1.6 KZT (Tenge)	1:11.3
Kyrgyzstan	1:7.57 SOM	

* Economic Impact studies were conducted by McKinsey & Company in Turkey; Lums University in Pakistan; and Ernst & Young in Kazakhstan and Kyrgyzstan.

- All encompassing, exceptional example of presenting targets in relation to other key aspects of the ESG reporting and integrated reporting, such as SDG links, outcomes, capitals and value creation.
- The fact that the company reports the targets in a most exhaustive, detailed and all-encompassing manner with to-the-point indicators reflects a more engaging and accountable approach to the ESG journey. Detailed indicators include geographical breakdowns to account for ESG performance in various geographies.

Source: Integrated Annual Report 2020, Page: 88-92

ECOSYSTEM

Retail   **US**

GAP

- ● On track
- ● Needs attention
- ● New goal announced in 2020 or 2021
- ★ Goal accomplished

EMPOWERING WOMEN AND HUMAN RIGHTS	Target Year	Status	Progress
Reach 1 million women and girls through P.A.C.E.	2022	●	804,000+ women and girls reached since 2007
100% of our strategic factories[4] are investing in women's empowerment through participation in Empower@Work	2025	●	Tracking in progress
100% of workers employed in our strategic factories will have their voices heard through representative, gender-equitable workplace committees	2025	●	Tracking in progress
100% of our strategic factories will have achieved gender parity at the supervisor level	2025	●	Tracking in progress
100% of our factories will have prevention and response management systems and trainings in place to address gender-based violence	2025	●	Tracking in progress
80% of Gap Inc. sourcing will be allocated to green-rated suppliers	2025	●	Tracking in progress
100% of Gap Inc. Tier 1 facilities and Tier 2 strategic mills will participate in industrywide efforts, including Social & Labor Convergence Program (SLCP) and/or ILO Better Work	2023	●	Tracking in progress

- Lists the company targets under the categorization focusing on empowering and human rights, enabling opportunity, equality & belonging and enriching communities, along with target years, progress explanation and respective signs referring to the status of each target.
- Targets cover the company's own operations, as well as its value chain (suppliers and consumers), and ecosystem (water).
- Adopts a target on labor rights, and the governance related to labor issues. The company envisions that all of its facilities will abide by industry-wide efforts for bettering labor conditions, such as SLCP and ILO Better Work.

SASB

UN GLOBAL COMPACT

Source: Global Sustainability Report 2020, Page:11

ECOSYSTEM

Retail   **US**

GAP

ENRICHING COMMUNITIES		Target Year	Status	Progress
WATER Net-positive water impact in water-stressed regions by 2050	Water-resilient value chain	2030	●	Establishing baselines and context-based targets
	Empower 2 million people – including 1 million women – with improved access to water and sanitation	2023	●	Tracking in progress
	Work toward zero discharge of hazardous chemicals in our supply chain: 100% of apparel products with DWR/Stain Protection finish not finished with PFCs	2023	●	7% of water and stain-repellent product was made using non-PFC-based finishes
	Save 10 billion liters of water in manufacturing, from a 2014 baseline	2020	★	Saved 11.3 billion liters of water as of end of 2020
WASTE AND CIRCULARITY	Eliminate single-use plastics	2030	●	Tracking in progress
	Divert 80% of waste from landfill across our U.S. facilities	2020	●	FY2020 data not available Additional information on p. 40

CLIMATE		Target Year	Status	Progress
CLIMATE Carbon neutral across our value chain by 2050	Reduce Scope 3 GHG emissions from purchased goods and services by 30%, from a 2017 baseline	2030	●	2020 Scope 3 data will be available in 2022
	Reduce Scope 1 and 2 GHG emissions by 90%, from a 2017 baseline	2030	●	Our 2020 Scope 1 and 2 emissions were reduced by 39%, from a 2017 baseline
	Source 100% renewable electricity for our owned and operated facilities globally, from a 2017 baseline	2030	●	In 2020, 17% of our energy usage was produced from renewable sources
	Reduce Scope 1 and 2 emissions by 50%, from a 2015 baseline	2020	★	In 2020, we achieved our goal to reduce Scope 1 and 2 emissions by 50%, from a 2015 baseline
BIODIVERSITY	Eliminate the use of wood-derived fibers sourced from ancient and endangered forests	2025	●	98% of our cellulosic-fiber volume was compliant with our commitment
	Source 100% of cotton from more sustainable sources	2025	●	54% of cotton was sourced from more sustainable sources

ENABLING OPPORTUNITY	Target Year	Status	Progress
Hire 5% of entry-level store employees from This Way ONward annually	2025	●	In 2020, 2.1% of Old Navy entry-level store employees were hired through This Way ONward
Reach 20,000 youth through This Way ONward	2025	●	9,113 youth have participated since the program launched in 2007

EQUALITY & BELONGING	Target Year	Status	Progress
Double the representation of Black and Latinx employees at all levels in our U.S. HQ offices	2025	●	Tracking in progress
Increase representation of Black employees by 50% in our Store Leader roles in the U.S.	2025	●	Tracking in progress

- Under an umbrella target on "water", which is expressed as "net-positive water impact in water-stressed regions by 2050", the company lists 4 targets which are transparently measurable with the relevant indicators, forming concrete steps for the company to reach its rather idealist "net-positive" water impact goal. The company also expresses the outcomes realized compared to the set targets, along with the accomplished goals.
- Transparently expresses the topics that needs attention in the goal-setting process, such as the lack of data on waste from landfill belonging to FY2020. Presents additional information on mediation process for these topics. Although not all biodiversity targets are presented in terms of an indicator to be measured against a time period (i.e. "eliminate the use of wood-derived fibers sourced from ancient and endangered forests"), the fact that the company shares transparently the outcome compliant with their commitment opens up opportunities for future target-setting regarding this topic

Source: Global Sustainability Report 2020, Page:11

Food Processors

US

HERSHEY
THE HERSHEY COMPANY

Stepping Up in 2020—Our Response to a Unique Year

In the face of new and ongoing global challenges, we used our expertise, along with that of external partners, to respond and embed lasting change around the world.

Managing Through COVID-19

At the onset of the global COVID-19 pandemic we reinforced our health and safety measures and focused on the physical, emotional and economic wellbeing of our employees. We prioritized the safe operations for our Manufacturing and Field Sales teams to enable our business to continue operating during this challenging time. We also loaned our supply chain expertise and facilities to support healthcare systems, increased our corporate philanthropy to support struggling communities and collaborated closely with key stakeholders—like extending financing to suppliers and supporting localized responses in cocoa communities. For more info, see page 16.

Shoulder to Shoulder Against Systemic Racism

In the wake of George Floyd's death on May 25, we co-created with our employees a strengthened inclusion strategy called The Pathways Project, with ambitious new diversity, equity and inclusion commitments. In addition, we deepened our community partnerships focused on racial justice and will be investing up to $3 million over the next decade in an endowment for students at historically and predominantly Black colleges and universities. This is the first time a company has ever committed to endow a Thurgood Marshall College Fund scholarship. For more info, see page 55.

Combating Climate Change

Our products rely on agricultural ingredients and a global supply chain. Climate change poses a significant and increasing risk to global food production systems and to the safety and resilience of the communities where we live, work and source our ingredients. This was underscored by historic wildfires in California and the 2020 Atlantic hurricane season, the most active and the fifth costliest season on record.[1] To help meaningfully reduce our impact on the climate, we have announced a new science-based target to cut our absolute greenhouse gas (GHG) emissions, amplifying our response and impact. For more info, see page 46.

Improving Farmer Livelihoods

Our complex global supply chain spans communities with high levels of poverty and inequality. The raw ingredients we source come from different countries with unique laws, labor standards and pricing models. We support the Living Income Differential (LID) in West African markets, in addition to the premium we pay for certified cocoa. We are also continuing with our investment of $500 million into cocoa communities by 2030 as part of our Cocoa For Good strategy. For more info, see page 40.

- The company's focus in reporting progress against their goals is not the company operations itself, but encompasses the value chain and communities.
- The company reports measurable targets with respective indicators, target years and highlights regarding each target. The fact that the indicators for responsible growth and communities are specified in detail makes it easier for the company to account for sustainability efforts in supply chain and communities.
- This broadened focus reflects the company's vision for interconnectedness between the supply chain, company, and the communities in value creation and sustainability efforts.

SASB

UN GLOBAL COMPACT

Source: Sustainability Report 2020, Page8
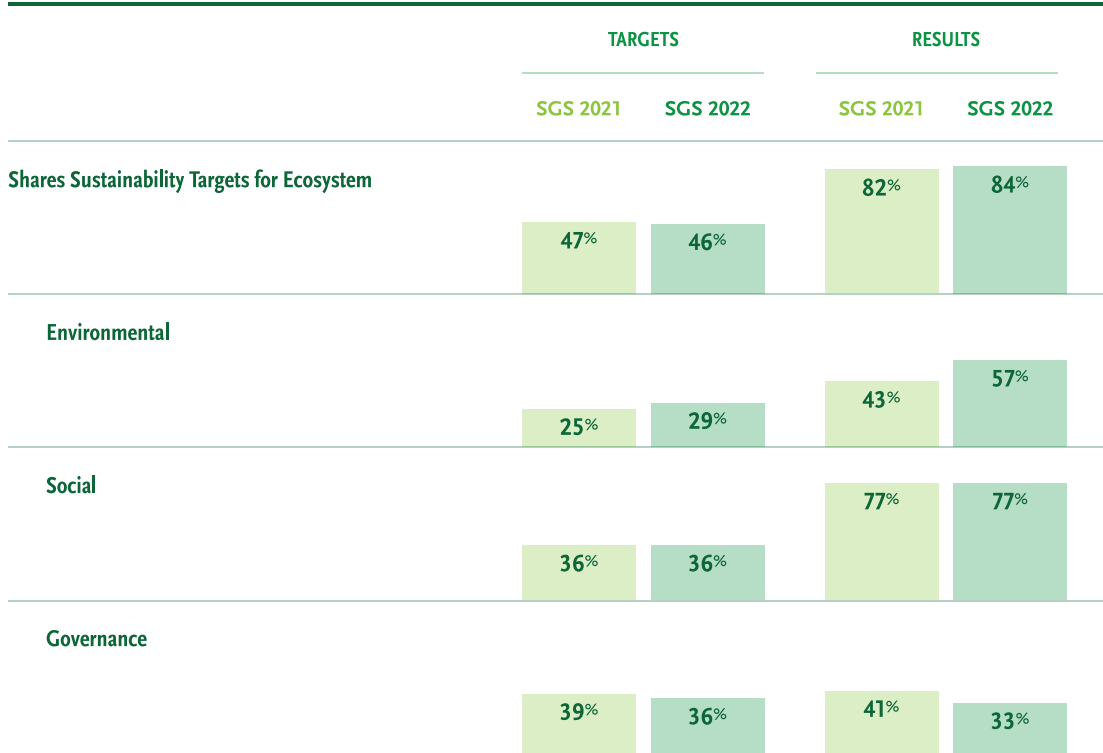
3. SUSTAINABILITY STEWARDSHIP

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 training. 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 the Sustainable Development Goals.

KEY FINDINGS

Managing your Ecosystem

Taking a reactive approach to sustainability is not sufficient. Companies need to 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.

Sustainability Stewardship

	TARGETS		RESULTS	
	SGS 2021	**SGS 2022**	**SGS 2021**	**SGS 2022**
Shares Sustainability Targets for Ecosystem	47%	46%	82%	84%
Environmental	25%	29%	43%	57%
Social	36%	36%	77%	77%
Governance	39%	36%	41%	33%

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

- 84% of the GSLs share some form of sustainability result beyond its own operations to encompass its ecosystem. 77% share social results at ecosystem level, while 57% share environmental and 34% share governance results for the ecosystem.

- <50% of the companies share sustainability targets for their ecosystem. 36% of the GSLs share targets for social and governance issues, while only 29% share environmental targets for their ecosystem.

- Ecosystem leadership is highest for the UK (71%) – 32% of companies in the UK share targets for environmental stewardship, 55% for community empowerment and 48% for SDGs with partnerships. For the rest of the countries, ecosystem level targets are set <50%.

- Sectors with highest share of targets for the ecosystem are Food Processors (68%) and Chemicals (67%); lowest for Automotive (25%), Utilities (34%) and Machine & Equipment (36%).

- The next stage for taking responsibility for the ecosystem would require making these targets SMART, taking into consideration the combined impact of partnerships for tackling ecosystem-level challenges, and making sure that targets for the ecosystem are comprehensive in terms of the company's impact on its surroundings.

Link to the 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, the 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 where the 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 a need to act fast and scale up the progress. The SDGs can be utilized as a tool to connect business strategies with global priorities, and 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.

Business can serve as role models to spark collective action towards environmental sustainability, social development, and good governance. The complexity of the nature of the SDGs requires mobilizing resources to scale-up the impact. The global nature of problems requires non-traditional partnerships 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).
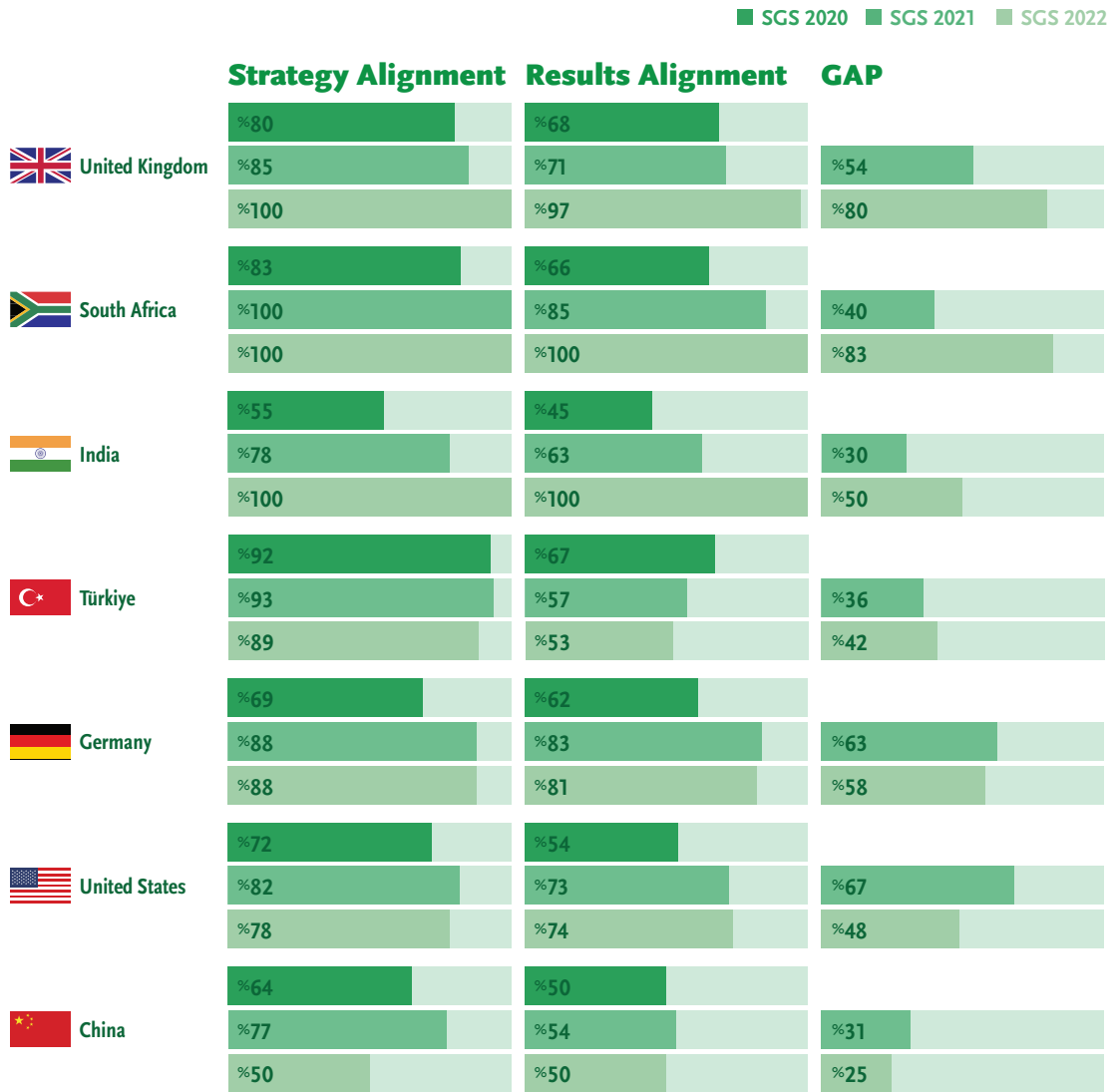
Sustainable Development Goals

■ SGS 2020 ■ SGS 2021 ■ SGS 2022

	Strategy Alignment	Results Sharing	Target Setting
SDG Alignment	73% / 86% / 88%	58% / 71% / 82%	50% / 57%
SDG 13 Climate Action	58% / 78% / 80%	50% / 65% / 73%	42% / 49%
SDG 8 Decent Work and Economic Growth	61% / 77% / 79%	51% / 63% / 71%	25% / 31%
SDG 12 Responsible Consumption and Production	56% / 68% / 74%	47% / 55% / 68%	26% / 33%
SDG 5 Gender Equality	50% / 66% / 67%	43% / 57% / 63%	21% / 32%
SDG 3 Good Health and Well Being	51% / 66% / 64%	44% / 56% / 59%	23% / 23%
SDG 9 Industry Innovation and Infrastructure	45% / 60% / 60%	38% / 47% / 55%	16% / 25%
SDG 7 Affordable and Clean Energy	48% / 63% / 59%	41% / 50% / 55%	25% / 31%
SDG 4 Quality Education	50% / 59% / 57%	41% / 48% / 53%	13% / 22%
SDG 6 Clean Water and Sanitation	43% / 61% / 56%	36% / 47% / 52%	21% / 22%
SDG 17 Partnerships for the Goals	43% / 54% / 56%	36% / 42% / 50%	17% / 21%
SDG 10 Reduced Inequality	37% / 53% / 50%	33% / 41% / 45%	14% / 20%
SDG 15 Life on Land	39% / 53% / 47%	34% / 41% / 43%	14% / 21%
SDG 11 Sustainable Cities and Communities	35% / 46% / 41%	30% / 38% / 40%	11% / 15%
SDG 1 No Poverty	31% / 43% / 39%	26% / 33% / 37%	5% / 12%
SDG 2 No Hunger	30% / 42% / 39%	25% / 32% / 37%	10% / 14%
SDG 16 Peace and Justice Strong Institutions	28% / 39% / 38%	22% / 30% / 34%	8% / 14%
SDG 14 Life Below Water	25% / 37% / 29%	21% / 28% / 26%	10% / 11%

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

- There is a positive trend towards adopting the SDGs compared to the past two years, but there is room for improvement, especially in setting targets for the SDGs.

- While results linked with the SDGs increased from 58% in SGS 2020 to 82% in SGS 2022, targets linked with the SDGs only increased from 50% in SGS 2021 to 57% in SGS 2022.

- Similar to the last 2 years, strategy and results alignment is highest for SDG 13 (80%, 73%), SDG 8 (79%, 71%), and SDG 12 (74%, 68%) – focusing on areas relevant to core value proposition.

- Many companies decreased their strategy alignment with all SDGs, except for SDG 13, 8, 12 and 5. This disclosed that prioritization is becoming common.

- Strategy and results alignment is lowest for SDG 1 (39%, 37%), SDG 2 (39%, 37%), SDG 16 (38%, 34%) and SDG 14 (29%, 26%).

SDG Alignment with Strategy and Results by Countries

■ SGS 2020   ■ SGS 2021   ■ SGS 2022

	Strategy Alignment	Results Alignment	GAP
United Kingdom	%80	%68	
	%85	%71	%54
	%100	%97	%80
South Africa	%83	%66	
	%100	%85	%40
	%100	%100	%83
India	%55	%45	
	%78	%63	%30
	%100	%100	%50
Türkiye	%92	%67	
	%93	%57	%36
	%89	%53	%42
Germany	%69	%62	
	%88	%83	%63
	%88	%81	%58
United States	%72	%54	
	%82	%73	%67
	%78	%74	%48
China	%64	%50	
	%77	%54	%31
	%50	%50	%25

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

- Strategy alignment and linking results with the SDGs is highest for South Africa, India and UK (100%), while lowest for China (50%).

- Highest gap between strategy and results alignment is in Türkiye (strategy 89%, results 53%).

- There is room for improvement in sharing SDG targets for all 7 countries.

SDG Alignment with Strategy and Results by Industries

■ SGS 2020 ■ SGS 2021 ■ SGS 2022
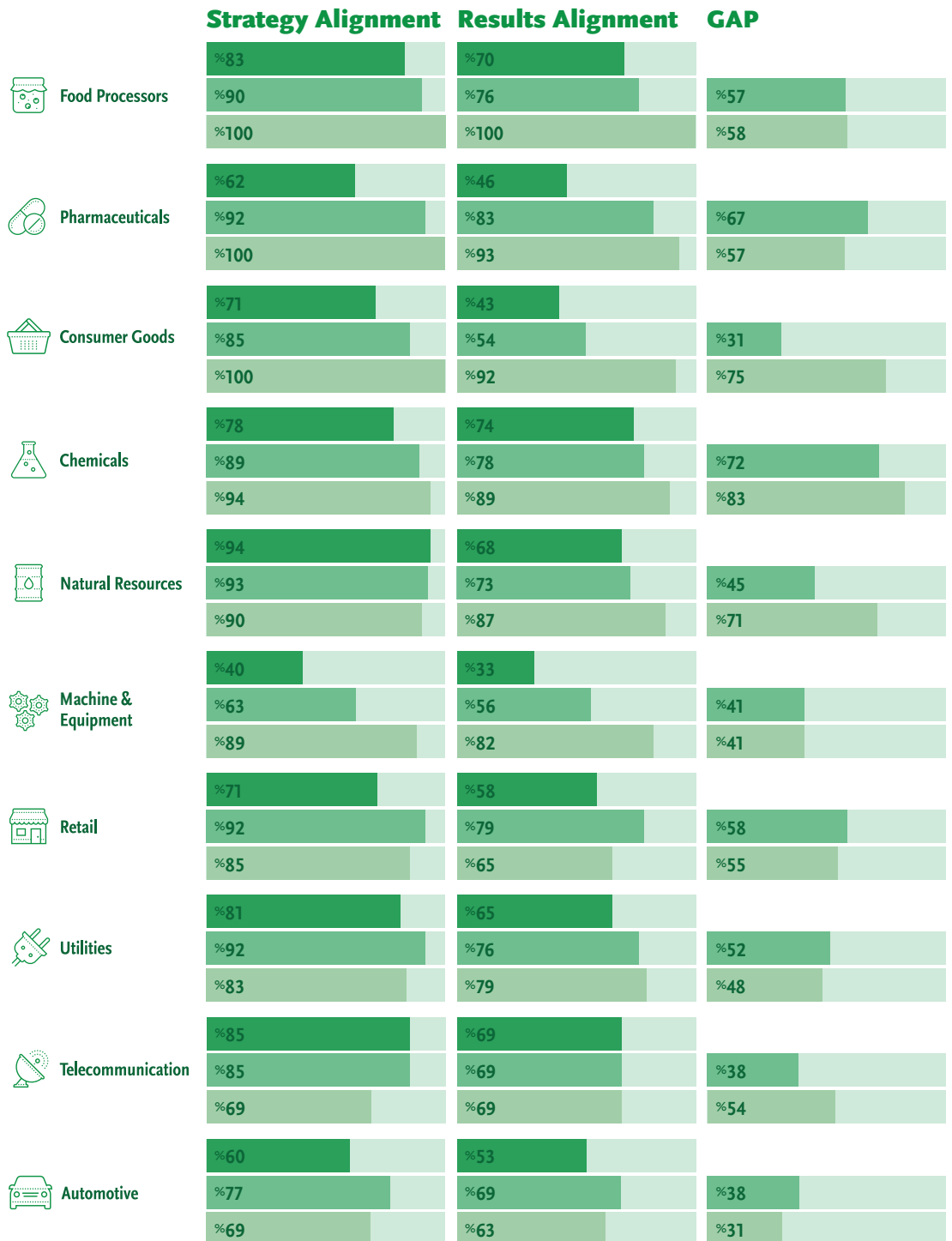
Industry	Strategy Alignment	Results Alignment	GAP
Food Processors	%83	%70	
	%90	%76	%57
	%100	%100	%58
Pharmaceuticals	%62	%46	
	%92	%83	%67
	%100	%93	%57
Consumer Goods	%71	%43	
	%85	%54	%31
	%100	%92	%75
Chemicals	%78	%74	
	%89	%78	%72
	%94	%89	%83
Natural Resources	%94	%68	
	%93	%73	%45
	%90	%87	%71
Machine & Equipment	%40	%33	
	%63	%56	%41
	%89	%82	%41
Retail	%71	%58	
	%92	%79	%58
	%85	%65	%55
Utilities	%81	%65	
	%92	%76	%52
	%83	%79	%48
Telecommunication	%85	%69	
	%85	%69	%38
	%69	%69	%54
Automotive	%60	%53	
	%77	%69	%38
	%69	%63	%31

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

- Food Processor (100%) companies totally have strategy alignment and results linked with the SDGs.

- Pharma and Consumer Goods GSLs have 100% strategy alignment with SDGs.

- Sectors that have the highest targets linked with the SDGs are Chemicals (83%) and Consumer Goods (75%), followed by Natural Sources.

- Automotive has the lowest strategy alignment and links to results and targets with SDGs.

- The Machine & Equipment sector increased from 40% to 89% in strategy alignment, from 33% to 82% in SDG results and the same in SDG targets.

- The highest gap between strategy alignment and results linkage is in Retail (23%) and Natural Resources (19%), the lowest gap in Food Processor (0%) and Chemicals (4%).

Adoption of SDGs by Industries

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©

- SDG 8 (Decent Work and Economic Growth), SDG 12 (Responsible Consumption), SDG 13 (Climate Action) and SDG 17 (Partnership for Goals) is prioritized for more than 50% of the companies in almost all sectors.

- Companies must take initiative to further improve SDG 1 (No Poverty), SDG 2 (Zero Hunger), SDG 14 (Life Below Water) and SDG 16 (Peace and Justice).

Top Performers in Link to SDGs

Automotive	**Chemicals**	**Consumer Goods**	**Food Processors**	**Machinery & Equipment**
General Motors	Linde Plc	Whirlpool Corporation		CNH Industrial
	PPG Industries			

Natural Resources	**Pharmaceuticals**	**Retail**	**Telecommunication**	**Utilities**
Williams Companies				Tata Power

Based on Argüden Governance Academy's research for Sustainability Governance Scorecard©, companies are written alphabetically in each sector.

RECOMMENDATIONS

1. **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.

2. **Link SDGs with strategy and prioritize for impact:** Companies must shift to a proactive, forward-looking approach to encompass the SDGs.

3. **Quantify your contribution for stakeholders:** Link their priority SDGs with relevant stakeholder groups and quantify their impact.

4. **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.

5. **Make it specific:** Show link to sub-targets (preferably at target level).

6. **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 of impact through activities and collaboration.

7. **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.

8. **Think of your ecosystem:** Impact is significantly higher if you think of your value chain and have the power (Align with value chain impacts).

9. **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.

Good Practice Examples

LINK TO SDGs

Machine & Equipment   **Germany**   GEA

Sustainability targets and key performance indicators*

Areas	SDGs	Target attainment 2020	2020 targets	2025 targets	2050 targets
Sustainable engineering ⊘ page 40		◐	Expanding the scope of life cycle analyses and product end-of-life design to assess carbon footprint during use (scope 3)	Continuous improvement of all management systems and certification of all production sites	
People Prevention and expansion of health services at all sites ⊘ page 56		◐		Enhancement of "GEA Care" health management program	
Lost day frequency rate (Accidents with period of absence per million hours worked) ⊘ page 54		●	≤ 5.6	≤ 5.0	0
Lost day severity rate (Days lost after accidents per million hours worked) ⊘ page 55		●	≤ 120	≤ 110	0
Pro-active injury rate (PAIR) ⊘ page 55		◐	≥ 100	≥ 200	
Environment Carbon emissions ⊘ page 60		●	**−2.1%** compared with the previous year as a percentage of revenue (scope 1 and scope 2)	**−19.1%** compared with base year 2015 (scope 1 and scope 2)	**−52.4%** compared with base year 2015 (scope 1 and scope 2) -2)
Water withdrawal ⊘ page 61		◐	**−2.1%** per EUR 1 million of revenue	**−13.8%** per EUR 1 million of revenue, base year 2018	**−49.3%** per EUR 1 million of revenue, base year 2018
Waste Reduce overall waste, use resources and materials efficiently, improve recyclability of production waste and promote recycling ⊘ page 63		◐	**−2.1%** per EUR 1 million of revenue	**−13.8%** per EUR 1 million of revenue, base year 2018	**−49.3%** per EUR 1 million of revenue, base year 2018
Supply chain Integrate standards and values in the supply chain as the basis for long-term partnerships with contractors ⊘ page 69		●	Monitor the number of signatories to the Supplier Code of Conduct and assess compliance in the supply chain ⊘ page 69	Continue to integrate social and ethical standards into the supply chain Meet GEA targets and help partners implement standards	
Work closely with customers, NGOs and other bodies to support sustainable development		●	Publish a human rights policy which follows the UN Guiding Principles on Business and Human Rights ⊘ page 35		
		◐	Sign up to the UN Global Compact in 2021		
		●	Implement the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas ⊘ page 70		
		●	Continue to expand documentation and measures related to human rights to meet the requirements of the NAP ⊘ page 35 ff.		

Note: please refer to the relevant sections and the Facts and figures within the appendix for details, see ⊘ page 82. Information about the SDGs is provided in the notes, see ⊘ page 88.

*) GEA plans to revise and adjust the targets in 2021 as part of a broader sustainability strategy.

- Sustainability targets and KPIs are structured around sustainable engineering, people, environment, and the supply chain. GEA shares targets linked to SDGs in a clear to follow table and page references for further details.
- Each target is shown in a time horizon of 1, 5 and 25 years, while also showing progress made as of today.
- Forms a close link between the SDGs, topics, and GRI standards. For instance, GEA Group focused on SDG 13, which is covered in GRI standards as Emissions, GRI 305; Waste, GRI 306; Management Approach, GRI 103, Sustainable Engineering in terms of green investment.

SASB   GRI

Source: GEA, Sustainability Report 2020, Page:26; 82; 88 https://www.gea.com/en/binaries/sustainability-report-2020_tcm11-82534.pdf

Retail · **Germany**

BOSS
HUGO BOSS

ENVIRONMENT

HUGO BOSS is committed to the **introduction and further development of environmentally and climate-friendly processes** and takes appropriate measures to improve the environmental footprint of its own locations, production facilities and stores as well as the entire logistics chain. In this context, the **careful use of natural resources** is just as important as the avoidance and recycling of waste and the reduction of CO_2 emissions.

TODAY.

In 2020
– more than half of the electricity consumed within the Group came from **renewable energy sources**.
– the Company's **own photovoltaic systems** generated electricity equivalent to the annual consumption of approximately 188 four-person households.
– the **science-based targets** (SBT) for the reduction of CO_2 emissions (**including the external supply chain**) were officially validated by the Science Based Targets initiative (SBTi).
– the Company calculated and published the **CO_2 emissions of its outbound goods flows** for the first time.
– the total **CO_2 emissions were reduced by 24%** compared to the previous year.

TOMORROW.

SDG reference (direct or indirect)	Target year	Target	Status quo
13	2050	Climate neutrality in the entire value chain	
13	2030	Reduction of CO_2 emissions along the entire value chain compared with the base year 2018:	
		– Reduction of CO_2 emissions (Scope 1+2) by at least 51% (SBT)	Reduction of 36%
		– Reduction of CO_2 emissions (Scope 3) by 30% (SBT)	Reduction of 28%
		– Reduction of energy consumption (direct and indirect) in relation to area (m²) by 20%	Reduction of 22%
6	2025	Reduction of own water consumption (externally sourced water) in relation to Group sales by 40% compared with the base year 2016	Reduction of 5%
12	2020	Reduction of waste volume in the production facilities in Izmir by 3% compared with the base year 2019	Reduction of 21%
12	2025	Reduction of waste volume (domestic waste) per employee by 10% compared with the base year 2018	Reduction of 23%

PARTNERS

In addition to manufacturing at HUGO BOSS' own production sites, the Company sources finished goods as well as fabrics and trimmings from numerous suppliers globally. As their customer, HUGO BOSS assumes **co-responsibility for the well-being of their employees** and the **protection of the environment** in the sourcing countries. The basis for cooperation is therefore respect for human rights and compliance with internationally recognized environmental and social standards, which are reviewed in regular audits.

TODAY.

In 2020
– the new **Supplier Code of Conduct**, which besides social issues now also includes stricter requirements on environmental issues, was incorporated into the contracts of all direct suppliers.
– the **Governance Model** was successfully rolled out to the strategic finished goods suppliers.
– the Company further increased transparency in the **supply chain** by **publishing the CO_2 emissions** of its purchased goods.
– HUGO BOSS was presented with an award by the CDP (formerly Carbon Disclosure Project) in the category **"Supplier Engagement Leader"** for its climate commitment in the supply chain.
– the Zero Discharge of Hazardous Chemicals Manufacturing Restricted Substances List (**ZDHC MRSL**) was integrated as a **fixed component into the contracts** with suppliers.

TOMORROW.

SDG reference (direct or indirect)	Target year	Target	Status quo
8	2025	Sourcing of all goods from finished goods suppliers (including the Company's own production sites) which achieved a result of "satisfying" or better in the last social audit **Milestone by 2022:** 95%	96%
8 12	2025	All finished goods suppliers have an appropriate control system for their supply chain. **Milestone by 2020:** All strategic finished goods suppliers	86% of strategic finished goods suppliers
8	2025	All fabrics and trimmings suppliers with a direct contractual relationship with HUGO BOSS are integrated into the HUGO BOSS Social Compliance Program.	10%
8	2021	Establishment of a strategy to promote fair remuneration in the textile supply chain. This includes, as a first step, the collection of wage data and the analysis of wage gaps based on recognized benchmarks.	Target update to follow in 2021

- Presents a comprehensive view of targets across 6 stakeholder categories including products, the environment, employees, society and partners.
- Clearly articulates the company's commitment, where the company is today and where it aims to be tomorrow across each target category.
- Each sub-target is clearly linked to relevant SDGs and detailed information is provided on target year (ranging from 1 to 20 year period based on target type), target description and status quo. For example, by 2025 reach 2,100 women from a weak economic background with a training course to re-enter the workforce at the İzmir location (Open Doors for Women).
- Shares detailed results such as donations, project focus, beneficiaries, and location.

GRI

Pharmaceuticals **Germany**

MERCK

Clicking on one of the highlighted SDGs provides further information for each of the targets on how we specifically support them through our management approaches, initiatives and projects.
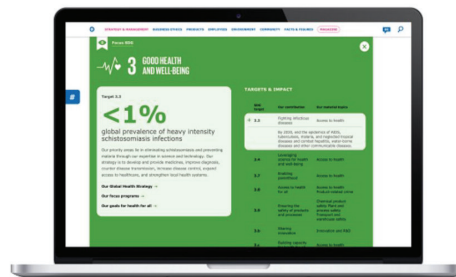
- In 2020, Merck has set itself strategic sustainability goals and embedded them into the overall strategy of the company, including an assessment of how the company can actively contribute to the SDGs. The outcome of this analysis shows that the company has prioritized 5 SDGs where it can have the strongest positive impact through entrepreneurial actions.
- The company has a dedicated online platform that shows how each prioritized SDG is linked to its strategy, and how the company contributes towards the goal. SDGs are prioritized at sub-target level and closely linked to the company's material topics.
- The website includes functionalities to increase stakeholder engagement such as asking the viewer its role as a stakeholder (eg: consumer, investor, employee etc.) when entering the website as well as analytical tools such as "compare to last year" allowing the viewer to compare results across years and "interactive chart generator."

PART III
SUSTAINABILITY JOURNEY

1. 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. It offers a proxy for management quality for investors, it allows responsible choice and enhances brand loyalty for customers, it highlights where to partner for global action for governments; and it allows a company to maintain its social license to operate for communities. 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 build links 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 in company operations.

KEY FINDINGS

Value Creation Model

	SGS 2022
Visualizes Its Value Creation Process	
	65%
Shares Value Creation Process Includes Environmental Issues	**65**%
Shares Value Creation Process Includes Social Issues	**64**%
Shares Value Creation Process Includes Governance Issues	**54**%

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

- 65% of the GSLs visualize the company value creation process.
- Above 60% of the companies' shared value creation process includes environmental and social issues while 54% of the companies share that their value creation process includes governance issues.

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 creates 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.

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.

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.

2. 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 sustainability efforts by considering the ESG issues most relevant 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.

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."
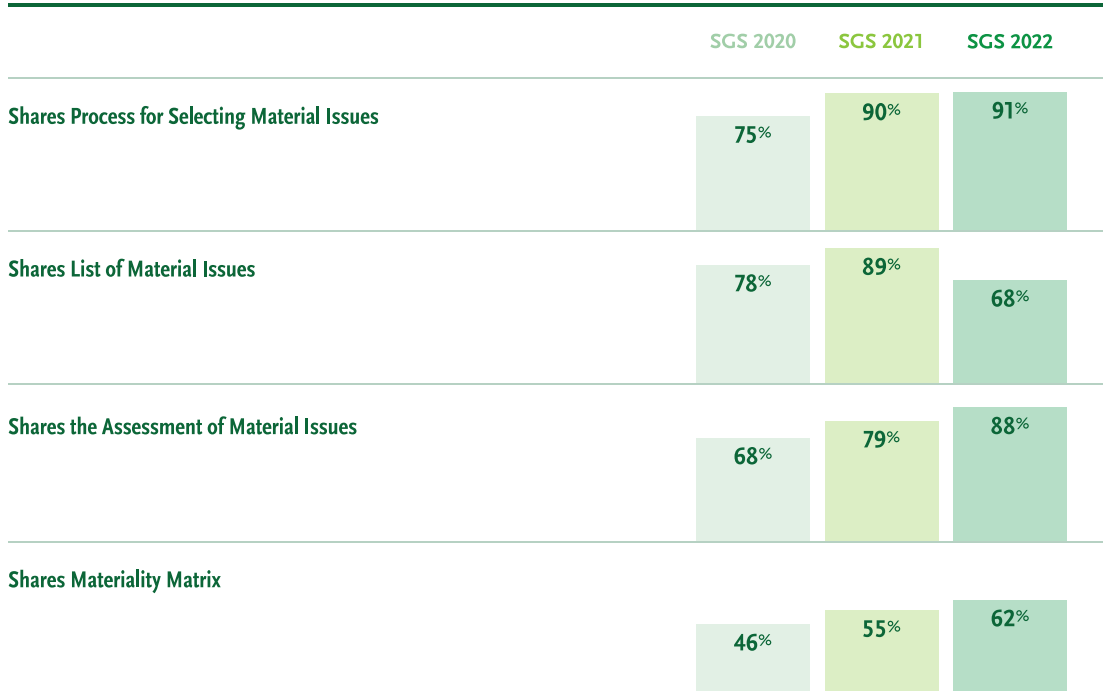
STAKEHOLDER MAP

Shares stakeholder map	SGS 2021	SGS 2022		Shares objectives for stakeholders	SGS 2021	SGS 2022
Environment				Environment		
Public/Media				Public/Media		
Community				NGOs		
NGOs				Community		
Government				Government		
Customers				Customers		
Supply Chain				Supply Chain		
Employees				Employees		
Shareholders				Shareholders		

■ 100% ■ >80% ■ >60% ■ >40% ■ >20% ■ >0%
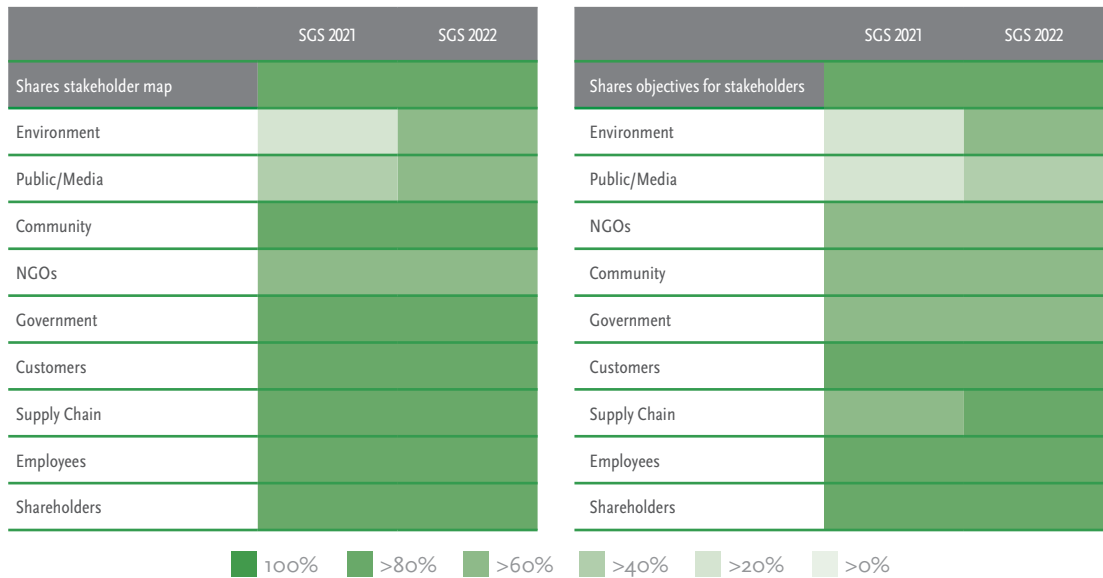
- 95% of the companies in our sample share a stakeholder map and 83% share objectives for each stakeholder group.

- Public/media (from 47% to 62%) and the environment (from 38% to 73%) significantly improved in GSLs' list of stakeholders.

- Public/media (from 39% to 56%) and the environment (from 37% to 66%) significantly improved in GSLs' objectives for stakeholders.

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 relevant 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.

Materiality Assessment and Materiality Matrix

	SGS 2020	SGS 2021	SGS 2022
Shares Process for Selecting Material Issues	75%	90%	91%
Shares List of Material Issues	78%	89%	68%
Shares the Assessment of Material Issues	68%	79%	88%
Shares Materiality Matrix	46%	55%	62%

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

- Process for selecting material issues increased from 75% in SGS 2020 to 91% in SGS 2022. Assessment of material issues also increased from 68% in SGS 2020 to 88% in SGS 2022.

- In SGS 2022, 62% of the companies in our sample share a materiality matrix including the assessment of material issues for the company and its stakeholders, a significant increase from 46% in SGS 2020.

- Highest use of materiality matrix was in the UK (80%) and Türkiye (74%), while there is significant room for improvement in the US (53%) and South Africa (38%).

- 84% of the GSLs in Food Processors, 72% in Chemicals and 71% in Pharma companies share a materiality matrix, all sectors were >50%.

MATERIALITY ISSUES BY COUNTRY

	Türkiye	India	China	Germany	South Africa	United Kingdom	United States
Shares list of material issues							
Covers environmental issues							
Water							
Climate Change/Emissions							
Energy							
Waste							
Biodiversity							
Chemicals & Hazardous Materials							
Responsible Sourcing (% by material)							
Covers social issues							
Covers human rights issues (ie. Protect, Respect, Remedy, Ensure non-complicity)							
Labor Rights (Eg: child labor, forced labor, freedom of association, etc.)							
Occupational Health and Safety							
Diversity and Inclusion							
Talent Development & Employee Wellbeing							
Product Design & Safety							
Data Security & Customer Privacy							
Social Responsibility & Local communities							
Covers governance issues							
Board Diversity (eg: Gender, Experience, Independence)							
Executive Compensation							
Compliance							
Ethics							
Anti-corruption							
Supplier Code of Conduct							
Covers economic issues							
Customer Experience & Satisfaction							
Profitability & Economic Performance							
Technology & Innovation							
Supply Chain Management							

Legend: 100% | >80% | >60% | >40% | >20% | >0%

MATERIAL ISSUES BY SECTOR

	Automotive	Chemicals	Consumer Goods	Food Processors	Machine and Equipment	Natural Resources	Pharmaceuticals	Retail	Telecommunications	Utilities
Shares list of material issues										
Covers environmental issues										
Water										
Climate Change/Emissions										
Energy										
Waste										
Biodiversity										
Chemicals & Hazardous Materials										
Responsible Sourcing (% by material)										
Covers social issues										
Covers human rights issues (ie. Protect, Respect, Remedy, Ensure non-complicity)										
Labor Rights (Eg: child labor, forced labor, freedom of association, etc.)										
Occupational Health and Safety										
Diversity and Inclusion										
Talent Development & Employee Wellbeing										
Product Design & Safety										
Data Security & Customer Privacy										
Social Responsibility & Local communities										
Covers governance issues										
Board Diversity (eg: Gender, Experience, Independence)										
Executive Compensation										
Compliance										
Ethics										
Anti-corruption										
Supplier Code of Conduct										
Covers economic issues										
Customer Experience & Satisfaction										
Profitability & Economic Performance										
Technology & Innovation										
Supply Chain Management										

Legend: 100% | >80% | >60% | >40% | >20% | >0%

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 stakeholder's needs and co-create solutions.

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.

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.

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. Prioritizing material issues also requires the company to evaluate its ability to influence the issue.

5. **Publish a materiality matrix:** A materiality matrix provides information on the most material ESG issues for the 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 the SDGs.

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 the board's role in the process.

MATERIALITY

Utilities   **India**   गेल GAIL

Matrix

The materiality matrix provides a holistic overview of the organization's sustainability approach and its performance. The matrix depicts our material aspects based on the importance of GAIL's management and significance to stakeholders. Theses aspects are further categorized under 3 levels- low, medium, and high. It only demonstrates the relative importance of the aspects, not a direct depiction of their relevance or impact. The material topics are a direct representation of business and stakeholder concerns that are generally redressed through our grievance redressal mechanism periodically. The sub-aspects of the material topics are also included under the material topics. It is based on the sustainability initiatives developed during the reporting year. The details of the material topics boundaries and relevant stakeholder group that hold maximum importance are provided below:
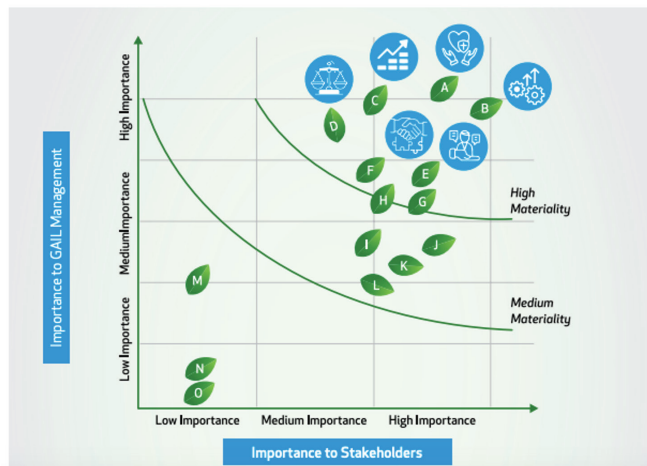
Materiality Matrix

A: Health and Safety
B: Operational Excellence
C: Business Growth and Profitability
D: Public Policy and Advocacy
E: Stakeholder Relationship Management
F: Human Capital Management
G: Climate Change
H: Investment by GAIL vis-à-vis Projected
I: Growth in Changing Market Dynamics
J: Business Model and Innovation
K: Changing Business/Market Dynamics
L: Domestically Sourced Gas to Imported Gas Competition
M: Supply Chain Management
N: Emergence of Disruptive Technologies
O: Alignment with Sustainable Development Goals and COP21

Material Aspects

Health and safety	
Sub-aspect	Occupational health and safety, customer health and safety, asset integrity and process safety
Boundary	Within and beyond GAIL
Major stakeholder	Employees, suppliers, contractors, NGOs and communities
Operational excellence	
Sub-aspect	Material, water, energy, biodiversity, emission, effluents and waste, asset productivity, environmental investments, grievance mechanism for impact on the society, transport and overall, environmental grievance mechanism
Boundary	Within and beyond GAIL
Major stakeholder	Customers, employees, suppliers, contractors
Business growth and profitability	
Sub-aspect	Economic performance, diversification and opportunities, market presence, indirect economic impacts
Boundary	Within and beyond GAIL
Major stakeholder	Customers, employees, suppliers, contractors, NGOs and communities
Public policy and advocacy	
Sub-aspect	Anti-competitive behaviour, anti-corruption, public policy, compliance management
Boundary	Within and beyond GAIL
Major stakeholder	Customers, employees, suppliers, contractors, NGOs and communities
Stakeholder relationship management	
Sub-aspect	Procurement practices, supplier environmental assessment, supplier assessment for impact on society, supplier human rights assessment, supplier assessment for labour practices, indigenous rights, marketing and communication, product service. Labelling, products and services, local community, procurement practices, adequacy of transparent communication
Boundary	Within and beyond GAIL
Major stakeholder	Customers, suppliers, contractors, NGOs and communities
Climate change	
Sub-aspect	GHG emission management, GHG reduction, other emissions management, Ozone-Depleting Substances (ODS) reduction
Boundary	Within and beyond GAIL
Major stakeholder	Customers, employees, suppliers, contractors, NGOs and communities

- Clearly articulates the 3-step materiality analysis process consisting of preparation, discussion and consultation, analysis, and matrix development phases to identify a prioritized list of 15 material topics based on strategic importance to the business, importance to stakeholders and the social, environmental, and economic impact on the value chain.
- The material topics are reviewed and screened by multiple department heads including marketing, international sourcing, procurement, sustainability, finance, corporate strategy, total quality management, corporate communications, and corporate social responsibility among others.
- Shares a materiality matrix with broader materiality categories, showing the relative importance of topics to the company and its stakeholders.
- Provides a more detailed table for material topics detailing the sub-categories within the main title, boundaries (within vs beyond GAIL) and identifies the relevant stakeholders for each topic – to make it more accessible for stakeholders. There is potential for improvement in further detailing the boundaries.

Source: Sustainability Report 2020 Pages 52-56

Utilities   China   CHINAGAS 中國燃氣

1.1 STAKEHOLDER ENGAGEMENT (Continued)

The Group's principal channels of communication with stakeholders are as follows:

Shareholders, investors, creditors and financial analysts

- General meetings
- Annual reports, interim reports, announcements and circulars
- Investor roadshows
- Investors/analysts/creditors meetings
- Project visits for investors/analysts/creditors
- Telephone/email

Employees

- Work/project meetings
- Training programmes
- Employees' congress
- Internal publications
- Team building activities
- Face-to-face meetings
- Complaint mailbox
- WeChat groups and WeChat official accounts

Government and regulatory authorities

- Research and meetings on special topics
- Environmental impact assessment reports
- Environmental monitoring reports
- Daily report and communication
- Industry association activities
- Relevant forums and exchange activities
- Site inspections
- Telephone/emails

Business partners and suppliers

- Supplier conferences
- WeChat and QQ
- Supplier training programmes
- Strategic cooperation plans
- Supplier performance communication meetings
- Telephone/emails

Customers

- Telephone service hotlines
- Community service stations
- Electronic customer service system
- Customer satisfaction survey
- WeChat groups and WeChat official accounts

Community groups

- Press release/announcements
- Community promotion activities
- Safety and science activities
- Social welfare volunteering activities
- Site inspections/visits
- Stakeholder engagement plans

- Clearly articulates a 3-step materiality process consisting of identifying sustainable development topics, conducting materiality assessment and verifying material topics.

Source: Sustainability Report 2020 Pages 24-26

Utilities   China

1.2 MATERIALITY ASSESSMENT (Continued)

Materiality Matrix

A materiality analysis was conducted to identify the most critical topics based on the results of the stakeholder questionnaires, and the topics are present in a matrix. The materiality matrix is prepared based on two dimensions, namely "importance to stakeholders" and "importance to corporate development", which fully considers the feedback of all stakeholders and the management of the Company. The matrix quantitatively prioritised 32 sustainability topics, identified 14 highly material topics, 15 material topics and three relevant topics. The details are as follows:

Materiality matrix of China Gas in FY2020/21

- In the materiality assessment phase, the company has utilized stakeholder engagement (300 responses from 10 different internal and external stakeholder groups) and peer benchmarking analysis (to make sure the company is in line with industry trends and developments). The company also reports the channels it utilizes for continuous stakeholder engagement throughout the year.

MATERIALITY

Utilities		China	CHINA GAS 中國燃氣

Material Topics

Ranking	Topics
1	Operational compliance
2	Gas supply and security
3	Anti-corruption
4	Well-being of employees
5	Training and development
6	Human rights assessment
7	Prevention of child labour and forced labour
8	Disaster and emergency planning
9	Community engagement, impacts, assessment and investment
10	Economic performance
11	Diversity, anti-discrimination and equal opportunity
12	Internal communication
13	Product services and information
14	Market presence
15	Occupational health and safety
16	Suppliers' social performance
17	Consumption and efficiency of resources and energy
18	Innovation and sustainable technology
19	Anti-competitive behaviour
20	Procurement practices
21	Effluents and waste management
22	Customer care and satisfaction
23	Respect the rights of indigenous peoples
24	Management of projects under construction
25	Biodiversity
26	Protection of customers' privacy and information security
27	Water consumption and efficiency
28	Climate change and greenhouse gases (GHG) emission management
29	Customers' health and safety
30	Protection of intellectual property rights
31	Waste recycling
32	Suppliers' environmental performance

- Shares a materiality matrix considering the feedback from both the management of the company and its stakeholders, showing a list of 32 sustainability topics and 14 highly material areas.

MATERIALITY

Natural Resources · **South Africa**

AngloAmerican

The upper section of the page contains the "Our material matters" article, the materiality process flow diagram, a "Matters identified as material to our stakeholders and our business" table, and the materiality matrix chart.

- Anglo American's approach to materiality directly informs its strategy and the structure of its reporting.
- The stakeholder consultation process is conducted every 3 years by a third-party and includes in depth interviews with both internal and external stakeholders, in addition to extensive desktop research. Following the interviews, a validation workshop is conducted with senior leadership and subject-matter experts to finalize the priorities. Material topics are then approved by the Board.
- The prioritized material topics are presented in a matrix with relative importance for the company and its stakeholders.
- To enable effective reporting and integration into strategy, the company has categorized the material topics, provided detailed descriptions of the issue and relevant topics, as well as links to relevant pages in the report.

Automotive **Türkiye**

FORD OTOSAN

Thanks to our successful sustainability performance, which we disclose transparently, we are listed in the Borsa Istanbul Sustainability Index (BIST) and the FTSE4Good Emerging Markets Index including responsible investors. We respond to the Climate Change and Water programs of the Carbon Disclosure Project (CDP). For the first time in 2019, we responded actively to the S&P Global Corporate Sustainability Assessment, and we will do so again in 2021.

Material Issues

At Ford Otosan, we carried out an extensive materiality analysis process to identify our sustainability priorities. In this process, we identified the stakeholders' priorities in accordance with the AA1000 Stakeholder Engagement Standard and also considered Ford Motor Company's business and future strategies.

In identifying stakeholder materiality:

• We used an online survey questionnaire to collect feedback from the employees as our internal stakeholders and suppliers, business partners, investors, analysts, shareholders, NGOs, partner public institutions, the media, dealers, and consultants/agencies as our strategic external stakeholders.

• We included sustainability trends in the analysis and studied both the global and local agenda. We also took an in-depth look into the global risks projections of the World Economic Forum, industry-specific materiality aspects proposed by the Sustainability Accounting Standards Board (SASB), the Sustainable Development Goals Industry Index, and the 11th Development Plan.

Ford Otosan 2020 Sustainability Report

We analyzed the key priorities of the stakeholders by considering the business priorities of Ford Otosan and Ford Motor Company. For this analysis:

• We sought the opinions of the senior management at Ford Otosan using an online survey questionnaire.

• We considered the focus areas of Ford Otosan and Ford Motor Company in line with their business strategies and goals.

• We used the impact analysis methodology, which is recommended by SASB to identify material aspects,

and which enables us to address the sustainability issues identified through the analysis in terms of different impacts and opportunities. Using the SASB 4 Impact Analysis methodology, we examined the risks and opportunities in financial, legal, innovation, and competition terms.

As a result of the materiality analysis, we identified the very high and high materiality aspects.

1. Climate change
2. Occupational Health and Safety
3. Vehicle carbon footprint/fuel savings
4. Vehicle quality and safety
5. Low-carbon production
6. Electric vehicles and alternative fuels
7. Air Quality
8. Developing Mobility Solutions
9. Human Rights
10. Corporate Governance
11. Circular Economy
12. Business Ethics And Transparency
13. Talent Management
14. Supply Chain Management
15. Equal Opportunity And Diversity
16. Customer Satisfaction And Communications
17. Water and Wastewater
18. Employee Engagement and Satisfaction
19. Data Security and Privacy
20. Social Responsibility Program
21. Autonomous Vehicle
22. Sustainable Cities and Infrastructure
23. Fight Against Bribery and Corruption
24. Risk Management
25. Responsible Procurement
26. Biodiversity Conservation

Importance to Stakeholders — High — Very High

Governance (dark blue) · Social (light blue) · Environmental (orange) · Importance to Ford Otosan

• Ford Otosan emphasizes the role of stakeholder engagement in materiality assessment and provides evidence for its accountability of stakeholder engagement by expressing adherence to AA1000 Stakeholder Engagement Standard, which is based on principles of inclusivity, materiality, responsiveness, and impact.

• Leverages external methodologies and standards for identifying material topics, such as the SASB Impact analysis (evidence-based, market-informed, industry-specific) as well as linking material topics to global (link to the SDGs) and local priorities (link to Türkiye's 11th Development Plan).

Source: Sustainability Report 2020 Pages:20-21

MATERIALITY

Automotive · **Türkiye** · **FORD OTOSAN**

VERY HIGH IMPORTANCE	HOW WE MANAGE?	RELATED SECTION	APPLICABLE SDGs
Climate change	We identify climate change risks with potential impact on our operations and invest in renewable energy resources and transportation technologies of the future to mitigate the impact of climate change and adapt to new climate conditions.	Environmental Responsibility	
Occupational health and safety	We protect the physical and mental health of the employees in all business processes and organize training programs to introduce the necessary measures and promote a zero accident culture.	Investing in Talent	
Vehicle carbon footprint/fuel savings	We make sure that all our vehicles deliver fuel economy in compliance with legal requirements and improve fuel consumption by investing in climate stabilization and sustainable materials. We enhance vehicle performance by reducing emissions through our investments in R&D and innovation.	Sustainable Growth	
Vehicle quality and safety	We design and manufacture vehicles that feature innovative driver assistance technologies and meet (or exceed) all legal safety and quality requirements. We aim to play a pioneering role in research and innovation in vehicle safety and driver assistance technologies. We organize training programs to promote safe driving techniques.	Sustainable Growth	
Low-carbon production	We focus on reducing carbon emissions in production through energy efficiency, energy management, and the use of renewable energy sources.	Environmental Responsibility	
Electric vehicles and alternative fuels	We invest in electric vehicles as the transportation technology of the future and work to introduce vehicles powered by alternative fuels to the industry.	Sustainable Growth	
Air quality	We develop new technologies and enhance business processes to eliminate harmful substances and improve air quality in operations.	Environmental Responsibility	

HIGH IMPORTANCE	HOW WE MANAGE?	RELATED SECTION	
Developing Mobility Solutions	We focus on connected vehicle technology that represents an interaction between vehicles and the urban infrastructure as part of a wider transportation ecosystem and promote mobility to address all segments of society. We aim to raise awareness to create change in mobility behavior. We develop navigation systems, smart engines with mobile communication features, and fleet management systems for a safer and more efficient driving experience.	Sustainable Growth	
Human rights	We protect human and employee rights across Ford Otosan's value chain and carry out activities to prevent discrimination. We also make sure that all employees work under fair conditions.	Investing in Talent	
Circular economy	We recycle and reuse waste generated during production, and collect and recycle products at the end of their lifecycle. We aim to shift to a circular economy model with a zero-waste approach.	Environmental Responsibility	
Business ethics and transparency	We follow business ethics and comply with local and international regulations to ensure fairness, confidentiality, and prevention of conflicts of interest. We value the importance of maintaining relations with all stakeholders in line with working principles and ethical rules and sharing the performance transparently. We adopt a zero-tolerance policy against bribery and corruption.	Strategic Management	
Corporate governance	We align corporate governance with the interests of all stakeholders (shareholders, customers, investors, suppliers, dealers, and employees, etc.) in accordance with fairness, transparency, accountability, and responsibility principles.	Corporate Governance	
Supply chain management	We value the importance of monitoring economic, environmental, social, and ethical conditions in all purchasing processes, and audit suppliers regularly. In the supply chain, we strive to procure minerals from conflict-free zones*.	Sustainable Growth	
Talent management	We attract and retain new talent in Ford Otosan. We develop programs for personal development and career planning and make them available to all employees.	Investing in Talent	
Equal opportunity and diversity	We prevent discrimination in the workplace by ensuring equality and diversity (without discrimination for language, religion, race, gender, and sexual orientation). We provide equal opportunities to empower disadvantaged groups and women.	Investing in Talent	
Customer satisfaction and communications	We aim to enhance customer satisfaction with our products and services. Accordingly, we increase the number of effective customer communication channels and offer innovative products that align with changing consumer preferences and demands.	Sustainable Growth	
Water and Wastewater	We reduce water consumption in operations through water recovery and conservation of water resources and work to identify water risks across the value chain.	Environmental Responsibility	

- In the materiality matrix, identifies material issues of high and very high importance both to the company and to the stakeholders, and in a table, details the management strategy for these issues and links the issues to the related sections of the report, where a detailed approach to the issues, along with targets and outcomes can be found.

Source: Sustainability Report 2020 Pages:20-21

3. 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.

KEY FINDINGS

Supply Chain Assurance

	SGS 2020	SGS 2021	SGS 2022
Supplier Code of Conduct Covers Sustainability Issues	90%	95%	96%
Supplier Assurance Process Covers Sustainability Issues	75%	86%	85%
Supply Chain Assurance Results Cover Sustainability Issues	43%	58%	61%

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

When analyzing results, we accepted any evidence of ESG assurance – the next step would be to ensure that all critical supply chain risks are evaluated through the assurance process:

• 96% of the GSLs ensure the supplier code of conduct is covering sustainability issues.

• Supplier assurance process covering sustainability issues increased from 75% in SGS 2020 to 85% in SGS 2022. More than 95% of the GSLs in India and Germany share that their supply chain assurance process covers ESG issues, compared to only 58% in China. All companies in Consumer Goods share that their supply chain assurance process covers ESG issues, all other sectors are >80% except Telecom and Automotive (69%).

• Supply chain assurance results covering sustainability issues increased from 43% in SGS 2020 to 61% in SGS 2022 but there still is room for improvement in the sustainability results of the supply chain assurance.

Supply Chain Assurance ESG Coverage Breakdown
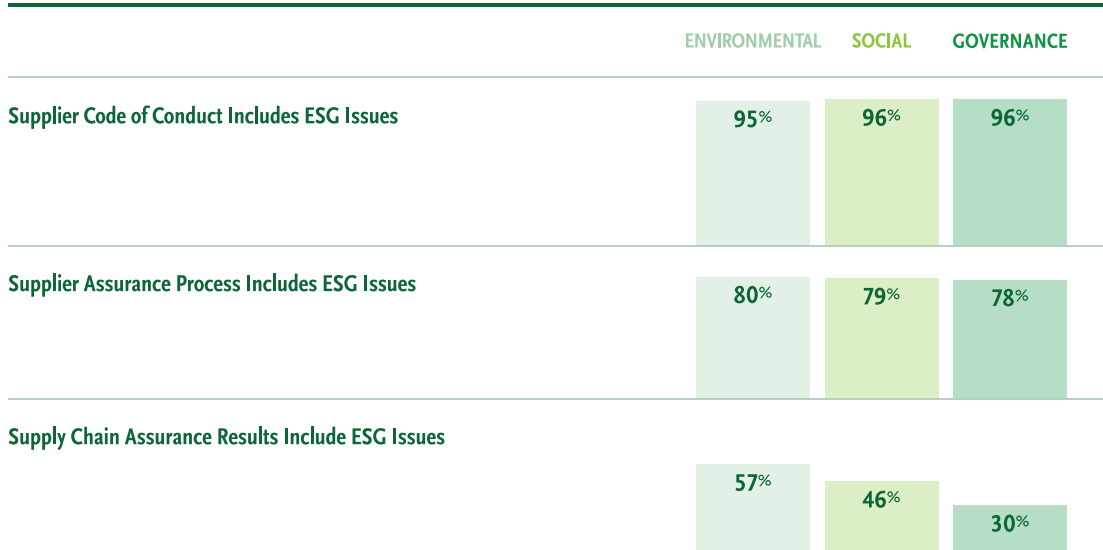
	ENVIRONMENTAL	SOCIAL	GOVERNANCE
Supplier Code of Conduct Includes ESG Issues	95%	96%	96%
Supplier Assurance Process Includes ESG Issues	80%	79%	78%
Supply Chain Assurance Results Include ESG Issues	57%	46%	30%

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

• 95% of the supplier code of conducts cover environmental issues, 96% cover social issues and 95% cover governance issues.

• Supply chain assurance process covers ESG issues – 80%, 79% and 78% respectively.

• However, companies sharing their supply chain assurance results regarding Environment is more than half, Social is nearly half but Governance is less than half (ESG respectively- 57%, 46% and 30%).

Top Performers in Supply Chain Sustainability

Automotive	Chemicals	Consumer Goods	Food Processors	Machinery & Equipment
Ashok Leyland		Adidas		GEA Group
		Reckitt Benckiser Group		Havells India
		Unilever		Siemens Germany

Natural Resources	Pharmaceuticals	Retail	Telecommunication	Utilities
	Dr Reddy's Laboratories	Migros Ticaret		Exelon Corp
				Gail India

Based on Argüden Governance Academy's research for Sustainability Governance Scorecard©, companies are written alphabetically in each sector.

RECOMMENDATIONS

1. **Assume responsibility across the value chain:** Supply chains are critical links that connect an organization's 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.

2. **Develop a sustainability Code of Conduct for the supply chain:** Supply chain sustainability requirements and approach should be clearly defined through a Code of Conduct.

3. **Develop a comprehensive assurance process:** Assurance process should cover ESG issues relevant for suppliers, and can include a variety of methods such as self-declaration, independent audit and remedial action for high-risk suppliers.

4. **Set KPIs and targets to measure progress** against goals and report more details about suppliers to assess and improve performance.

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 CO_2 measurement across the value chain.

Good Practice Examples

SUPPLY CHAIN SUSTAINABILITY

Food Processors

US

General Mills

Global Responsible Sourcing timeline

1990s
General Mills was an early adopter of responsible sourcing and developed a program for manufacturing facilities producing premiums (such as toys included in or on pack) and supplier facilities which license our brands

2008
Launched program in our owned locations and co-packer facilities

2014
Expanded program to also include locations of inherently high-risk Tier 1 direct materials suppliers in North America (suppliers that provide ingredients used in our food products or packaging)

2021
Added more Tier 1 direct materials suppliers in North America and also expanded to locations in Asia, Latin America, Europe, and Australia, as well as Blue Buffalo locations in our Pet segment

Risk-based segmentation

To segment our Tier 1 suppliers into different risk levels, we consider factors including geography, ingredient category, and the results of prior responsible sourcing audits from around the world, covering health and safety, human rights, business integrity and the environment. The audit-related data sources used include 3,655 SMETA supplier audits, 12,763 ISO 14001 supplier audits and 1,324 SA8000 supplier audits. These 17,742 supplier audits were concentrated in countries with known environmental, social and governance risks, based on public sources including the Yale Performance Index, the Social Progress Global Index, the Worldwide Governance Index and the Corruption Perception Index. Our segmentation, completed in January 2019, was determined based on an aggregation of this data. We selected these data sources to uncover risks as outlined in our Supplier Code of Conduct, focused heavily on human rights and health and safety.

- As an early adopter of responsible sourcing, General Mills has started working with its suppliers in the 1990s to improve manufacturing capacity and gradually added more suppliers to its Responsible Sourcing program to cover all geographies and tiers of suppliers.
- In 2019, the company segmented its Tier 1 suppliers into different risk levels based on factors such as geography, ingredient category, results of prior responsible sourcing audits around the world including SMETA supplier audits, ISO 14001 supplier audits and SA8000 supplier audits.

Source: General Mills Global Responsibility Page:15

SUPPLY CHAIN SUSTAINABILITY

Food Processors

US

General Mills

2020 PROGRESS

OUR PERFORMANCE

93%
of facilities worldwide audited and/or certified by independent third parties using globally recognized food safety criteria*, **

GOAL 100% — 93%

96%
of company-owned production facilities Global Food Safety Initiative (GFSI) certified**

GOAL 100% — 96%

3,482
professionals trained through global centers of excellence and online training academy

$13.6 million
invested into food safety, equal to 9.25% of total supply chain essential capital investment

*Certification: We are now using a single global certification body for all General Mills owned sites, which includes annual audits aligned with the Food Safety System Certification (FSSC) standard. Due to audit timing delays in Brazil caused by COVID-19, we did not complete 100% of audits during the fiscal year.
**Includes Blue Buffalo pet food facilities.
***Includes suppliers for Blue Buffalo pet food products

OUR SUPPLIERS

823
supplier audits, including 510 ingredient audits, 154 packaging audits and 74 pet ingredient audits, and 85 co-producer audits conducted***

GFSI certification of our suppliers:

GLOBAL CO-PRODUCTION SITES — **94%**
GLOBAL INGREDIENT SUPPLIERS — **71.8%**
NORTH AMERICAN INGREDIENT VENDOR SITES — **92.9%**
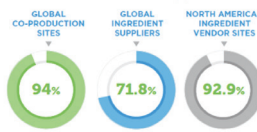
420
suppliers participated in food safety training sessions

Audit results*

	Fiscal 2018	Fiscal 2019	Fiscal 2020
Owned manufacturing locations			
Number of sites audited	20	19	23
Locations with noncompliances**	12	9	16
% of noncompliances resolved***	94%	89%	65%
Co-packers			
Number of sites audited	47	35	22
Locations with noncompliances****	31	17	14
% of noncompliances resolved***	68%	98%	53%
Tier 1 direct suppliers			
Number of sites audited	38	11	1
Locations with noncompliances*****	24	6	1
% of noncompliances resolved***	60%	55%	0%

*For fiscal 2018 and 2019, some data differ compared to prior reports due to changes in methodology (% of noncompliances resolved are reported based on the number of findings rather than the number of suppliers with findings) as well as improvements in data collection and accuracy.
**Of noncompliances identified for owned manufacturing locations in fiscal 2020, 36% related to human rights and 64% related to health, safety and environment.
***As of December 2020.
****Of noncompliances identified for co-packers in fiscal 2020, 30% related to human rights and 70% related to health, safety and environment.
*****Of noncompliances identified for Tier 1 direct suppliers in fiscal 2020, 100% related to health, safety and environment.

- Reports the results of the Responsible Sourcing program in detail including information on share of facilities audited or certified by independent third parties, number of professionals trained through global centers of excellence and capital reinvested for Supply Chain development.
- Shares detailed audit results for different tiers of suppliers (owned manufacturing locations, co-packers and Tier 1 direct supplier) across years including number of sites audited, locations with non-compliances and share of non-compliances resolved.

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Source: General Mills Global Responsibility Page:15

SUPPLY CHAIN SUSTAINABILITY

Automotive   US   GM

Managing Supply Chain Impact Through Life Cycle Analysis

We use life cycle analysis (LCA) to better understand the activities of our approximately 13,500 suppliers worldwide. Purchased goods and services include the life cycle emissions from parts purchased from our suppliers.

LCA, combined with environmental extended input/output analysis, using the US EPA EEIO 1.0 database, allows us to assess suppliers by industry and by tier to identify where the greatest environmental impacts in our supply chain occur and prioritize our resources. To increase granularity, we performed the analysis at the component level to identify potential opportunities for carbon reduction by the highest intensity of carbon emissions. It also helps us monitor and manage sustainability trends within our supply base as automotive technologies change.

GHG Impact by Tier

- Our largest GHG impact occurs among Tier II suppliers.
- Direct parts represent 70% of indirect emissions which we are working to reduce from a GM vehicle, excluding customer use.
- Our largest water impact occurs among Tier II suppliers.

1: 19% 2: 34% 3: 24%

GHG Impact by Industry

Electricity Generation 20%
Primary Iron, Steel 12%
Petrochemical 8%
Oil & Gas 7%
Natural Gas 6%
Inorganic Chemicals 5%
Secondary Steel 4%
Coal 4%
Organic Chemicals 3%
Aluminum 3%

Environmental Impact by Vehicle Component

GLASS 2%
INTERIOR 19%
SEATS 12%
POWERTRAIN 32%
BODY 30%
TIRES & WHEELS 4%
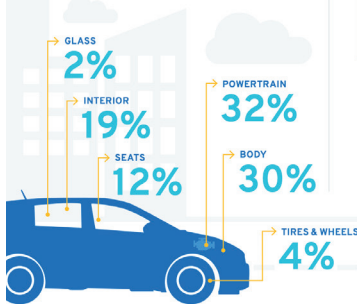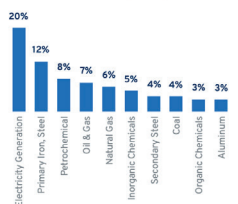
CDP Supply Chain Response

96% of suppliers responded (314 suppliers)
96.5% of strategic suppliers responded (224 suppliers)

Climate Response

51% of suppliers engaging their own suppliers — 63% average member
$1.15B Annual monetary savings from emissions reductions — $1.13B average member

96% Supplier response rate — 71% Average Member

67% Reporting active targets — 71% average member
22.9M MT Estimated annual CO2e savings — 25.5M MT average member

Water Response

26% of suppliers engaging their own suppliers — 36% average member
60% Reporting any water-related policy — 61% average member

81% Supplier response rate — 69% Average Member

82% Reporting active targets and/or goals — 79% average member
63% Reporting water accounting — 69% average member

- GM utilizes life cycle analysis to better understand the activities of its approximately 13,500 suppliers worldwide. Starting with identifying the scope of its supply chain with relevant data, the company reflects a sincere involvement with the industry and an engagement with local suppliers.
- LCA, combined with environmental extended input/output analysis, allows the company to assess suppliers by industry and tier to identify where the greatest environmental impacts occur and prioritize resources accordingly.
- The analysis is conducted and presented at component level to increase granularity and identify potential opportunities for carbon reduction by the highest intensity of carbon emissions.
- GM also shares supply chain response to climate (percent reporting active targets, annual CO2 savings, annual monetary savings, share engaging their own suppliers), and water (share reporting active targets, share reporting water accounting, share reporting water-related policy, share engaging their own suppliers) across several indicators focusing on high-priority strategic suppliers.

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Source: Sustainability Report 2020 Pages 111-125

SUPPLY CHAIN SUSTAINABILITY

Machine & Equipment   Germany

SIEMENS

Number of self assessments and audits

4,759 Sustainability self-assessments

374 Quality audits with sustainability questions [1]

269 External sustainability audits [2]

1 Conducted by Siemens auditors with integrated sustainability questions.
2 Conducted by external auditors.

External sustainability audits (ESA)

(Number)	2020	2019
Europe, C.I.S.,[1] Africa, Middle East	65	102
Americas	19	36
Asia, Australia	185	204
Total	**269**	342

Agreed upon improvement measures (number) [2]

Legal Compliance/prohibition of corruption and bribery	937	1,129
Respect for the basic human rights of employees	1,877	2,051
Prohibition of child labor	95	112
Health and safety of employees	2,064	2,783
Environmental Protection	161	316
Supply Chain	260	326
Total	**5,394**	6,717

1 Commonwealth of Independent States
2 Improvement measures agreed with suppliers relate either to actual deviations from the Siemens Group Code of Conduct for Suppliers and Third Party Intermediaries or to structural improvements in management systems and the lack of specific processes and guidelines at the supplier's end.

Agreed improvement measures [1]
(Number)

304 Fiscal 2019 〈 **1,085** Fiscal 2020
Legal compliance / prohibition of corruption and bribery [2]

274 Fiscal 2019 〈 **511** Fiscal 2020
Employee health and safety

956 Fiscal 2019 〉 **754** Fiscal 2020
Environmental protection

410 Fiscal 2019 〈 **655** Fiscal 2020
Respect for the basic human rights of employees

125 Fiscal 2019 〈 **144** Fiscal 2020
Prohibition of child labor
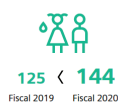
90 Fiscal 2019 〈 **130** Fiscal 2020
Supply chain

1 Improvement measures agreed with suppliers relate either to actual deviations from the Siemens Group Code of Conduct for Suppliers and Third Party Intermediaries or to structural improvements of management systems and the lack of specific processes and guidelines at the supplier.
2 Increase due to the CRSA-questionnaire adaptatoin in accordance to the additions of the Siemens Group Code of Conduct for Suppliers and Third Party Intermediaries

Corporate responsibility self-assessments [1]
(Number)

Europe, C.I.S.,[1] Africa, Middle East
1,571 Fiscal 2019 〉 **1,439** Fiscal 2020

Americas
1,070 Fiscal 2019 〉 **936** Fiscal 2020

Asia, Australia
2,491 Fiscal 2019 〉 **2,384** Fiscal 2020

Total **5,132** Fiscal 2019 〉 **4,759** Fiscal 2020
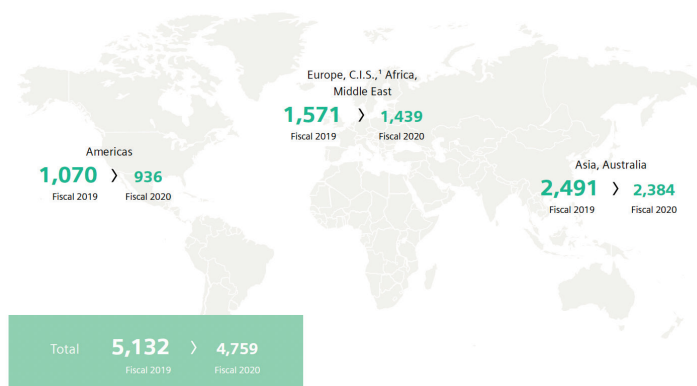
- Siemens has a detailed account of supplier assessment in its Sustainability Report, based on self-assessments and audits (internal and external). The company displays the corresponding data in geographical breakdown, in comparison with the previous reporting period.
- Improvement measures agreed with suppliers are reported to relate either to actual deviations from the Siemens Group Code of Conduct for Suppliers and Third Party Intermediaries, or to the structural improvements in management systems and to the lack of specific processes and guidelines at the supplier's end.
- Moreover, after detailed representation of the improvement measures, three sustainability topics with particular need for attention for the supply chain are cited as follows: Responsible sourcing of minerals, program to reduce CO_2 in the supply chain, enforcing occupational safety in construction sites. In this part, the company relates the improvement measured based on audit outcomes with the sustainability performance in supply chain and targets related to these performance topics.

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Source: Sustainability Report 2020 Pages 53-58

4. 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 training 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 the SDGs).

KEY FINDINGS

Learning & Development
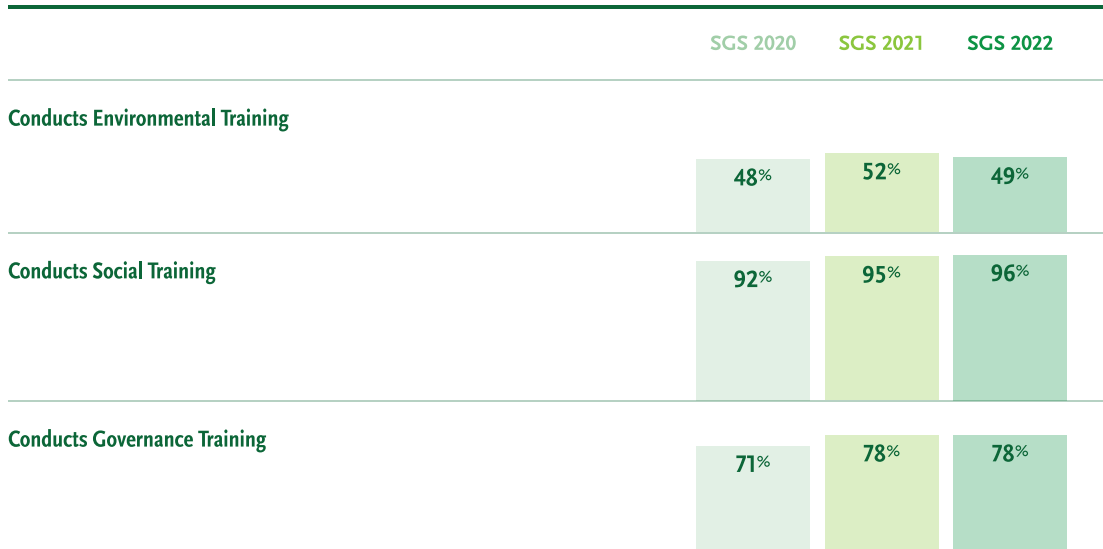
	SGS 2020	SGS 2021	SGS 2022
Conducts Environmental Training	48%	52%	49%
Conducts Social Training	92%	95%	96%
Conducts Governance Training	71%	78%	78%

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

- 96% of companies report that they conduct training on social sustainability issues, while 78% report governance (compliance) and only 49% report environmental training.

- Governance training programs increased from 71% in SGS 2020 to 78% in SGS 2022.

SUSTAINABILITY TRAINING BY COUNTRY

	Türkiye	India	China	Germany	South Africa	United Kingdom	United States
Reports environmental sustainability training	63%	83%	50%	42%	38%	48%	32%
Climate change	21%	17%	33%	19%	13%	19%	14%
Water stewardship	11%	23%	17%	23%	21%	10%	9%
Energy efficiency	21%	17%	25%	19%	8%	16%	7%
Waste & packaging	26%	23%	8%	31%	8%	26%	9%
Responsible sourcing	16%	57%	17%	12%	21%	13%	12%
Reports social sustainability training	89%	100%	100%	85%	100%	97%	97%
Covers human rights issues (ie. Protect, Respect, Remedy, Ensure non-complicity)	21%	60%	8%	54%	50%	68%	33%
Labor Rights (Eg: child labor, forced labor, freedom of association, etc.)	5%	17%	0%	12%	4%	16%	3%
Occupational Health and Safety	8%	97%	92%	81%	79%	97%	78%
Diversity and Inclusion	53%	73%	8%	54%	67%	84%	45%
Talent Development & Employee Wellbeing	79%	93%	83%	85%	96%	94%	76%
Product Design & Safety	42%	23%	0%	27%	25%	32%	14%
Data Security & Customer Privacy	42%	23%	33%	54%	25%	45%	28%
Social Responsibility & Local communities	47%	60%	0%	27%	13%	26%	5%
Reports compliance training	68%	60%	83%	85%	83%	87%	78%
Anti-corruption	42%	33%	75%	73%	67%	74%	50%
Ethics	68%	50%	50%	50%	50%	74%	59%
Supply chain	42%	20%	50%	42%	13%	35%	12%

- GSLs in India have the highest score (83%) for environmental training whereas there is room for improvement for the US (32%), South Africa (38%) and Germany (42%).

- GSLs in India, China and South Africa scored the highest (100%) for social training.

- 87% of the companies in the UK reported compliance training while there is room for improvement in India (60%) and Türkiye (68%).

SUSTAINABILITY TRAINING BY SECTOR

	Automotive	Chemicals	Consumer Goods	Food Processors	Machine and Equipment	Natural Resources	Pharmaceu-ticals	Retail	Telecommu-nications	Utilities
Reports environmental sustainability training	63%	44%	75%	83%	36%	55%	43%	35%	8%	45%
Reports social sustainability training	100%	100%	92%	95%	86%	97%	93%	95%	100%	100%
Reports compliance training	69%	94%	83%	74%	79%	74%	71%	70%	92%	76%

- 83% of Food Processor companies report environmental sustainability training, whereas there is room for improvement in Telecommunication (8%).

- Social training is reported by Automotive, Chemicals, Telecommunication, and Utilities (100%).

- 94% of companies in Chemicals reporte compliance sustainability training.

Sustainability Training Coverage & Breakdown
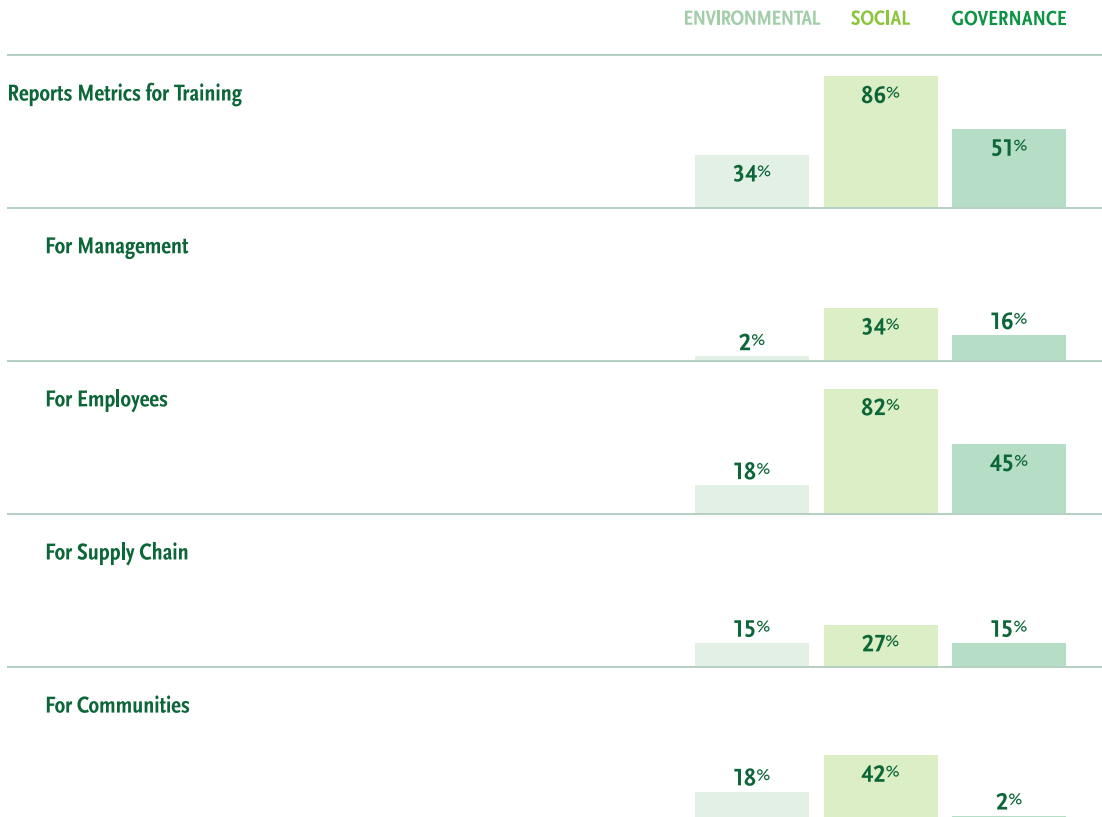
	ENVIRONMENTAL	SOCIAL	GOVERNANCE
Reports Metrics for Training	34%	86%	51%
For Management	2%	34%	16%
For Employees	18%	82%	45%
For Supply Chain	15%	27%	15%
For Communities	18%	42%	2%

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

- There is room for improvement in reporting training metrics and outcomes. We find that 86% of the companies in our sample report metrics for social training, while only 51% report governance training results and 34% report environmental training results.

- Social training results are given mostly for employees (82%), but also for communities (42%) and management (34%).

- There is significant room for improvement in reporting training results for communities and the supply chain, especially in terms of governance training. 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.

Top Performers in Learning & Development

Automotive	**Chemicals**	**Consumer Goods**	**Food Processors**	**Machinery & Equipment**
BMW	Linde Plc	Adidas	Assoc. British Foods	Emerson Electric
Mahindra & Mahindra		Colgate-Palmolive	Coca-Cola İçecek	
		Unilever	Diageo	

Natural Resources	**Pharmaceuticals**	**Retail**	**Telecommunication**	**Utilities**
Anglo American Platinum	Bayer	Migros Ticaret		Atlantica Sustainable Infrastructure
Tüpraş	Cipla			Gail India
	Merck			United Utilities Group

Based on Argüden Governance Academy's research for Sustainability Governance Scorecard©, companies are written alphabetically in each sector.

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 training, 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).

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.

4. **Think of building capacity in your ecosystem:** Companies should ensure their training and action plans encompass a wide range of stakeholders including the supply chain and local communities.

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.

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.

SUPPLY CHAIN SUSTAINABILITY

Chemicals | Germany

EVONIK INDUSTRIES

Compliance training and training rate 2020[a]   `T05`

	Anti-money laundering		Antitrust law		Fighting corruption[b]		Code of conduct	
	Training candidates, total	Training rate in %	Training candidates, total	Training rate in %	Training candidates, total	Training rate in %	Training candidates, total	Training rate in %
Worldwide	**4,670**	**82**	**4,331**	**88**	**12,772**	**88**	**29,204**	**89**
Management functions	**2,041**	**82**	**2,761**	**87**	**7,004**	**87**	**7,887**	**87**
Executives[c]	34	85	118	91	165	91	165	91
Senior management[d]	96	85	279	90	450	88	454	88
Other management levels[e]	1,911	82	2,364	86	6,389	86	7,268	87
Non-management functions	**2,629**	**82**	**1,570**	**91**	**5,768**	**91**	**21,317**	**89**
Job functions								
Production & Technology	0	0	115	90	3,181	89	12,304	87
Innovation Management	0	0	676	84	2,627	94	4,578	94
Marketing & Sales	1,580	83	1,444	88	1,526	77	1,608	78
Administrative functions	3,090	82	2,096	90	5,438	88	9,518	89
Other[f]	0	0	0	0	0	0	1,196	90
Regions								
Asia-Pacific	1,097	81	1,012	89	2,039	86	3,461	86
Central & South America	264	58	162	78	337	62	668	67
Europe, Middle East & Africa	421	82	382	90	685	73	1,595	77
North America	729	70	726	82	2,008	84	4,708	80
Germany	2,159	89	2,049	91	7,703	93	18,772	93

[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, 2020. All training reported in the system is included.
[b] We do not explicitly provide the disclosures on training of business partners required by GRI 205-2.
[c] Executives = executive functions, i.e., top management functions in the Evonik Group.
[d] Senior management = senior management functions, i.e., key functions in the segments, regions, service units, and corporate divisions.
[e] Other management levels = further management functions.
[f] Other functions = apprentices, apprentices outside Germany, non-permanent staff.

- Organizes annual governance training programs for different level managers and non-management experts and reports training results by job function and geographical region.
- Covers a wide range of compliance training including antitrust law, anti-money laundering, fighting corruption, and compliance with the Code of Conduct.
- Shares detailed training results including the number of people trained and training rate which refers to the number of training candidates with a valid certificate relative to the total number of training candidates.
- Shares detailed training participant profiles which describe their role, region, and function.
- Annual training programs enable Evonik's employees as well as new hires to be equipped with up-to-date information on company policies.

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Source: Evonik Sustainability Report 2020, Page:34

APPENDIX 1 - COMPANY SCORES

Company	SGS 2022	Guidance	Implementation	Oversight	Learning	Initiatives
3M Co US, Chemicals	TIER 2	TIER 2	TIER 3	TIER 2	TIER 1	GRI IR
AB InBev DE, Food Processors	TIER 4	TIER 4	TIER 2	TIER 5	TIER 4	GRI IR
AbbVie Inc US, Pharmaceuticals	TIER 3	TIER 3	TIER 4	TIER 4	TIER 2	SASB
Adidas DE, Consumer Goods	TIER 1	TIER 2	TIER 1	TIER 1	TIER 1	SASB
AES Corp. US, Utilities	TIER 3	TIER 4	TIER 3	TIER 1	TIER 5	
African Rainbow Minerals ZA, Natural Resources	TIER 2	TIER 2	TIER 1	TIER 2	TIER 3	GRI IR
Air Products & Chemicals US, Chemicals	TIER 3	TIER 3	TIER 3	TIER 4	TIER 3	GRI SASB
Aksa Enerji TR, Utilities	TIER 5	TIER 5	TIER 5	TIER 4	TIER 5	GRI
Albemarle US, Chemicals	TIER 2	TIER 2	TIER 1	TIER 2	TIER 4	GRI IR SASB
Alcoa Corp US, Natural Resources	TIER 1	TIER 1	TIER 1	TIER 1	TIER 5	IR SASB
American Water Works US, Utilities	TIER 5	TIER 3	TIER 5	TIER 4	TIER 5	GRI IR SASB
Amgen US, Pharmaceuticals	TIER 5	TIER 5	TIER 5	TIER 2	TIER 5	GRI IR SASB
Anadolu Efes TR, Food Processors	TIER 2	TIER 2	TIER 2	TIER 3	TIER 1	GRI IR
Anglo American ZA, Natural Resources	TIER 1	TIER 1	TIER 1	TIER 1	TIER 2	GRI IR
Anglo American Platinum ZA, Natural Resources	TIER 1	TIER 1	TIER 1	TIER 1	TIER 1	GRI IR
Antofagasta UK, Natural Resources	TIER 2	TIER 2	TIER 3	TIER 1	TIER 2	GRI
Arçelik TR, Machine and Equipment	TIER 1	TIER 1	TIER 1	TIER 2	TIER 1	GRI IR SASB

Company	SGS 2022	Guidance	Implementation	Oversight	Learning	Initiatives
Archer-Daniels-Midland US, Food Processors	TIER 2	TIER 2	TIER 3	TIER 3	TIER 1	GRI IR
Ashok Leyland IN, Automotive	TIER 3	TIER 5	TIER 2	TIER 1	TIER 2	GRI IR
Aspen Pharmacare ZA, Pharmaceuticals	TIER 2	TIER 3	TIER 1	TIER 3	TIER 2	GRI IR
Associated British Foods UK, Food Processors	TIER 2	TIER 2	TIER 2	TIER 4	TIER 2	GRI IR
Astra Zeneca UK, Pharmaceuticals	TIER 2	TIER 2	TIER 2	TIER 1	TIER 3	GRI IR
AT&T US, Telecommunications	TIER 4	TIER 4	TIER 4	TIER 3	TIER 5	GRI IR
Atlantica Sustainable Infrastructure UK, Utilities	TIER 1	TIER 3	TIER 1	TIER 2	TIER 1	GRI IR
Avangrid US, Utilities	TIER 5	TIER 5	TIER 5	TIER 5	TIER 3	GRI IR
Aygaz TR, Natural Resources	TIER 5	TIER 4	TIER 5	TIER 4	TIER 5	GRI IR
B+T Group UK, Telecommunications	TIER 1	TIER 1	TIER 2	TIER 1	TIER 1	GRI IR
Bayer DE, Pharmaceuticals	TIER 2	TIER 1	TIER 1	TIER 3	TIER 4	GRI IR
Beiersdorf DE, Consumer Goods	TIER 3	TIER 2	TIER 4	TIER 4	TIER 4	GRI IR
Bharti Airtel IN, Telecommunications	TIER 2	TIER 3	TIER 2	TIER 2	TIER 2	GRI IR
BHP Group ZA, Natural Resources	TIER 2	TIER 3	TIER 2	TIER 2	TIER 2	GRI IR
Bim TR, Retail	TIER 5	TIER 5	TIER 5	TIER 5	TIER 5	GRI IR
Biogen US, Pharmaceuticals	TIER 3	TIER 3	TIER 4	TIER 2	TIER 2	GRI IR
BMW DE, Automotive	TIER 2	TIER 1	TIER 2	TIER 4	TIER 2	GRI IR
BPCL IN, Natural Resources	TIER 3	TIER 4	TIER 4	TIER 2	TIER 1	GRI IR

Company	SGS 2022	Guidance	Implementation	Oversight	Learning	Initiatives
Brenntag DE, Chemicals	TIER 3	TIER 4	TIER 4	TIER 4	TIER 2	GRI IR
Britannia Industries IN, Food Processors	TIER 4	TIER 4	TIER 4	TIER 2	TIER 5	GRI IR
Burberry Group UK, Consumer Goods	TIER 2	TIER 1	TIER 2	TIER 4	TIER 3	GRI IR
BYD Co. CN, Automotive	TIER 5	TIER 5	TIER 5	TIER 4	TIER 5	GRI IR
Campbell Soup US, Food Processors	TIER 3	TIER 1	TIER 3	TIER 3	TIER 5	GRI IR
Caterpillar US, Machine and Equipment	TIER 5	TIER 5	TIER 5	TIER 4	TIER 5	GRI IR
China Gas Holdings CN, Utilities	TIER 3	TIER 4	TIER 2	TIER 2	TIER 2	GRI IR
China Mobile CN, Telecommunications	TIER 2	TIER 2	TIER 1	TIER 2	TIER 2	GRI IR
China Unicom CN, Telecommunications	TIER 5	TIER 5	TIER 5	TIER 5	TIER 3	GRI IR
China Yangtze Power CN, Utilities	TIER 5	TIER 5	TIER 4	TIER 5	TIER 4	GRI IR
Cipla IN, Pharmaceuticals	TIER 1	TIER 3	TIER 2	TIER 1	TIER 1	GRI IR
Clicks Group ZA, Retail	TIER 4	TIER 5	TIER 3	TIER 4	TIER 2	GRI IR
CLP CN, Utilities	TIER 1	TIER 2	TIER 1	TIER 1	TIER 1	GRI IR
CNH Industrial UK, Machine and Equipment	TIER 1	TIER 1	TIER 1	TIER 2	TIER 2	GRI IR
Coca-Cola Europacific Partners UK, Food Processors	TIER 1	TIER 2	TIER 1	TIER 1	TIER 1	GRI IR
Coca-Cola HBC UK, Food Processors	TIER 1	TIER 1	TIER 1	TIER 1	TIER 1	GRI IR
Coca-Cola Içecek TR, Food Processors	TIER 1	TIER 1	TIER 1	TIER 1	TIER 3	GRI IR
Colgate-Palmolive IN, Consumer Goods	TIER 1	TIER 2	TIER 2	TIER 1	TIER 1	GRI IR

Company	SGS 2022	Guidance	Implementation	Oversight	Learning	Initiatives
Compass Group UK, Food Processors	TIER 3	TIER 4	TIER 3	TIER 4	TIER 2	GRI IR
ConocoPhillips US, Natural Resources	TIER 3	TIER 4	TIER 2	TIER 2	TIER 3	GRI IR
Contemporary Amperex Tech CN, Automotive	TIER 5	TIER 5	TIER 5	TIER 5	TIER 3	GRI IR
Continental DE, Automotive	TIER 4	TIER 4	TIER 3	TIER 4	TIER 4	GRI IR
Covestro DE, Automotive	TIER 3	TIER 2	TIER 4	TIER 3	TIER 3	GRI IR
Croda International UK, Chemicals	TIER 2	TIER 1	TIER 2	TIER 3	TIER 3	GRI IR
Cummins US, Machine and Equipment	TIER 1	TIER 1	TIER 2	TIER 2	TIER 1	GRI IR
Dana Incorporated US, Automotive	TIER 5	TIER 5	TIER 5	TIER 5	TIER 5	GRI IR
Deere & Co US, Machine and Equipment	TIER 4	TIER 3	TIER 5	TIER 4	TIER 2	GRI IR
Deutsche Telekom DE, Telecommunications	TIER 2	TIER 2	TIER 3	TIER 4	TIER 3	GRI IR
Diageo UK, Food Processors	TIER 1	TIER 1	TIER 1	TIER 4	TIER 1	GRI IR
Dongfang Electric Corp CN, Machine and Equipment	TIER 5	TIER 5	TIER 5	TIER 5	TIER 3	GRI IR
DowDuPont US, Chemicals	TIER 3	TIER 1	TIER 4	TIER 3	TIER 5	GRI IR
Dr Reddy's Laboratories IN, Pharmaceuticals	TIER 1	TIER 2	TIER 2	TIER 1	TIER 1	GRI IR
Duke Energy US, Utilities	TIER 5	TIER 4	TIER 5	TIER 5	TIER 4	GRI IR
E.ON DE, Utilities	TIER 2	TIER 2	TIER 3	TIER 1	TIER 2	GRI IR
Eaton Corp US, Machine and Equipment	TIER 4	TIER 1	TIER 4	TIER 5	TIER 4	GRI IR
eBay US, Retail	TIER 5	TIER 4	TIER 5	TIER 5	TIER 5	GRI IR

Company	SGS 2022	Guidance	Implementation	Oversight	Learning	Initiatives
Ecolab US, Chemicals	TIER 4	TIER 3	TIER 3	TIER 3	TIER 4	GRI, IR, UNGC, SASB
Emerson Electric US, Machine and Equipment	TIER 5	TIER 5	TIER 4	TIER 5	TIER 1	GRI, IR, UNGC, SASB
Enerjisa Enerji TR, Utilities	TIER 3	TIER 3	TIER 4	TIER 1	TIER 3	GRI, IR, UNGC, SASB
Entergy US, Utilities	TIER 5	TIER 4	TIER 5	TIER 5	TIER 4	GRI, IR, UNGC, SASB
Etsy US, Retail	TIER 5	TIER 5	TIER 5	TIER 3	TIER 4	GRI, IR, UNGC, SASB
Evonik Industries DE, Chemicals	TIER 2	TIER 2	TIER 2	TIER 3	TIER 2	GRI, IR, UNGC, SASB
Evraz UK, Natural Resources	TIER 2	TIER 3	TIER 1	TIER 3	TIER 2	GRI, IR, UNGC, SASB
Exelon Corp US, Utilities	TIER 4	TIER 5	TIER 4	TIER 3	TIER 1	GRI, IR, UNGC, SASB
Exxaro Resources ZA, Natural Resources	TIER 1	TIER 1	TIER 1	TIER 1	TIER 1	GRI, IR, UNGC, SASB
Ford Otosan TR, Automotive	TIER 2	TIER 3	TIER 3	TIER 2	TIER 2	GRI, IR, UNGC, SASB
Freenet Group DE, Telecommunications	TIER 5	TIER 5	TIER 5	TIER 5	TIER 5	GRI, IR, UNGC, SASB
Freeport-McMoRan US, Natural Resources	TIER 2	TIER 3	TIER 1	TIER 3	TIER 1	GRI, IR, UNGC, SASB
Fuyao Glass Industry CN, Automotive	TIER 5	TIER 5	TIER 5	TIER 5	TIER 3	GRI, IR, UNGC, SASB
Gail India IN, Utilities	TIER 2	TIER 4	TIER 2	TIER 1	TIER 1	GRI, IR, UNGC, SASB
Gap Inc US, Retail	TIER 2	TIER 2	TIER 2	TIER 1	TIER 3	GRI, IR, UNGC, SASB
GEA Group DE, Machine and Equipment	TIER 2	TIER 1	TIER 1	TIER 3	TIER 5	GRI, IR, UNGC, SASB
General Mills US, Food Processors	TIER 1	TIER 1	TIER 2	TIER 1	TIER 2	GRI, IR, UNGC, SASB
General Motors US, Automotive	TIER 1	TIER 1	TIER 1	TIER 1	TIER 2	GRI, IR, UNGC, SASB

Company	SGS 2022	Guidance	Implementation	Oversight	Learning	Initiatives
Gilead Sciences US, Pharmaceuticals	TIER 4	TIER 3	TIER 5	TIER 5	TIER 4	GRI IR
GlaxoSmithKline UK, Pharmaceuticals	TIER 1	TIER 1	TIER 1	TIER 1	TIER 1	GRI IR
Glencore ZA, Natural Resources	TIER 2	TIER 4	TIER 1	TIER 2	TIER 2	GRI IR
Godrej Consumer Products IN, Consumer Goods	TIER 2	TIER 3	TIER 2	TIER 2	TIER 3	GRI IR
Harmony ZA, Natural Resources	TIER 1	TIER 2	TIER 1	TIER 3	TIER 1	GRI IR
Havells India IN, Machine and Equipment	TIER 2	TIER 3	TIER 1	TIER 2	TIER 3	GRI IR
Henkel DE, Consumer Goods	TIER 1	TIER 1	TIER 1	TIER 2	TIER 3	GRI IR
Hero MotoCorp IN, Automotive	TIER 2	TIER 3	TIER 3	TIER 2	TIER 1	GRI IR
Hershey's US, Food Processors	TIER 1	TIER 1	TIER 2	TIER 2	TIER 2	GRI IR
Hess Corp US, Natural Resources	TIER 3	TIER 1	TIER 4	TIER 3	TIER 3	GRI IR
Hindalco Industries IN, Natural Resources	TIER 2	TIER 1	TIER 2	TIER 2	TIER 3	GRI IR
Hindustan Unilever IN, Consumer Goods	TIER 2	TIER 2	TIER 4	TIER 2	TIER 2	GRI IR
Hindustan Zinc IN, Natural Resources	TIER 1	TIER 1	TIER 1	TIER 1	TIER 1	GRI IR
Honeywell International US, Machine and Equipment	TIER 5	TIER 4	TIER 5	TIER 3	TIER 5	GRI IR
Hong Kong & China Gas CN, Utilities	TIER 3	TIER 5	TIER 2	TIER 3	TIER 1	GRI IR
Hugo Boss DE, Retail	TIER 3	TIER 2	TIER 2	TIER 3	TIER 4	GRI IR
Impala Platinum ZA, Natural Resources	TIER 2	TIER 2	TIER 1	TIER 1	TIER 4	GRI IR
Ingersoll-Rand US, Machine and Equipment	TIER 3	TIER 3	TIER 1	TIER 4	TIER 4	GRI IR

Company	SGS 2022	Guidance	Implementation	Oversight	Learning	Initiatives
Intl Flavors & Fragrances US, Chemicals	TIER 2	TIER 1	TIER 2	TIER 1	TIER 4	GRI ⟨IR⟩ 🌐 SASB
Johnson Controls Intl US, Machine and Equipment	TIER 4	TIER 3	TIER 4	TIER 3	TIER 5	GRI ⟨IR⟩ 🌐 SASB
Johnson Matthey UK, Chemicals	TIER 3	TIER 1	TIER 2	TIER 3	TIER 5	GRI ⟨IR⟩ 🌐 SASB
Kellogg's US, Food Processors	TIER 3	TIER 2	TIER 4	TIER 3	TIER 4	GRI ⟨IR⟩ 🌐 SASB
KION Group DE, Machine and Equipment	TIER 4	TIER 3	TIER 5	TIER 3	TIER 4	GRI ⟨IR⟩ 🌐 SASB
Knorr-Bremse DE, Machine and Equipment	TIER 4	TIER 4	TIER 4	TIER 4	TIER 5	GRI ⟨IR⟩ 🌐 SASB
Kumba Iron Ore ZA, Natural Resources	TIER 3	TIER 1	TIER 3	TIER 2	TIER 5	GRI ⟨IR⟩ 🌐 SASB
Lanxess DE, Chemicals	TIER 2	TIER 2	TIER 3	TIER 2	TIER 1	GRI ⟨IR⟩ 🌐 SASB
Linde Plc UK, Chemicals	TIER 1	TIER 2	TIER 2	TIER 2	TIER 1	GRI ⟨IR⟩ 🌐 SASB
Lupin IN, Pharmaceuticals	TIER 5	TIER 3	TIER 5	TIER 5	TIER 5	GRI ⟨IR⟩ 🌐 SASB
Mahindra & Mahindra IN, Automotive	TIER 1	TIER 2	TIER 2	TIER 1	TIER 2	GRI ⟨IR⟩ 🌐 SASB
Marico IN, Consumer Goods	TIER 1	TIER 2	TIER 1	TIER 1	TIER 2	GRI ⟨IR⟩ 🌐 SASB
Maruti Suzuki IN, Automotive	TIER 1	TIER 2	TIER 2	TIER 1	TIER 1	GRI ⟨IR⟩ 🌐 SASB
Merck DE, Pharmaceuticals	TIER 1	TIER 2	TIER 1	TIER 3	TIER 2	GRI ⟨IR⟩ 🌐 SASB
Metro DE, Retail	TIER 3	TIER 3	TIER 4	TIER 3	TIER 3	GRI ⟨IR⟩ 🌐 SASB
Migros Ticaret TR, Retail	TIER 1	TIER 1	TIER 2	TIER 1	TIER 2	GRI ⟨IR⟩ 🌐 SASB
Mondelez International US, Food Processors	TIER 2	TIER 2	TIER 4	TIER 3	TIER 2	GRI ⟨IR⟩ 🌐 SASB
Mr Price Group ZA, Retail	TIER 4	TIER 5	TIER 2	TIER 4	TIER 3	GRI ⟨IR⟩ 🌐 SASB

Company	SGS 2022	Guidance	Implementation	Oversight	Learning	Initiatives
MTN Group ZA, Telecommunications	TIER 2	TIER 2	TIER 1	TIER 3	TIER 3	GRI IR
National Grid UK, Utilities	TIER 2	TIER 2	TIER 2	TIER 3	TIER 2	
Nestle India IN, Food Processors	TIER 4	TIER 5	TIER 3	TIER 4	TIER 3	
Newmont Mining US, Natural Resources	TIER 2	TIER 1	TIER 2	TIER 2	TIER 3	GRI
NEXT UK, Retail	TIER 3	TIER 3	TIER 3	TIER 3	TIER 1	GRI
NextEra Energy US, Utilities	TIER 3	TIER 3	TIER 3	TIER 2	TIER 4	GRI
NIO Ads CN, Automotive	TIER 5	TIER 5	TIER 5	TIER 5	TIER 5	GRI
NiSource US, Utilities	TIER 5	TIER 5	TIER 5	TIER 5	TIER 5	GRI IR
Northam Platinum ZA, Natural Resources	TIER 3	TIER 3	TIER 3	TIER 3	TIER 4	GRI IR
NTPC IN, Utilities	TIER 1	TIER 1	TIER 2	TIER 1	TIER 1	GRI IR
Ocado Group UK, Retail	TIER 4	TIER 3	TIER 5	TIER 4	TIER 2	IR
Oneok US, Natural Resources	TIER 4	TIER 3	TIER 4	TIER 4	TIER 4	GRI IR
Oshkosh Corp US, Machine and Equipment	TIER 4	TIER 4	TIER 5	TIER 3	TIER 3	GRI IR
Petkim TR, Chemicals	TIER 5	TIER 5	TIER 5	TIER 5	TIER 5	IR
PG&E Corp US, Utilities	TIER 4	TIER 5	TIER 5	TIER 4	TIER 2	GRI IR
Pick n Pay Stores ZA, Retail	TIER 1	TIER 2	TIER 1	TIER 1	TIER 3	IR
Polymetal International UK, Natural Resources	TIER 2	TIER 2	TIER 2	TIER 1	TIER 3	GRI IR
PPG Industries US, Chemicals	TIER 3	TIER 2	TIER 3	TIER 2	TIER 4	GRI IR

Company	SGS 2022	Guidance	Implementation	Oversight	Learning	Initiatives
Puma DE, Consumer Goods	TIER 3	TIER 2	TIER 1	TIER 4	TIER 5	GRI IR
Reckitt Benckiser Group UK, Consumer Goods	TIER 1	TIER 2	TIER 1	TIER 2	TIER 2	GRI IR
Regeneron Pharma US, Pharmaceuticals	TIER 3	TIER 2	TIER 3	TIER 3	TIER 5	GRI IR
Reliance Industries IN, Natural Resources	TIER 3	TIER 4	TIER 3	TIER 4	TIER 1	GRI IR
Rio Tinto UK, Natural Resources	TIER 2	TIER 2	TIER 3	TIER 3	TIER 1	GRI IR
Rolls-Royce Holdings UK, Machine and Equipment	TIER 2	TIER 1	TIER 3	TIER 2	TIER 4	GRI IR
Royal Dutch Shell UK, Natural Resources	TIER 4	TIER 5	TIER 2	TIER 4	TIER 3	GRI IR
RWE DE, Utilities	TIER 4	TIER 4	TIER 4	TIER 3	TIER 3	GRI IR
Sasol ZA, Chemicals	TIER 2	TIER 3	TIER 1	TIER 1	TIER 3	GRI IR
Sempra Energy US, Utilities	TIER 3	TIER 1	TIER 3	TIER 1	TIER 4	GRI IR
Shanghai Electric Group CN, Machine and Equipment	TIER 3	TIER 3	TIER 3	TIER 4	TIER 2	GRI IR
ShopRite ZA, Retail	TIER 2	TIER 3	TIER 2	TIER 3	TIER 2	GRI IR
Sibanye Gold ZA, Natural Resources	TIER 1	TIER 2	TIER 1	TIER 1	TIER 1	GRI IR
Siemens Germany DE, Machine and Equipment	TIER 2	TIER 3	TIER 1	TIER 1	TIER 2	GRI IR
Siemens India IN, Machine and Equipment	TIER 5	TIER 5	TIER 4	TIER 4	TIER 4	GRI IR
Şok Marketler TR, Retail	TIER 5	TIER 5	TIER 4	TIER 5	TIER 5	GRI IR
Southern Copper Corporation US, Natural Resources	TIER 5	TIER 5	TIER 5	TIER 5	TIER 5	GRI IR
Spirax-Sarco UK, Machine and Equipment	TIER 1	TIER 1	TIER 2	TIER 1	TIER 3	GRI IR

Company	SGS 2022	Guidance	Implementation	Oversight	Learning	Initiatives
SSE UK, Utilities	TIER 2	TIER 2	TIER 2	TIER 2	TIER 1	GRI ⟨IR⟩ ● ●
Stanley Black & Decker US, Machine and Equipment	TIER 5	TIER 3	TIER 5	TIER 4	TIER 5	GRI ⟨IR⟩ ● ●
Sun Pharma IN, Pharmaceuticals	TIER 3	TIER 4	TIER 3	TIER 1	TIER 5	GRI ⟨IR⟩ ● ●
Symrise DE, Chemicals	TIER 2	TIER 2	TIER 2	TIER 1	TIER 5	GRI ⟨IR⟩ ● ●
Tata Consumer Products IN, Food Processors	TIER 3	TIER 4	TIER 2	TIER 3	TIER 4	GRI ⟨IR⟩ ● ●
Tata Motors IN, Automotive	TIER 2	TIER 4	TIER 2	TIER 1	TIER 2	GRI ⟨IR⟩ ● ●
Tata Power IN, Utilities	TIER 2	TIER 1	TIER 1	TIER 2	TIER 4	GRI ⟨IR⟩ ● ●
Telkom SA SOC ZA, Telecommunications	TIER 2	TIER 3	TIER 1	TIER 1	TIER 1	GRI ⟨IR⟩ ● ●
Tesco UK, Retail	TIER 1	TIER 1	TIER 1	TIER 2	TIER 1	GRI ⟨IR⟩ ● ●
Tesla US, Automotive	TIER 5	TIER 5	TIER 5	TIER 5	TIER 5	GRI ⟨IR⟩ ● ●
The Foschini Group ZA, Retail	TIER 3	TIER 3	TIER 3	TIER 3	TIER 4	GRI ⟨IR⟩ ● ●
The Spar Group ZA, Retail	TIER 5	TIER 4	TIER 4	TIER 5	TIER 4	GRI ⟨IR⟩ ● ●
Thyssenkrupp DE, Machine and Equipment	TIER 5	TIER 5	TIER 5	TIER 2	TIER 5	GRI ⟨IR⟩ ● ●
Tiger Brands ZA, Food Processors	TIER 1	TIER 2	TIER 3	TIER 1	TIER 2	GRI ⟨IR⟩ ● ●
Titan Company IN, Consumer Goods	TIER 4	TIER 3	TIER 4	TIER 5	TIER 3	GRI ⟨IR⟩ ● ●
Tofaş TR, Automotive	TIER 5	TIER 5	TIER 5	TIER 5	TIER 4	GRI ⟨IR⟩ ● ●
Tüpraş TR, Natural Resources	TIER 3	TIER 4	TIER 3	TIER 3	TIER 2	GRI ⟨IR⟩ ● ●
Türk Telekom TR, Telecommunications	TIER 5	TIER 5	TIER 5	TIER 5	TIER 5	GRI ⟨IR⟩ ● ●

Company	SGS 2022	Guidance	Implementation	Oversight	Learning	Initiatives
Turkcell TR, Telecommunications	TIER 3	TIER 3	TIER 2	TIER 3	TIER 4	GRI IR UNGC SASB
Ülker Biskuvi TR, Food Processors	TIER 2	TIER 2	TIER 3	TIER 3	TIER 1	GRI IR UNGC SASB
Unilever UK, Consumer Goods	TIER 1	TIER 1	TIER 1	TIER 1	TIER 1	GRI IR UNGC SASB
United Utilities Group UK, Utilities	TIER 1	TIER 1	TIER 2	TIER 4	TIER 1	GRI IR UNGC SASB
UPL IN, Chemicals	TIER 1	TIER 2	TIER 1	TIER 2	TIER 1	GRI IR UNGC SASB
Vedanta IN, Natural Resources	TIER 2	TIER 1	TIER 3	TIER 3	TIER 2	GRI IR UNGC SASB
Vestel TR, Machine and Equipment	TIER 5	TIER 5	TIER 5	TIER 5	TIER 5	GRI IR UNGC SASB
Vestel Beyazeşya TR, Machine and Equipment	TIER 5	TIER 5	TIER 5	TIER 5	TIER 5	GRI IR UNGC SASB
Vodacom Group ZA, Telecommunications	TIER 2	TIER 4	TIER 1	TIER 1	TIER 1	GRI IR UNGC SASB
Vodafone Group UK, Telecommunications	TIER 2	TIER 2	TIER 4	TIER 1	TIER 1	GRI IR UNGC SASB
Voltas IN, Machine and Equipment	TIER 4	TIER 3	TIER 3	TIER 5	TIER 3	GRI IR UNGC SASB
Waste Management Inc US, Utilities	TIER 2	TIER 2	TIER 2	TIER 2	TIER 4	GRI IR UNGC SASB
Weyerhaeuser US, Natural Resources	TIER 5	TIER 4	TIER 3	TIER 4	TIER 5	GRI IR UNGC SASB
Whirlpool Corporation US, Machine and Equipment	TIER 2	TIER 1	TIER 1	TIER 2	TIER 3	GRI IR UNGC SASB
WHSmith UK, Retail	TIER 2	TIER 2	TIER 3	TIER 3	TIER 2	GRI IR UNGC SASB
Williams Companies US, Utilities	TIER 2	TIER 2	TIER 2	TIER 2	TIER 3	GRI IR UNGC SASB
Woolworths Holdings ZA, Retail	TIER 1	TIER 1	TIER 2	TIER 1	TIER 4	GRI IR UNGC SASB
Xcel Energy US, Utilities	TIER 2	TIER 3	TIER 2	TIER 2	TIER 4	GRI IR UNGC SASB

Company	SGS 2022	Guidance	Implementation	Oversight	Learning	Initiatives
Xylem Inc. US, Machine and Equipment	TIER 2	TIER 1	TIER 3	TIER 2	TIER 5	GRI ⟨IR⟩
Zalando DE, Retail	TIER 4	TIER 5	TIER 4	TIER 3	TIER 3	GRI ⟨IR⟩
Zorlu Enerji TR, Utilities	TIER 2	TIER 3	TIER 2	TIER 1	TIER 3	GRI ⟨IR⟩

APPENDIX 2 - METHODOLOGY

The Sustainability Governance Scorecard© is an impact-research designed to help improve the state of the world by accelerating learning from peers through benchmarking and sharing best practice examples in sustainability reporting. It is developed as a governance improvement tool for companies to improve their sustainability performance and reporting.

The SG Scorecard does not aim to measure the sustainability performance of companies but seeks the presence of an environment and a climate of sustainability governance where sustainability efforts can flourish. In line with this perspective, SGS 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.

SAMPLING

The research mainly focuses on quality of decision making and governance of sustainability issues. The scope encompasses 200 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 an asset size of 1 Billion Dollars or higher are selected and diversified by different initiatives and reporting schemes. Selected 10 industries are comparable across countries. Financial and technology companies are not selected since to their regulatory standards may vary by country.

EVALUATION CRITERIA

The SG Scorecard© identifies and utilizes 422 measurable indicators 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: Board Guidance, Implementation & Performance, Board Oversight, Learning & Development. Each of these areas are assessed through objective criteria, designed through a lens of governance.

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		
Target Setting in SDGs			

- Coverage: Across all employee groups, geographies, supply chain and impact of product throughout the life-cycle (ecosystem view)
- Depth: Depth of ESG reporting

Evaluation Criteria are categorized either as Breadth or Depth. **Breadth** criteria cover requirements for good governance in sustainability and answer the question 'What?'. They are intended to provide an assessment of the maturity of the company's approach to sustainability governance. Best-in-class companies have the majority of breadth criteria satisfied.

Depth criteria provide further granularity to the questions and are intended to provide an evaluation into whether the company has internalized its approach to sustainability. These questions either provide an answer to

the question 'How' and show methods of implementation or provide a breakdown of material topics the company focuses on within those criteria. As the sustainability priorities for each company will differ, the fulfillment of depth criteria will show larger variance between companies.

The evaluation method is based on identifying the best-practice companies in terms of sustainability governance. Evaluation consists of adding the breadth score of the company (1 point for each yes) and dividing the sample of 200 companies into 5 Tier Groups. Depth scores are used to move companies between TIERS if the depth score is more than 1 or 2 STD than the Tier average, to account for stronger internalization of one or more areas of assessment in a company.

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. Companies in each tier are shown alphabetically.

DATA COLLECTION

The analysis is limited only to the **publicly available data** as disclosed in Annual Reports, Integrated Reports, Sustainability Reports as well as the Governance and Sustainability sections of the company's website.

To ensure alignment between researchers, the first 5 assessments are completed by all researchers to assess differences in applying the research criteria. Furthermore, regular meetings are held to ensure alignment between researchers. Like-for-like analysis is conducted for each category to course-correct throughout the research.

After the data collection process is finalized, the research results are made publicly available and shared with respective companies' Investment Relations Departments to provide the opportunity for review. All previous years' research results are publicly available online on our website.

METHODOLOGY IMPROVEMENTS IN 2022

Sustainability reporting is an evolving field, improving every year as more companies adopt good practices and increase transparency regarding their sustainability performance. As such, we as well re-evaluate our methodology and criteria set to reflect these developments each year.

In SGS 2022, we have sharpened our data collection approach in various areas and increased the granularity of results we seek.

- **Value Creation Model:** Visualized and can be viewed in a single page

- **Materiality:** Only topics listed under the materiality section or within a matrix are considered to be material for the company

- **Committees:** Only committees specifically serving Sustainability or are considered
- **Company targets**: Time-bound, numerical, provided in a chart format
- **Ecosystem targets**: Time-bound, numerical, provided in a chart format

Given these changes, some results disclosed in SGS 2022 are not comparable to previous years and some companies have changed TIERS because of this. In such cases, we have not included the comparison of results over the years but only the data for this year.

At the same time, we intend to introduce an innovation to the report each year – this year, we identified best-in-class companies for 7 key priority areas, which can be found in the respective chapters throughout the report.

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 e**valuate potential partnership** opportunities for progress against goals and m**easure 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 - LIST OF CRITERIA

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 labor rights issues.
		D	Social policy includes occupational health & safety.
		D	Social policy includes diversity & inclusion.
		D	Social policy includes talent development & employee wellbeing.
		D	Social policy includes product safety.
		D	Social policy includes data security & customer privacy.
		D	Social policy includes social responsibility & local communities.
	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.
		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.

SECTION	DETAIL	B/D	CRITERIA
Stakeholder Engagement	Stakeholder map	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 community.
		D	The company shares objectives for NGOs.
		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	Material issues	B	**The company shares process for selecting material issues.**
		B	**The company shares list of material issues.**
		B	**The company shares its environmental material issues.**
		D	Environmental material issues includes water.
		D	Environmental material issues includes climate change.
		D	Environmental material issues includes energy.
		D	Environmental material issues includes biodiversity.
		D	Environmental material issues includes waste management.
		D	Environmental material issues includes hazardous materials.
		D	Environmental material issues includes responsible sourcing.
		B	**The company shares its social material issues.**
		D	Social material issues includes human rights issues.
		D	Social material issues includes labor rights issues.
		D	Social material issues includes occupational health & safety.
		D	Social material issues includes diversity & inclusion.
		D	Social material issues includes talent development & employee wellbeing.
		D	Social material issues includes product safety.
		D	Social material issues includes data security & customer privacy.
		D	Social material issues includes social responsibility & local communities.
		B	**The company shares its material issues related to governance.**
		D	Governance policy includes board diversity issues.
		D	Governance policy includes executive compensation.
		D	Governance policy includes compliance.
		D	Governance policy includes ethics.
		D	Governance policy includes anti-corruption.

SECTION	DETAIL	B/D	CRITERIA
Materiality	Material issues	D	Governance policy includes supplier code of conduct.
		B	**The company shares its economic material issues.**
		D	Economic material issues includes customer experience & satisfaction.
		D	Economic material issues includes profitability & economic performance.
		D	Economic material issues includes technology & innovation.
		D	Economic material issues includes supply chain management.
		B	**The company shares its assessment for material issues.**
		D	The company shares assessment of material issues for company.
		D	The company shares assessment of material issues for stakeholders.
	Materiality matrix	B	**The company shares its materiality matrix.**
Sustainability 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.
	Social targets	B	**The company shares its social targets.**
		D	The company shares its targets related to human rights issues.
		D	The company shares its targets related to labor rights issues.
		D	The company shares its targets related to occupational health and safety issues.
		D	The company shares its targets related to diversity & inclusion.
		D	The company shares its targets related to talent development & employee wellbeing.
		D	The company shares its targets related to product design & portfolio.
		D	The company shares its targets related to data security & customer privacy.
		D	The company shares its targets related to social responsibility & local communities.
	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.
	Targets for value chain	B	**The company shares sustainability targets for value chain.**
		D	The company shares its environmental targets for value chain.
		D	The company shares its social targets for value chain.
		D	The company shares its governance targets for value chain.
	Targets for ecosystem	B	**The company shares sustainability targets for ecosystem (sustainability stewardship)**
		D	The company shares its targets for environmental stewardship.
		D	The company shares its targets for community empowerment.
		D	The company shares its targets for partnership for goals.

SECTION	DETAIL	B/D	CRITERIA
Strategy - Business Model	Business model	B	**The company shares its value creation process.**
		D	Value creation process of the company includes environmental issues.
		D	Value creation process of the company includes social issues.
		D	Value creation process of the company includes governance issues.
Board - Charter and Responsibilities	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.
		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 related to 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.
KPIs	Governance KPIs	B	**The company shares its governance KPIs.**
		B	**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.
		B	**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.

SECTION	DETAIL	B/D	CRITERIA
KPIs	Governance KPIs	D	The company shares its social KPIs related to executive compensation.
		D	The company shares its governance KPIs related to executive compensation.
Board - Composition	Skills matrix	B	**The company shares its board skills matrix.**
		D	The company shares sustainability as a skill in skills matrix.
		D	The company shares human resources as a skill in skills matrix
		D	The company shares stakeholder engagement as a skill in skills matrix.
		D	The company shares risk management as a skill in skills matrix.
Strategy - SDGs	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.
Targets - SDGs	Targets for SDGs	B	**The company aligns its targets with SDGs.**
		D	The company aligns its targets with SDG 1: No Poverty and shares it.
		D	The company aligns its targets with SDG 2: No Hunger and shares it.
		D	The company aligns its targets with SDG 3: Good Health and Well Being and shares it.
		D	The company aligns its targets with SDG 4: Quality Education and shares it.
		D	The company aligns its targets with SDG 5: Gender Equality and shares it.
		D	The company aligns its targets with SDG 6: Clean Water and Sanitation and shares it.
		D	The company aligns its targets with SDG 7: Affordable and Clean Energy and shares it.
		D	The company aligns its targets with SDG 8: Decent Work and Economic Growth and shares it.
		D	The company aligns its targets with SDG 9: Industry Innovation and Infrastructure and shares it.
		D	The company aligns its targets with SDG 10: Reduced Inequality and shares it.
		D	The company aligns its targets with SDG 11: Sustainable Cities and Communities and shares it.

SECTION	DETAIL	B/D	CRITERIA
Targets - SDGs	Targets for SDGs	D	The company aligns its targets with SDG 12: Responsible Consumption and Production and shares it.
		D	The company aligns its targets with SDG 13: Climate Action and shares it.
		D	The company aligns its targets with SDG 14: Life Below Water and shares it.
		D	The company aligns its targets with SDG 15: Life on Land and shares it.
		D	The company aligns its targets with SDG 16: Peace and Justice Strong Institutions and shares it.
		D	The company aligns its targets with SDG 17: Partnerships for the Goals and shares it.

IMPLEMENTATION			
SECTION	DETAIL	B/D	CRITERIA
Sustainability	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.
	Social outcomes	B	The company shares its social performance results.
		D	The company shares its performance results related to human rights issues.
		D	The company shares its performance results related to labor rights issues.
		D	The company shares its performance results related to occupational health & safety.
		D	The company shares its performance results related to product design & portfolio.
		D	The company shares its performance results related to diversity & inclusion.
		D	The company shares its performance results related to talent development & employee wellbeing.
		D	The company shares its performance results related to data security & customer privacy.
		D	The company shares its performance results related to social responsibility & local communities.
	Social outcomes coverage	D	The company shares its social performance results by employee group.
		D	The company shares its social performance results by geography.
	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	D	The company shares its governance performance results by employee group.

SECTION	DETAIL	B/D	CRITERIA
Sustainability	Governance outcomes coverage	D	The company shares its governance performance results by geography.
	Shares outcomes for supply chain	B	**The company shares sustainability results for supply chain.**
		D	The company shares its environmental performance results for supply chain.
		D	The company shares its social performance results for supply chain.
		D	The company shares its governance performance results for supply chain.
	Shares outcomes for ecosystem	B	**The company shares sustainability results for ecosystem (sustainability stewardship).**
		D	The company shares its performance results for environmental stewardship.
		D	The company shares its performance results for community empowerment.
		D	The company shares its performance results for partnership for goals.
		B	**The company shares sustainability results for ecosystem (sustainability stewardship).**
		D	The company shares its performance results for environmental stewardship.
		D	The company shares its performance results for community empowerment.
		D	The company shares its performance results for partnership for goals.
Supply Chain Assurance	Supply chain assurance coverage	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.
	Supply chain assurance approach	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.
Value Creation	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 supply chain.
		D	The company measures and shares its value creation for customers.
		D	The company measures and shares its value creation for employees.
Stakeholder Engagement	Stakeholder engagement methods	B	**The company shares its stakeholder engagement methods.**
		D	The company measures and shares its stakeholder engagement methods for environment.
		D	The company measures and shares its stakeholder engagement methods for community.
		D	The company measures and shares its stakeholder engagement methods for supply chain.
		D	The company measures and shares its stakeholder engagement methods for customers.
		D	The company measures and shares its stakeholder engagement methods for employees.
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.
		D	The company shares its reputation risk mitigation aproach.

SECTION	DETAIL	B/D	CRITERIA
Results - SDGs	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.
		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.

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.
		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.
	Social results evaluation	B	The company shares its evaluation of social results.
		D	The company shares its evaluation of results related to human rights issues.
		D	The company shares its evaluation of results related to labor rights issues.
		D	The company shares its evaluation of results related to occupational health & safety.
		D	The company shares its evaluation of results related to diversity & inclusion.
		D	The company shares its evaluation of results related to talent development & employee wellbeing.
		D	The company shares its evaluation of results related to product design & portfolio.

SECTION	DETAIL	B/D	CRITERIA
Results Evaluation	Social results evaluation	D	The company shares its evaluation of results related to data security & customer privacy.
		D	The company shares its evaluation of results related to social responsibility & local communities.
	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.
		D	The company shares its evaluation of results related to compliance.
	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.**
		B	**The company shares that the internal audit covers processes.**
		B	**The company defines and shares the role of the board in its audit committee charter.**
		B	**The shared audit committee charter includes sustainability issues.**
		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 sustainability issues.**
		D	The independent audit covers environmental issues.
		D	The independent audit covers governance issues.
		D	The independent audit covers social issues.
	Supply chain assurance coverage	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.
	Supply chain assurance process	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.
		D	The supply chain assurance process includes environmental issues in 3rd party verification/independent audit.
		D	The supply chain assurance process includes social issues in 3rd party verification/independent audit.
		D	The supply chain assurance process includes governance issues in 3rd party verification/independent audit.
		B	**The company shares its supply chain development approach.**
		D	The supply chain assurance process includes capability building/training.

SECTION	DETAIL	B/D	CRITERIA
Audit/Assurance	Supply chain assurance process	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.
		B	**Independent audit covers supply chain.**
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 succesion 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 pary 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 renumeration 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.**

SECTION	DETAIL	B/D	CRITERIA
Board	Board committees	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.
		D	The company shares its resource allocation for sustainability for community.
	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	**The company conducts environmental sustainability training.**
		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.

SECTION	DETAIL	B/D	CRITERIA
Training	Environmental sustainability training	D	The company organizes and shares training for responsible sourcing.
		B	**The company shares metrics for environmental sustainability training.**
		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 training.**
		D	The company organizes and shares training for human rights issues.
		D	The company organizes and shares training for labor rights issues.
		D	The company organizes and shares training for occupational health & safety.
		D	The company organizes and shares training for diversity & inclusion.
		D	The company organizes and shares training for talent development & employee wellbeing.
		D	The company organizes and shares training for product design & safety.
		D	The company organizes and shares training for data security & customer privacy.
		D	The company organizes and shares training for social responsibility & local communities.
		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 training.**
		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 non-profit foundation dedicated to improve the quality of "governance" by increasing trust for the institutions to help build a better quality of life and a sustainable future.

Academy's **Purpose** is: Improving quality of life and sustainability of the future. Its **Mission** is: Improving quality of governance to improve trust for organizations. Its **Vision** is: Being 'a center of excellence' for development and widespread adoption of good governance culture. And the **Target Audience** is: Leaders of private sector companies, NGOs, public institutions, and international organizations; as well as individuals of all ages, from 7 to 77.

The Academy conducts education, research, and communication activities, and collaborates with local and international think-tanks, NGOs, and organizations to promote good governance.

Argüden Governance Academy is committed to play a pioneering role by adopting "Integrated Thinking" and "Good Governance Principles" in 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.

The Academy has been accredited by the Council of Europe to lead the awarding process of the European Label of Governance Excellence in Türkiye.

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