SUSTAINABILITY GOVERNANCE SCORECARD

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ARGÜDEN GOVERNANCE ACADEMY

Good Governance for Quality of Life

BUSINESS FOR GOALS

Good Governance
for Quality of Life

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ARGÜDEN
GOVERNANCE
ACADEMY

Good Governance for
Quality of Life

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INDEX

Disclaimer

The Report has been prepared based on publicly available information for the reporting year of 2017, disclosed by the companies considered in the research. Web site information was reviewed in the year 2018, the same year where 2017 activities are reported.

The research is solely based on disclosed information by the companies. Independent verification of disclosed information has not been made and it is accepted that provided disclosures of the companies are trustable and accurate.

The findings of our analysis of each company has been shared with investor relations departments of the companies considered in the research to provide an opportunity to review the inputs to our analysis for scoring.

PREFACE

Dr. Yılmaz ARGÜDEN

Trust is the essence of good governance and foundation of sustainable development.

Awareness about the importance of changing behaviors for a sustainable future as well as commitment to action is definitely increasing. Sustainable Development Goals (SDGs) were approved by almost 200 countries as a common framework to focus on actions for a sustainable future, in 2015. Corporate sector has started to embrace the SDGs. However, **progress has been slow**.

Argüden Governance Academy aims to bring insight and information to the attention of decision makers to motivate action and improve effectiveness of implementation. Therefore, we decided to conduct an **impact research**, namely **Sustainability Governance Scorecard©**, to identify how the best companies conduct their sustainability efforts. The SG Scorecard not only identifies and provides information about the state of the Global Sustainability Leaders, but also highlights good examples from which the world could learn.

What gets measured, gets improved. We analyzed publicly available data through a **'governance lens'**, as good governance is the key to the sustainability of the sustainability efforts[1]. This impact research is seeking to identify whether the Global Sustainability Leaders have the right processes, people, incentives, and culture to provide good governance (guidance and oversight) over their sustainability efforts; the coverage of their sustainability efforts are comprehensive in terms of stakeholders, value chain and geographies, and continuous improvement is embedded in their efforts through a learning loop.

The SG Scorecard **has two key conclusions:**

- There is a **significant room for improvement in the effectiveness of execution and accountability of the sustainability programs** of even the leading companies, let alone the large number of enterprises all around the world.
- There are extensive **peer-to-peer learning opportunities** based on good practices shared by the Global Sustainability Leaders on how they approach their sustainability efforts

Our research also indicates that companies embracing the UN Global Compact (UNGC) and the Integrated Reporting (<IR>) Framework seem to have better chances of incorporating sustainability into their culture by providing better governance of their sustainability efforts.

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

The SG Scorecard and our results could be utilized by many stakeholders including boards and managements of companies, investors, regulators, civil society organizations, academia, and the representatives of the press for peer learning, identifying good examples, improving accountability and investment decisions.

We are happy to collaborate with Business for Goals (B4G) Platform in Türkiye which is the first collective action of private sector to promote SDGs and establish partnerships. B4G is a platform-based approach to deepen responsible engagement with the private sector and working with Government, to mobilize private sector resources for domestic investments in the Sustainable Development Goals in accordance with national development priorities.

TÜSİAD, TÜRKONFED (Turkish Enterprise and Business Confederation) and UNDP work together under this initiative, to execute research, studies, and dialogues to enhance the private sector's role for the achievement of SDGs.

We wish this research to motivate and support actions of Business for Goals Platform for a more sustainable future.

To conclude, we would like to thank every member of the Academy's research team for their dedicated and invaluable efforts, Anand Ramachandran from River Valley Asset Management for his review of an earlier draft and sharing his insights. Additionally, we would like to share special thanks to Özhan Binici for his invaluable contributions as the creative advisor of the SG Scorecard, and our designing partner, Sui Generis, for their valuable efforts to prepare this report to publication.

As our foundation is dedicated to help improve quality of governance in all types of institutions, we are happy to share all our data, approach, research methodology, and results as a public good to help improve the state of the world.

EXECUTIVE SUMMARY

Gizem ARGÜDEN

Today, the corporations' response to emerging sustainability challenges will determine not only their long-term viability and competitiveness, but also the viability of the planet and its inhabitants. Sustainability is no longer a "nice to have" issue for companies, but a crucial element for preparing for the future. Companies need to adopt a long-term and holistic view of how they create value that encompasses environmental, social, and governance issues which are fundamentally core to sustainable value creation.

A growing number of companies prioritized sustainability issues at the CEO and board level. There is an increasing number of companies, both public and private, committing to the Sustainable Development Goals (SDGs). However, business reporting on credible contributions to SDGs is falling short and the key challenge companies face is their inability to translate goals into action and lack of outcome measurement.

We believe the next leap in sustainability management will come from corporations taking on the responsibility to proactively manage their sustainability efforts. To aid them with this effort, we designed the **Sustainability Governance Scorecard** which is an impact-research conducted to help improve the state of the world by speeding up learning from peers. Our approach can be utilized as an **improvement tool for better governance of sustainability issues.** Our aim is to motivate the business world to act for a more sustainable future by highlighting good practices and providing benchmarking information.

First of all, the results of the SG Scorecard shows that there is a **significant room for improvement in the effectiveness of execution and accountability of the sustainability programs** of even the leading companies:

1. License to operate in today's world requires responsible leadership – companies who actively manage sustainability benefit both the company and the society. Our research shows that leaders in this arena have successfully integrated policy, KPIs, and results coverage to include environmental, social, and governance issues. To move forward, companies will have to **adopt a data-based management approach to sustainability through:**

- **Showing commitment by setting targets for environmental, social, and governance-related outcomes:** Among the Global Sustainability Leaders only 69%, 70%, 53% set targets for ESG, respectively,
- **Aligning management incentives with sustainability targets:** We find that 55% of Global Sustainability Leaders link executive compensation to non-financial targets and only 15% link to sustainability targets.

2. **Board Leadership** in leading change in sustainability is key and there is room for improvement in ensuring **the right people and processes** are in place for managing sustainability:

- **Board skills in sustainability need to be developed and assessment of skill combination, as well as diversity, is required to address today's complex challenges:** We find that only 26% of the companies in our sample reported a board skills matrix, and only 11% of companies identified sustainability as a required board member skill,
- **Oversight over material issues should include environmental, social, and governance areas as well as supply chain:** We find that all of the companies analyzed have an independent audit for financial results, but independent audit coverage for environmental, social, and governance issues are 72%, 59%,56% respectively.

3. **Stakeholder Engagement needs to take a central position and companies should proactively integrate external stakeholders – especially communities and the environment - into their value creation model:** We find that all of the companies analyzed measure value for internal stakeholders, but only 44% for external stakeholders.

4. **Aligning incentives with the world we want in the future requires changes in the system. For this system change, Global Sustainability Leaders (GSL) need to take leadership.** We find that companies tend to prioritize SDGs that align with their core business model, rather than taking an all-encompassing approach to creating the right climate and environment for sustainable development. Going forward, GSL should:

- **Link strategy to SDGs to mobilize resources, manage risk and effectively communicate the company's contribution to sustainable development:** Currently, only 65% of Global Sustainability Leaders link their strategy to SDGs. We find that GSL have embraced the global climate change agenda (53% of GSL linked SDG 13: Climate Change to their strategy) and that SDG engagement is higher for SDGs that are actionable within their business models - SDG 8: Decent Work and Economic Growth (51%) and SDG 12: Reponsible Consumption and Production (44%).
- **Increase action and partnership around creating the right climate for sustainability through institution-building and protecting the oceans that form the basis of our life on this planet:** We find that engagement of GSL with SDG16: Peace and Justice Strong Institutions ıs 16% and SDG 14:Life Below Water is 19%.

5. **Integrated reporting** is a holistic tool to help companies tell the story of how they create value now and in the future. Companies should **adopt transparency in reporting practices and can use Integrated Reporting as a transformative tool for continuously getting better at managing sustainability.** We find that companies embracing the UN Global Compact and the Integrated Reporting (<IR>) Framework seem to have better chances of incorporating sustainability into their culture by providing better governance of their sustainability efforts. Among the GSL, 57% of Tier 1 companies embrace UNGC and 37% have <IR>, whereas among Tier 5 companies, the numbers are 23% and 3% respectively.

Secondly, our research shows that there are extensive **peer-to-peer learning opportunities** based on good practices shared by the Global Sustainability Leaders on how they approach their sustainability efforts. These examples cover the following areas and will be presented in the last chapter of this Report. We find that best-in-class companies:

- 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;
- Understand that **engaging stakeholders** is the key to obtaining the social license to operate in the 21st century and engage openly with stakeholders, including their communities;
- Conduct **materiality analysis** to gather insight on the relative importance of environmental, social, and governance issues to not only prioritize their sustainability effort, but also to inform sustainability reporting and communication with stakeholders;
- Ensure that their boards are fit to drive change towards a sustainable businesss by having **diverse boards** (age, tenure, gender, ethnicity, cultural background, geographic, functional, and industry experience);
- **Show commitment by setting targets** for sustainability performance;
- **Align incentives** by including **sustainability KPIs** in executive compensation;
- Ensure **comprehensiveness of policy and implementation** throughout the value chain including the supply chain, the product lifecycle, all stakeholder groups, all levels of the organization as well as geographic coverage and reporting of sustainability performance;
- Ensure **board oversight responsibilities** cover environmental, social, and governance issues which are core to sustainable value creation;
- Establish a **learning loop for continuous improvement** and create a climate of learning with measurable indicators (trends, benchmarking).

To move toward a more sustainable future, we need to have organizations that assume their sustainability responsibilities and act on them. Corporations—with their resources, efficiency, innovation capabilities, and access to talent—have the opportunity to be at the forefront of this change. To achieve this, companies need to embark on a broad transformational change journey and lead the way in re-evaluating their traditional performance models and challenging the long-term viability of their prevailing definitions of how they contribute to society.

RATIONALE

Dr. Erkin ERİMEZ

In the backdrop of greater expectation from stakeholders, rising consumer power, increasing economic uncertainty, tectonic changes in technology, environmental risks, and social uncertainty on rising income inequality; financial performance is no longer a sufficient measure of a company's ability to create sustainable value.

Companies need others' resources for growth and for a successful business conduct in dealing with challenging problems. To be able to gain access to the resources of others, institutions need to create trustworthy relationships. Companies need: employees for utilizing their skills, trust of society in gaining license to operate, and trust of customers in building brands. Therefore, the key to success and development is gaining the trust of present and potential stakeholders. These stakeholders include shareholders, employees, labor organizations, customers, financial institutions, the supply chain, non-governmental organizations, and the governments. Individuals and organizations in all parts of society are the stakeholders and license to operate increasingly requires fulfilment of the firms' responsibilities to the society.

A new way of thinking about the role of business and calculating enterprise value is required. Data show that companies which adopt environmental, social, and governance approach in their decision making systems, perform better in the longer-term (BCG, 2016)[2], (Strandberg, 2018)[3], (Eccles, 2017)[4], (Kahn, Serafeim, and Yoon, 2015)[5]. Investor community considers sustainability as a risk management approach and a long-term value creation opportunity. Principles for Responsible Investment Initiative (PRI) has more than 2,300 asset owners and investment managers who manage more than $80 trillion of assets. They explicitly recognize their fiduciary role to incorporate environmental, social, and governance (ESG) issues into their investment decision making mechanisms.

17 Sustainable Development Goals (SDGs) have been endorsed by leaders of 195 countries in September 2015 at the UN General Assembly. It has been emphasized that SDGs cannot be achieved without the support of business and civil society. SDGs are the global challenges that need to be solved for a better quality of life. SDGs are also important business opportunities for finding solutions to challenging problems. Both corporate and public institutions have equally important roles in embracing sustainability in dealing with emerging and existing challenges such as climate change.

2 "Investors Care More about Sustainability Than Many Executives Believe, Study Shows", BCG Press Release, May 12 2016

3 Fraser, J. (2018). "Canada 2030 Embedding Sustainability into Corporate Governance", Strandberg.

4 Eccles, R. (2017). "Total Societal Impact Is the Key To Improving Total Shareholder Return", Forbes.

5 Khan, M., Serafeim, G.,Yoon, A. (2015). "Corporate Sustainability: First Evidence on Materiality", The Accounting Review, 91:6, 1697-1724.

A growing number of companies prioritized the sustainability issues at the CEO and board level which is a sign of leadership for the initiative. Findings of a survey conducted with 2,422 top executives all around the world shows that companies are assigning more weight to sustainability and increasing their efforts for the concept. About 16% of the surveyed companies have a board committee dedicated to sustainability (which was 12% in 2014)[6]. However, there is still significant room for improvement for better governance and transparency on sustainability issues.

Good sustainability governance is the key for successful implementation of sustainability practices. Sound decision making mechanisms and deployment of this system throughout the organization would ensure the implementation of sustainable business practices. Such an approach could be defined as good sustainability governance. Good governance improves the ability to make better strategic choices, more efficient and effective resource allocations, and sound risk management, as well as ensuring continuity of responsible and accountable leadership (Argüden, 2010)[7].

Therefore, the top decision-making bodies for the organizations - their boards of directors - have critical role to play in building a better future for humanity. Board's role is important in sustainable decision making since some of the long-term decisions would affect a time horizon which is much longer than management's perspective. They provide guidance and oversight to the management about the long-term operational risks and opportunities. Boards play an important role by designing executive compensation policies to motivate top management teams in alignment and implementation of sustainable business practices.

Corporate reporting provides needed information by all stakeholders to transact with the company. Transparency is not only useful for better decision-making, but also helps the company to be perceived as more trustworthy by its stakeholders. All stakeholders would be encouraged to transact with transparent companies (Eccles and Serafeim, 2015)[8].

Company reporting serves as a transformative function (Eccles and Serafeim, 2015). A vast accounting literature shows that firms with better disclosure or accounting quality receive financing on more favorable terms (Francis, Nanda and Olsson, 2008)[9]. Companies can combine disclosure and transformation functions in a single reporting mechanism by utilizing a more holistic approach. This approach would also affect the internal decision-making systems by diffusing integrated thinking throughout the organization. The relevance of adoption of Integrated Reporting or the concepts of Integrated Reporting have been analyzed in this research.

OUR APPROACH

The Sustainability Governance Scorecard (SG Scorecard) is an impact-research conducted to help **improve the state of the world** by **speeding up learning** from **peers.**

6 "Sustainability's Deepening Imprint", McKinsey Survey December 2017.

7 Argüden, Y. (2010). "A Corporate Governance Model: Building Sustainable Boards and Responsible Businesses", IFC PSO17.

8 Eccles, R., Serafeim, G. (2015). "Corporate and Integrated Reporting: A Functional Perspective", in Corporate Stewardship: Achieving Sustainable Effectiveness, edited by Ed Lawler, Sue Mohrman, and James O'Toole, Greenleaf.

9 Jennifer, F., Nanda, D., Olsson, P. (2008). "Voluntary Disclosure, Earnings Quality, and Cost of Capital.". Journal of Accounting Research 46: 53–99

The SG Scorecard is designed to be utilized as an **improvement tool for better governance of sustainability issues.** The SG Scorecard Model© puts the quality of governance systems, comprehensiveness of implementation, and transparency of reporting at the heart of sustainability efforts. The model assumes a governance lens to approach sustainability efforts and provides an assessment of sustainability governance reporting in 150 Global Sustainability Leaders as evidenced in their public disclosures. It is not intended to provide an assessment of **the sustainability performance** of the companies, but only **the governance of sustainability efforts.**

The assessment is focused on evaluating the transparency, quality, and comprehensiveness of decision-making processes throughout **the sustainability governance cycle –** with particular focus on the board's role in providing proper guidance and oversight on sustainability issues; the implementation coverage of different geographies and dimensions of sustainability issues, and embedding responsible behavior in the organization's processes and culture through a continuous learning loop.

The SG Scorecard identifies and **highlights good examples** of sustainability governance by leading companies to facilitate **peer-to-peer learning** and **taking action** on sustainability issues

It seeks the answers to critical sustainability governance questions:

- How do the companies **report their sustainability performance?** Do they report only single year results or trends or even better targets?
- Are they disclosing **policies** or only the results? Do the policies **cover all relevant dimensions**? Has there been a stakeholder **engagement process** and **board review for materiality**?
- Is the **coverage of implementation** comprehensive? Does it cover all areas such as environment, social, anti-corruption etc., in all its operations- including emerging markets, supply chain, and throughout the product life-cycle?
- Do they publish a **board skills matrix** and is **sustainability** one of the key skills sought on their boards?
- Have they presented **linkages between their risks, value creation, and SDGs?**
- Are the **non-financial KPIs** linked to executive compensation?
- Do they **incorporate SDGs** into their sustainability strategy process? Which SDGs attract the attention of the leading companies? Which ones are lagging?
- Is there a **continuous learning process** to improve their overall governance and specifically performance with respect to the SDGs?

The model evaluates the **comprehensiveness of sustainability initiatives** (all processes including policy, KPI and target-setting; all stakeholders including communities and the environment, all geographies in the company's jurisdiction, value chain including the supply chain and product life cycle); as well as the **breadth and depth of sustainability reporting practices.** Furthermore, the model provides a view on **progress towards SDGs** by evaluating which companies have integrated SDGs into their strategy process and which SDGs are leading vs lagging in terms of company engagement.

METHODOLOGY

Dr. Fatma ÖĞÜCÜ ŞEN, Pınar ILGAZ,

Measuring and Learning from the Peers is the essence of the SG Scorecard©

We conducted an impact-research with a motivation to help improve the state of the world by measuring and learning from the peers. To reach our goal of having a more sustainable future, we designed a model which can be utilized as an improvement tool for the companies.

The SG Scorecard assesses the governance quality of the sustainability efforts under four main areas: Providing guidance, implementation, oversight of the board, and continuous learning throughout the cycle. Each of these areas assessed with objective criteria, designed through a lens of governance.

The governance quality of sustainability efforts is directly related to the guidance of the board. The board is the captain of the ship and the ship would approach the right dock only if the captain sets the right angle. The path that ship will follow is related to setting the right angle to the ship. That is why the captain is quite important for the ship. It is same for the companies. If the board provides right guidance and sets the right direction to the company, the ongoing process will follow the right path. Our Model analyzes whether the board provides the right guidance on sustainability.

If the board provides right guidance and sets the right direction to the company, the ongoing process will follow the right path.

What are the key elements for setting the right direction to the company in terms of sustainability? In this Model, we defined the following criteria for providing board guidance:

- The values, strategies, policies, charters and/or principles,
- The coverage of the sustainability related issues and the Sustainable Development Goals (SDGs) in their strategy,
- The comprehensiveness of the guidance in terms dimensions like human rights, worker rights, environment, social, health, and safety etc.,
- The composition and diversity of the board,
- The stakeholder mapping and engagement,
- The review of board with respect to materiality
- Geographic coverage, value chain coverage including the supply chain and life-cycle impacts of the products
- Setting the key performance indicators, linking KPIs to incentive schemes for executive compensation,
- Setting targets for sustainability performance.

The second factor effecting the governance quality of sustainability is the implementation process of the company. Even if the captain sets the right direction, the quality of the journey is directly related to the crews' performance, controlling the wind on time, doing no harm to the sea, etc. It is no different for the companies. Same as the journey quality of the ship, the implementation quality of the company is related to various factors, such as;

- Sharing key ESG performance results,
- Coverage of code of conduct, supply chain, third party review, internal control, incentives, and development efforts,
- Measuring, sharing, and ESG coverage in executive compensation,
- Risk mitigation,
- Consultation with stakeholders.

The SG Scorecard analyzes whether the Appropriate Implementation structure is designed and followed about sustainability.

Following the implementation, the third area we focus in assessing the sustainability governance is oversight of the implementation by the board. Again similar to a captain overseeing all the activities of the crew, any injuries during the journey, the necessity of the maintenance or repair, the board monitors the implementation process of the company.

How can a board oversee the sustainability efforts? The SG Scorecard defines oversight responsibilities of the boards;

- Setting the critical control points in terms of ESG,
- Evaluating ESG performance,
- Considering the ESG KPIs for executive compensation,
- Ensuring the regular review of the internal control mechanisms and third-party verification

When the ship approaches to the dock, the captain, the crew, the whole ship should have their own conclusion from that journey and learn from each other. This learning environment improves the quality of the next journey of the ship. The same should also be true for the companies. If a learning culture is sustained through the whole cycle in the company, the sustainability governance quality of the company would be improved. The SG Scorecard defines the continuous learning culture with following criteria;

- The resource allocation for improvement,
- Benchmarking,
- Organizational development approach (incorporating learning to orientation, education, promotion, compensation, etc. programs)

Overall, the SG Scorecard© identifies and utilizes measurable criteria for sustainability governance. The essence of the methodology relies on the LOGIC and DSICS approaches[10]. It relies on defining the right direction, measuring the right indicators, evaluating the results and learning from the results and the peers.

[10] Argüden, Y., Ilgaz, P., Erşahin, B. (2007). "ARGE Corporate Governance Model©", ARGE Publications No: 9

What differentiates the SG Model from other studies:

There are numerous sustainability indexes. These indexes mainly focus on performance rather than the quality of decision making and governance of sustainability issues. Quality of sustainability governance systems is at the heart of strong responsible business conduct. Therefore, we decided to conduct research to identify best in class examples of various sustainability governance steps based on publicly available data. Also, while such indexes are pass-the-post type of an evaluation, we tried to classify the results by tiers to provide better granularity in order to identify good examples.

TABLE 1. THE FUNDAMENTAL CONCEPTS AND SUB-COMPONENTS COVERED IN THE MODEL

BOARD	Composition, diversity, independence, incentive schemes in execution compensation, decision making processes, role in stakeholder engagement, guiding and overseeing business processes, involvement in risk management and sustainability related issues, and self-assessment.
ENGAGEMENT WITH STAKEHOLDERS	Stakeholder mapping, inclusiveness, impact analyses, involvement in establishing materiality thresholds, prioritization and resource allocations for preventing negative externalities and learning
RESPONSIBLE LEADERSHIP	Implementation of UN Global Compact Principles, alignment of SDGs to business strategy and goals, connecting responsible leadership KPIs with the incentive scheme of the management team, providing oversight of compliance with company policies across geographies, operations, supply chain, and product life cycle
INTEGRATED THINKING	Materiality, comprehensiveness, connectedness, disclosures on strategy, value creation business model, impact on stakeholders

The Model highlights

SUSTAINABLE DEVELOPMENT GOALS

UN GLOBAL COMPACT

IR

We Considered Only Publicly Available Information :

We analyzed only 2017 Annual Report, 2017 Sustainability Report, and Governance and Sustainability section of the companies' websites (reporting 2017 results). We considered only publicly available information.on publicly available data. Also, while such indexes are pass-the-post type of an evaluation, we tried to classify the results by tiers to provide better granularity in order to identify good examples.

Here is why...

Reporting can be accepted as a clue on value creation, decision making process, and quality of the governance approach. Quality of reporting is important since stakeholders need useful information to participate and transact with the organizations. Corporate information that is more likely to encourage all counterparties to transact with the company and, all else equal, to transact with a company on better terms (Eccles and Serafeim, 2015)[11] . So, we considered only publicly available information that the company provided in its Internet Site. After the data collection process finalized, we shared our evaluation of the data with the investment relations departments of Global Sustainability Leaders for the review.

The SG Scorecard methodology focuses on mechanisms that should exist in a sound sustainability decision making mechanism which could be defined as the sustainability governance system. The research has been conducted based on publicly available information provided by companies. Disclosure quality and transparency regarding sustainable governance mechanisms are the main focus of the research. It is assumed that, quality of sustainability governance approach determines the quality of decisions made by the organization. Good sustainability governance is the key for guiding, overseeing, sound decision making, and continuous learning processes in the company. Therefore, this research has been designed to understand sustainable governance mechanisms of companies and indicators have been determined accordingly.

150 Global Sustainability Leaders are in the Spotlight...

The SG Scorecard is designed as to have an impact on a global level, covering 150 leading public companies trading at key stock exchanges which are signatories of Sustainable Stock Exchanges initiative The scope of the analysis is limited with the companies who are included in the sustainability indices of stock exchanges in China, Germany, South Africa, Türkiye, United Kingdom, and United States of America. 10 sectors are selected among those companies.

We have tried to pick industries which are comparable across countires and not included financial industry as their regulatory standards may vary by country and also tech industry as they are not prevalent in public market of some of the Stock Exchanges we have chosen.

Each of the analyzed companies is a Global Sustainability Leader due to their outstanding efforts to have a more sustainable world (The list of all the Global Sustainability Leaders is provided in Appendix.1. Company List.).

This global scope provides opportunity to find various best practices from different sectors and countries. The scope and methodology aim to speed up learning from peers by identifying good examples of sustainability governance by leading companies as disclosed in their public reports.

11 Eccles, R., Serafeim, G. (2015). "Corporate and Integrated Reporting: A Functional Perspective", in Corporate Stewardship: Achieving Sustainable Effectiveness, edited by Ed Lawler, Sue Mohrman, and James O'Toole, Greenleaf.

TABLE 2. COUNTRIES, STOCK EXCHANGES, AND SUSTAINABILITY INDEXES INCLUDED IN THE SAMPLE

COUNTRY	STOCK EXCHANGE	INDEX
CHINA	Shanghai Stock Exchange – SSE	SSE Sustainable Industry Index
	Hong Kong Stock Exchange	Hang Seng (Mainland and HK) Corporate Sustainability Index
SOUTH AFRICA	Johannesburg Stock Exchange - JSE	FTSE/JSE Responsible Investment Index
TÜRKİYE	Borsa Istanbul – BIST	BIST Sustainability Index
GERMANY	Deutsche Borse A.G	STOXX
UNITED KINGDOM	London Stock Exchange	STOXX – FTSE4 Good
	Dow Jones Sustainability Index	Dow Jones Sustainability Index
UNITED STATES	New York Stock Exchange - NYSE	Dow Jones Sustainability Index
	NASDAQ	Dow Jones Sustainability Index

The Scoring is based on a unique approach: Breadth & Depth

The SG Scorecard does not aim to measure the sustainability performance but seeks the presence of an environment and a climate of sustainability governance where sustainability efforts can flourish. In line with this perspective, there are some criteria that all the company should adopt in order to sustain the sustainability climate in the company. We have measured the existence of the sustainability climate as a Breadth Score (What the companies are doing?) of the company. The SG Scorecard provides Breadth scores by 5 Tiers (Tier 1 highest, Tier 5 lowest) and the companies are listed alphabetically in each Tier.

Furthermore, the sustainability governance climate could be deployed and deepened within the company. This will lead the company to internalize the essence of the sustainability governance. From this point of view, the SG Scorecard considers the Depth of the sustainability governance. The Depth Scores (How they are doing?) are provided in 3 Tiers which is visualized by full moon as the highest, half-moon as the middle, and new moon as the lowest.

We expect the SG Scorecard 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.

TABLE 3. THE DISTRIBUTION OF COMPANIES BY INDUSTRIES

INDUSTRIES	# OF COMPANIES
Automotive	10
Chemicals	14
Consumer Goods	6
Food Processors	21
Machines & Equipment	18
Natural Resources	25
Pharmaceuticals	6
Retail	22
Telecommunications	11
Utilities	17
TOTAL	**150**

TABLE 4. THE DISTRIBUTION OF COMPANIES BY COUNTRIES

INDUSTRIES	# OF COMPANIES
China	8
Germany	21
Türkiye	20
South Africa	30
United Kingdom	38
United States	33
TOTAL	**150**

OVERALL EVALUATION

DR. FATMA ÖĞÜCÜ ŞEN

The Sustainability Governance Scorecard consists on four main areas which are guidance from the board, implementation and its coverage, oversight provided by the board, and learning culture throughout the organization. The results are shown based on aggregate scores of those four areas. Our analysis shows that each of the analyzed companies is a **Global Sustainability Leader (GSL)** with their outstanding efforts in sustainability governance.

We have concluded that there are country or industry wise differences either due to regulations, culture, or the nature of the industry. Additionally, adopting global initiatives or approaches make reasonable differences in the sustainability governance quality of the GSLs.

More than half of the GSLs in United Kingdom and South Africa are either in the Tier 1 or Tier 2. They are followed by Germany, United States, China, and Türkiye. In United Kingdom, more than half of the GSLs are signatories of United Nations Global Compact (UNGC), and in South Africa, all the companies have adopted Integrated Reporting (<IR>). We believe that adopting <IR>, being a signatory of the United Nations Global Compact make a difference for sustainability governance.

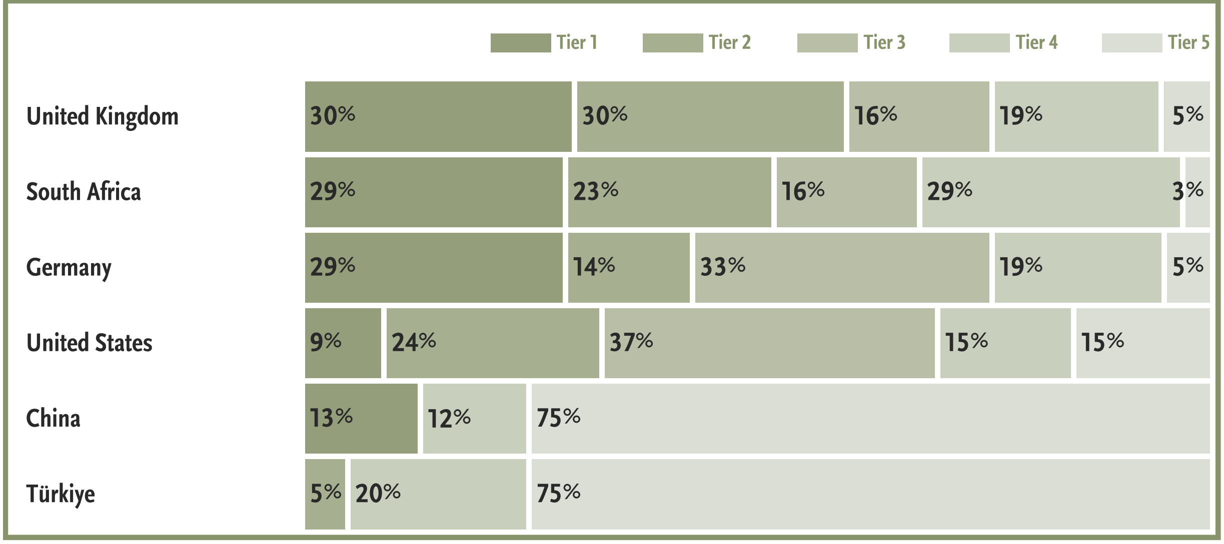
More than %50 of the GSLs in natural resources, consumer goods, and pharmaceuticals are in the Tier 1 or Tier 2. We believe that this result is due to either tight regulations and longer term thinking due to their investment horizons in natural resources and pharmaceuticals or being closer and more sensitive to the consumers.

Among the GSLs, all of the UNGC Lead Companies analyzed are in the first Tier. 50% of the UNGC 100 Companies and 34% of the <IR> Reporting GSLs analyzed are Tier 1 companies. We find that companies embracing the UN Global Compact and the Integrated Reporting (<IR>) Framework seem to have better chances of incorporating sustainability into their culture by providing better governance of their sustainability efforts.

The results of the SG Scorecard show that there is a significant room for improvement in the effectiveness of execution and accountability of the sustainability programs of even the leading companies. A few examples for the key areas of potential improvement are listed below:

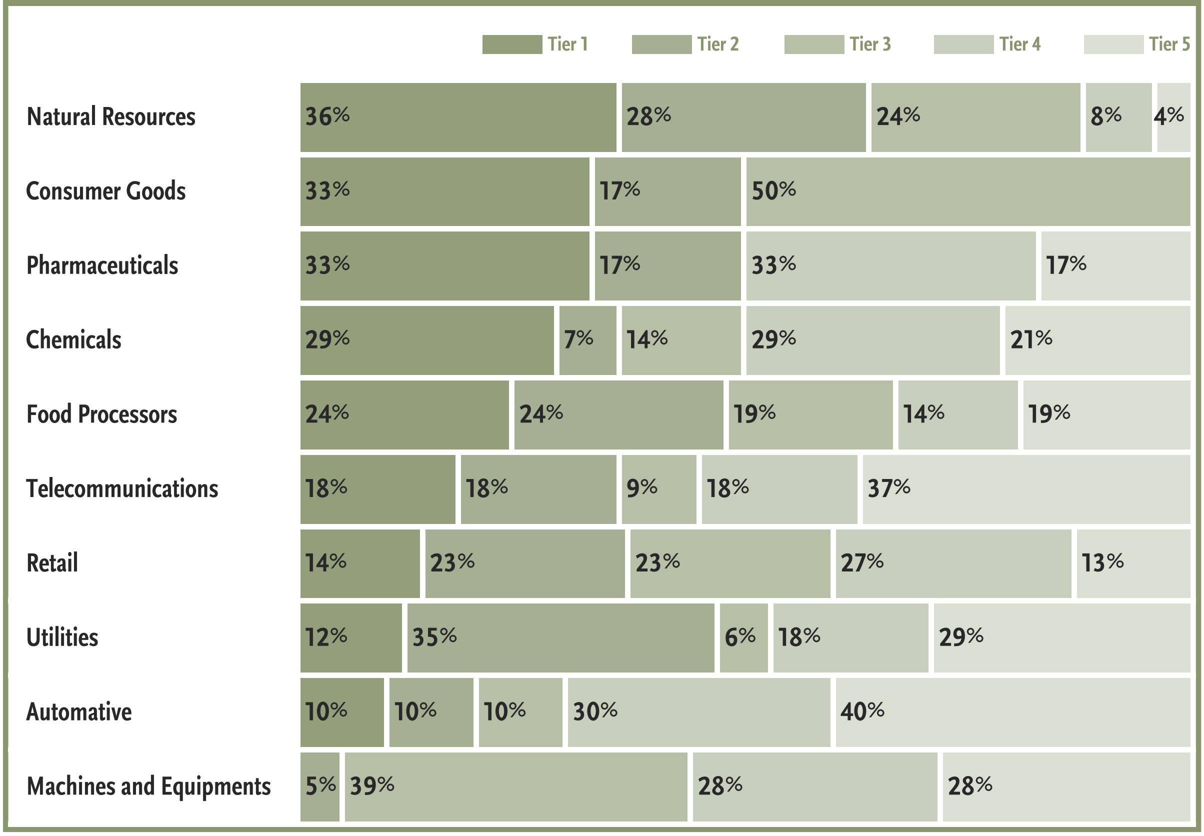
- Evaluating the sustainability performance related to governance (19% of the GSLs makes evaluation.),
- Having sustainability skill in the Board and showing it in the skills matrix (11% of the GSLs have skills matrix and listed sustainability as a skills it its skills matrix)
- Setting sustainability KPIs for executive compensation (15% of the GSLs shares sustainability KPIs for Executive Compensation.)
- Adopting and aligning with SDGs (Only 16% of the GSLs aligned its strategy with SDG 16 Peace and Justice Strong Institutions and only 19% of them aligned with SDG 14 Life Below Water).

Percentage of Sustainability Leaders by Origin in Each Tier



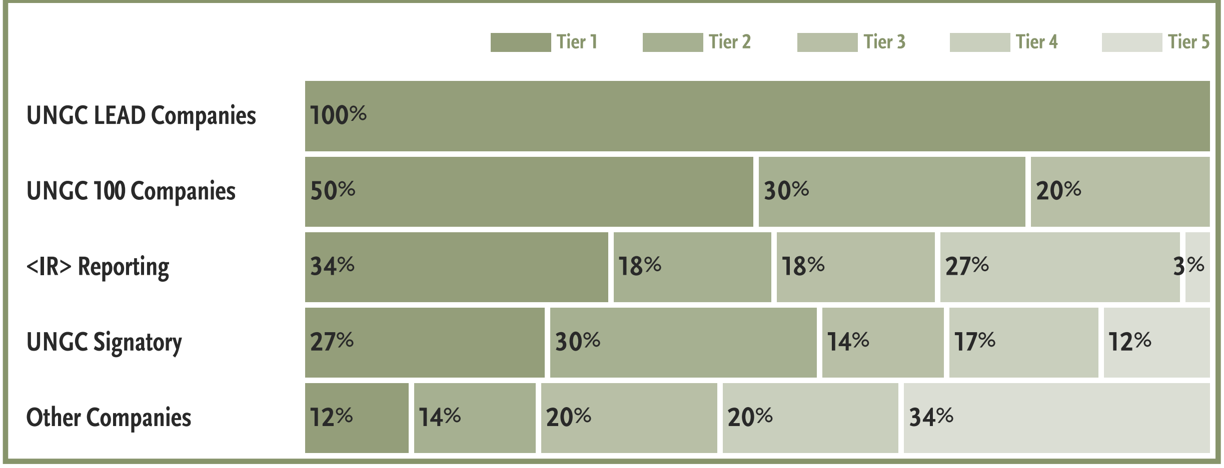
Based on Argüden Governance Academy research for Sustainability Governance Scorecard©

Percentage of Sustainability Leaders by Industry in Each Tier



Based on Argüden Governance Academy research for Sustainability Governance Scorecard©

Percentage of Sustainability Leaders by Initiatives in Each Tier



Based on Argüden Governance Academy research for Sustainability Governance Scorecard©

SUSTAINABILITY GOVERNANCE SCORECARD

TIER 1	TIER 2	TIER 3	TIER 4	TIER 5
Alcoa	Air Products and Chemicals	Adidas	Akenerji	Aksa Enerji
Anglo American	Anglo American Platinum	AECI	Aspen Pharmacare	Anadolu Efes
Associated British Foods	Anglogold Ashanti	African Rainbow Minerals	AVI	Beijing Capital
B+T Group	Antofagasta	Beiersdorf	B&M	China Everbright
BASF SE	Archer Daniels Midland	Best Buy	Brenntag	China Mobile
Bayer	AstraZeneca	Campbell Soup	Brisa	China United Telecom
BHP	Burberry Group	Caterpillar	Bristol-Myers Squibb	Eaton Corporation
BMW	Centrica	Conagra Brands	Ecolab	Hain Celestial Group
CLP Group	Coca-Cola European Partners	ConocoPhillips	Emerson Electric	Honeywell International
Coca-Cola HBC	Coca-Cola İçecek	Continental	Ford Otosan	Inchcape
Croda International	Cummins	GEA Group	Hong Kong and China Gas	IPG Phogonics
Evonik Industries	Diageo	Ingersoll Rand	Impala Platinum	Just Eat
Exxaro Resources	DowDuPont	Inmarsat	Innogy	Kordsa Global
General Mills	E.On SE	Johnson Controls	K+S	Migros Ticaret
GlaxoSmithKline	Gap	Kellogg's	MAN	Omnia Holdings
Glencore	General Motors	KION Group	Massmart	Otokar
Gold Fields	Harmony Gold	Lanxess	Mr Price Group	Petkim
Hugo Boss	Hershey's	Marks & Spencer	Pentair	Polisan Holding
Kingfisher	Hess Corporation	Mondelez International	Pick n Pay	Power Assets
Linde	Kumba Iron Ore	Northam Platinum	Pioneer Foods	Sartorius
Newmont Goldcorp	Metro Group	Oshkosh Corporation	Rotork	Shanghai Electric
Pennon Group	Morrisons	Reckitt Benckiser Group	Royal Dutch Shell	Tat Gıda
Sasol	MTN Group	Rio Tinto	Sainsbury's	Tofaş
Sibanye-Stillwater	National Grid	Sempra Energy	Smiths Group	Turkcell
Tesco	Next	TE Connectivity	Soda Sanayii	Tüpraş
Tiger Brands	Severn Trent	The Foschini Group	Stanley Black & Decker	Türk Telekom
Tongaat Hulett	South32	The Spar Group	Tate & Lyle	Türk Traktör
Unilever	Telefónica Deutschland	The Weir Group	Telkom	Ülker
Vodafone Group	Truworths International	Wood Group	Travis Perkins	Waste Management
Woolworths Holdings	United Utilities	Zalando	Vodacom Group	Zorlu Enerji

The companies are listed alphabetically in each Tier.

FINDINGS & GOOD PRACTICES

Gizem ARGÜDEN, Kübra KOLDEMİR, Çağhan KARANBERK

GUIDANCE

Guidance covers directing values, strategies, policies (ESG coverage, link to SDG); Board's role in stakeholder engagement and setting materiality thresholds; setting key performance indicators and targets and incentivizing management by linking executive compensation to sustainability metrics.

Right guidance is required for companies to manage risk and capitalize on opportunities related to sustainability, as well as taking a leadership role in creating a more sustainable future. Responsible boards make sustainability a leadership priority and ensure they have the **right people (skills and diversity)** to provide leadership and direction on sustainability.

Global Sustainability Leaders pave the way by focusing on how to effectively capture value from ESG integration and prioritizing ESG issues most relevant to their business. Responsible boards provide guidance to:

- Ensure **comprehensiveness of scope** for sustainability guidance by integrating ESG into the company's value proposition, policies and strategy;
- Demonstrate **holistic thinking and adopt a long-term view on value creation** and leverage Integrated Reporting to **articulate their sustainability story;**
- Adopt a **comprehensive view of stakeholders** including communities and the environment, and **establish trust** by increasing transparency and engaging proactively;
- Conduct regular **materiality** analysis covering ESG issues to focus on **what matters** for the company as well as for its stakeholders;
- Provide **linkages with SDGs** to guide their sustainability thinking and materialize their contribution to solving complex global challenges;
- Identify key performance indicators to guide strategy and set **ESG targets** that are **relevant, meaningful, measurable and sufficiently challenging** to drive performance;
- Incentivize management and ensure sustainability initiatives are adopted throughout the organization by linking **executive compensation to sustainability metrics**.

Board skills and diversity

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

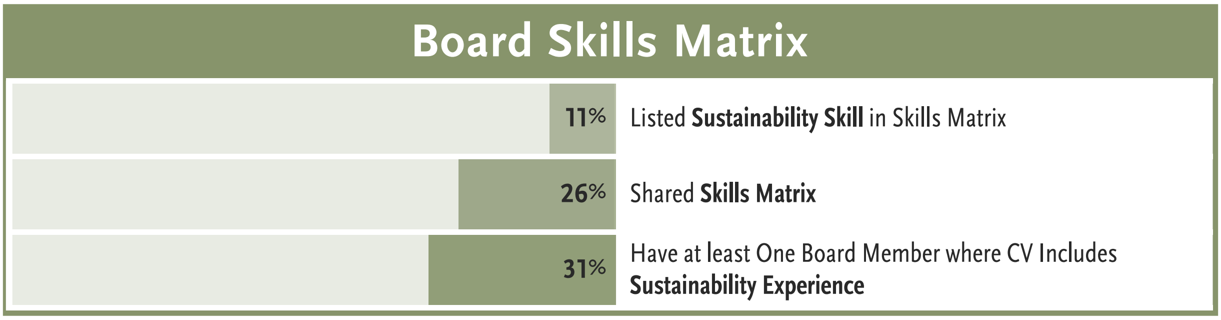
A skills matrix identifies the skills, knowledge, experience and capabilities desired of a board to enable it to meet both its current and future challenges and realize its opportunities. Disclosing a skill matrix is good governance and offers an opportunity for considered reflection on whether the board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

Our research reveals that the assessment of functional skills and the use of skill matrices is still not widespread, even among leading companies.

For example, **Coca Cola HBC** provides an aggregate view of the required board skills by describing the required business characteristics and providing an assessment of the number of board members who fit the criteria. At the same time, it describes the requirement for board members to "demonstrate familiarity and respect for good corporate governance practices, sustainability and responsible approaches to social issues".

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.

We find that only 26% of Global Sustainability Leaders reported a board skills matrix, and only 11% of companies identified sustainability as a required board member skill.



Based on Argüden Governance Academy research for Sustainability Governance Scorecard©

Board Skill Requirements

Details **business characteristics**, **skills** and **experiences** required to address these areas and number of directors with such experience.

Coca-Cola
Hellenic Bottling Company

General qualifications required of all Directors

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

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

Source: Coca-Cola HBC 2017 Integrated Annual Report, p. 78

In its board skills matrix, **Anglo American Platinum** explicitly shows sustainability as a required skill and provides in **depth** information on **sustainability-related board skill requirements** including safety, health & environment, energy, water use, rights, waste technology and community knowledge.

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.

Board Skills Matrix: Sustainability

Presents skill matrix, with assessment on **sustainability-related board skills requirements** including safety, health and environment, energy, water use, rights, waste technology and community knowledge.

AngloAmerican

SKILLS AND EXPERIENCE MATRIX FOR DIRECTORS

The balance of the board is monitored against a skills matrix to ensure it is able to discharge its governance roles and responsibilities effectively. The current composition of directors' skills and experience is shown below:

Significant skills and experience (10+ years, in-depth, main focus area, weekly use, line accountability)

Average skills and experience (5-10 years, ad hoc, but regular and fairly in-depth exposure/use of skills)

	GOVERNANCE								
Director	Finance	Governance, compliance, legal	Executive remuneration	Risk management	Strategy	Information and technology	Stakeholder relations	Engineering	Underground mining
V Moosa									
RMW Dunne									
CI Griffith									
I Botha									
J Vice									
M Cutifani									
A Sangqu									
NP Mageza									
NT Moholi									
D Naidoo									
T O'Neill									

	INDUSTRY/TECHNICAL				SUSTAINABILITY				GLOBAL		
Director	Open pit mining	Refining	Smelting	Base metals	Safety, health, environment	Energy	Water use, rights, waste technology	Community knowledge	Government relations	Africa (other than SA)	International
V Moosa											
RMW Dunne											
CI Griffith											
I Botha											
J Vice											
M Cutifani											
A Sangqu											
NP Mageza											
NT Moholi											
D Naidoo											
T O'Neill											

Source: Anglo American Platinum Limited 2017 Integrated Report, p. 90-91

Board Skills Matrix: Diversity

Presents skill matrix covering a breadth of criteria including **age**, **tenure**, **gender**, **skills** and **experience**.

NOMINEE SKILLS MATRIX

	Nominees and Primary Occupation	Other current U.S. public company directorships	Dir. Since	Age	Ind.	Nominee Skills: CEO or senior officer	Financial reporting	Industry	Global	Regulatory/ government	Public company board service	Technology	Environmental/ sustainability
	**Charles E. Bunch** Former Chairman and CEO of PPG Industries, Inc.	• PNC Financial Services Group • Marathon Petroleum Corporation • Mondelēz International, Inc.	2014	68	●	●	●		●	●	●		
	**Caroline Maury Devine** NEW Former President and Managing Director of a Norwegian affiliate of ExxonMobil	• John Bean Technologies Corporation • Valeo	2017	67	●	●	●	●	●	●	●		●
	**John V. Faraci** Former Chairman and CEO of International Paper Co.	• PPG Industries, Inc. • United Technologies Corporation	2015	68	●	●	●		●		●		●
	**Jody Freeman** Archibald Cox Professor of Law at Harvard Law School		2012	54	●			●		●			●
	**Gay Huey Evans, OBE** Deputy Chairman, Financial Reporting Council		2013	63	●		●		●	●	●		
	**Ryan M. Lance** Chairman and CEO of ConocoPhillips		2012	55		●		●	●	●			●
	**Sharmila Mulligan** NEW Founder and CEO of ClearStory Data Inc.		2017	52	●	●	●					●	
	**Arjun N. Murti** Senior Advisor at Warburg Pincus		2015	49	●		●	●	●				
	**Robert A. Niblock** Chairman, President and CEO of Lowe's Companies, Inc.	• Lowe's Companies, Inc.	2010	55	●	●	●				●		
	**Harald J. Norvik** Former Chairman, President and CEO of Statoil		2005	71	●	●		●	●	●	●		●

Source: ConocoPhilips 2018 Proxy Statement, p. 32

For example, **Conoco Phillips** skill matrix shows a **breadth** of criteria in a single chart, including **age, tenure, gender, skills and experience**. Age diversity can allow the board to better understand the sensitivities of different cohorts of customers and stakeholders. Tenure diversity would help avoid group thinking. Skills diversity would allow the board to adequately evaluate the different dimensions, perspectives and risks of sustainability issues. Experience (industry) diversity can be useful for benchmarking opportunities.

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 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.

Value Creation Model

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

We find that Global Sustainability Leaders have taken on this challenge, and integrated ESG issues into their value creation approach, policies and KPIs.

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.

Sustainability Performance

	Environmental	Social	Governance
Evaluates Results	96%	91%	19%
Shares Results of KPIs	98%	95%	99%
Sets KPIs	99%	98%	100%

Based on Argüden Governance Academy research for Sustainability Governance Scorecard©

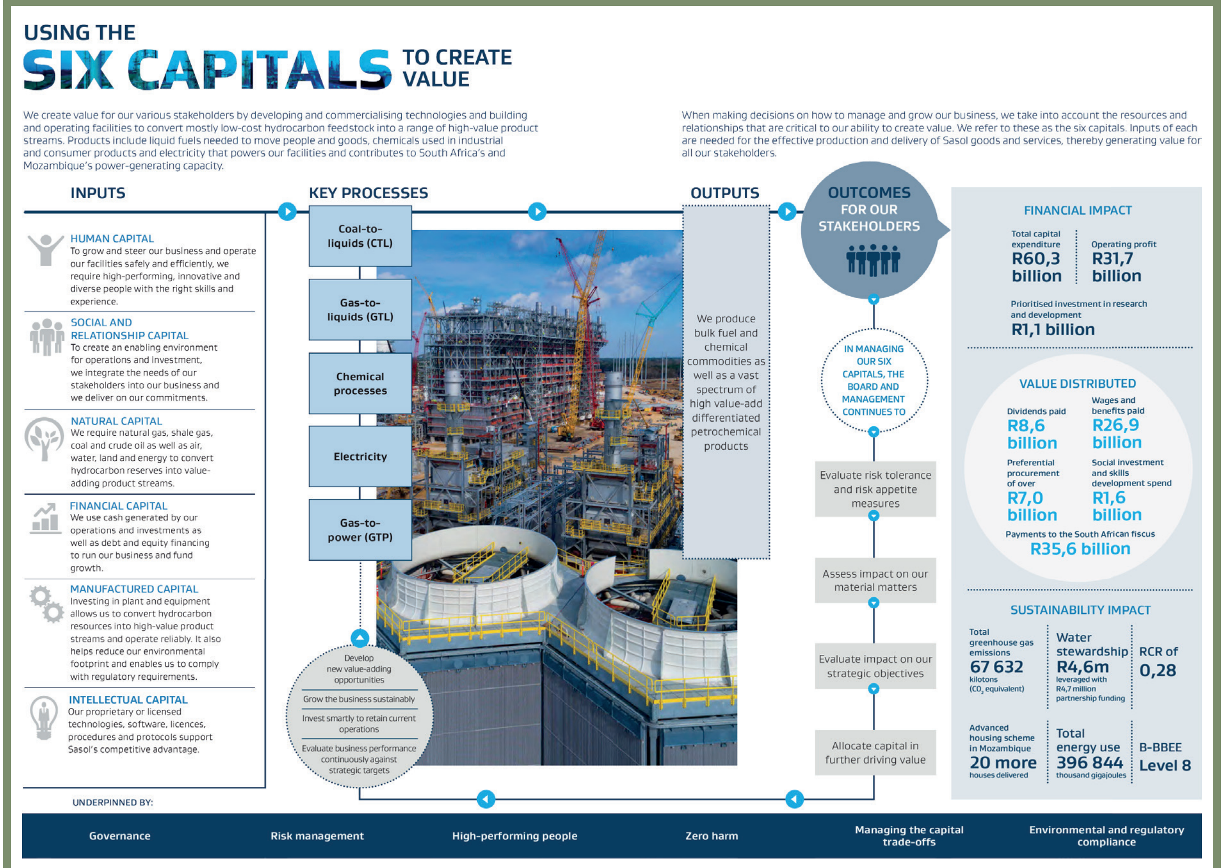
Best examples of **holistic thinking on value creation** are found in companies that embrace Integrated Reporting <IR>. Integrated reporting is a holistic tool to help companies tell the story of how they create value now and in the future. It is also a transparency and communication tool and can form the basis of constructive dialogue with investors as well as other stakeholders.

We find that companies embracing the Integrated Reporting (<IR>) Framework seem to have better chances of incorporating sustainability into their culture by providing better governance of their sustainability efforts.

Among the GSL, 11 out of 30 Tier 1 companies have <IR>, whereas among Tier 5 companies, there is only one company with <IR>.

Value Creation Model

Presents a comprehensive value creation model that takes into account the relationships (six capitals) that are critical to its ability to create value, as well as the links between units, key processes and outcomes for different stakeholders.



Source: Sasol 2017 Integrated Report, p. 12-13

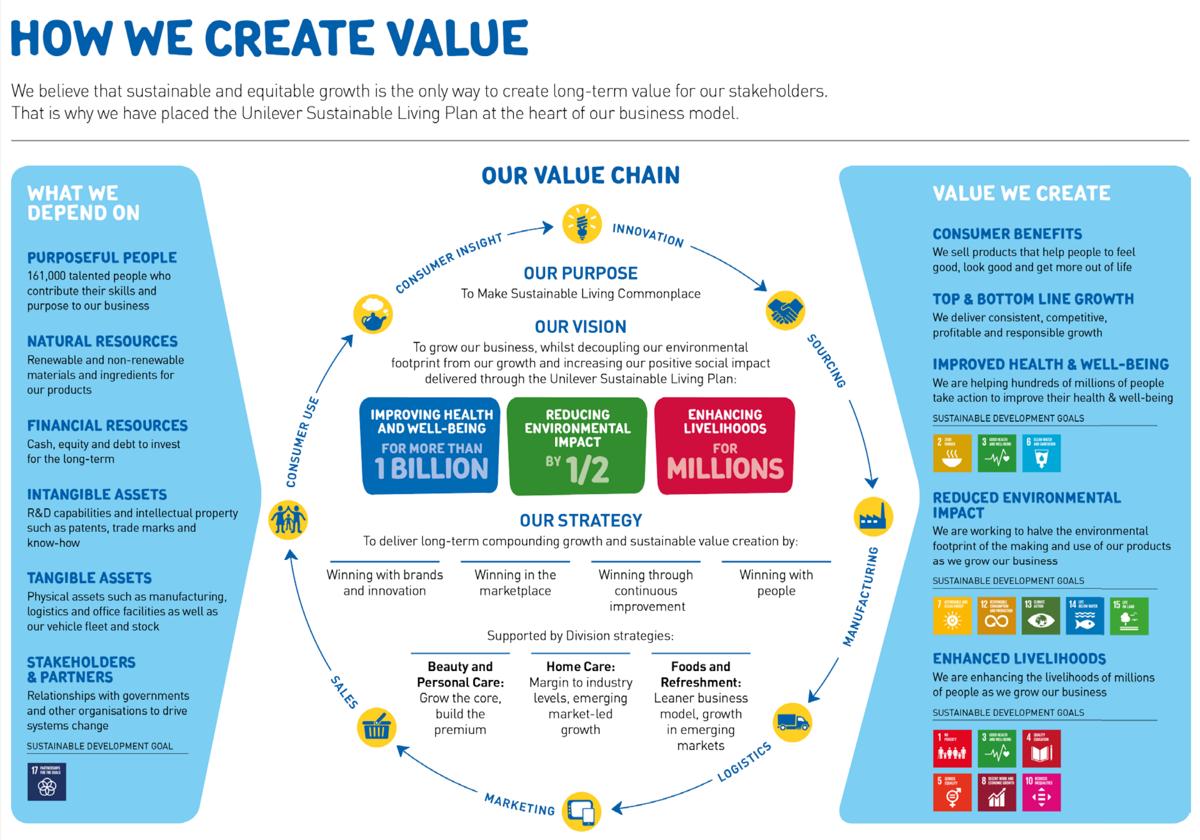
Companies can use Integrated Reporting as a transformative tool for continuously getting better at managing sustainability and stakeholder engagement.

Sasol presents a comprehensive value creation model that considers the relationships (six capitals) that are critical to its ability to create value. In a single chart, it presents the links between inputs, key processes, outcomes for stakeholders, as well as the financial and sustainability impact of its operations.

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

Blueprint for Sustainability

Shows a comprehensive value creation model driven by **sustainability mission**, covering **required resources**, **value chain**, **targets** and link with **SDGs**.



Source: Unilever Website, Sustainable Living, About Our Strategy

Unilever's Sustainable Business Plan is one of the leading examples on how to use purpose to drive profits. The chart clearly shows that vision (purpose 'to make sustainable living commonplace') drives the strategy. The plan covers a comprehensive range of resources that the company depends on (purposeful people, natural resources, financial resources, intangible assets, tangible assets, suppliers, stakeholders and partners) and encompasses the entire value chain (consumer benefits, top & bottom line growth, improved health & wellbeing, reduced environmental impact, enhanced livelihoods). The value creation model is linked with relevant SDGs, signaling that Unilever recognizes its role in contributing to solving global challenges. The chart serves as a blueprint for Unilever's brands to achieve their vision of growing the business, whilst decoupling the company's environmental footprint from its growth and increasing positive social impact.

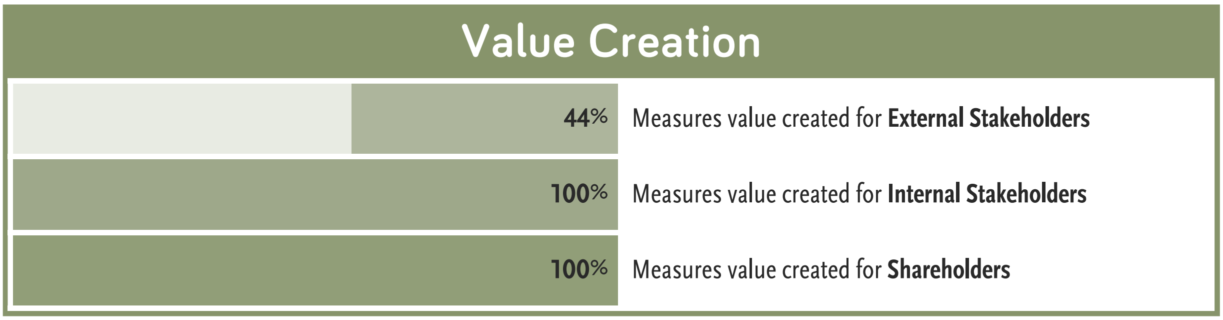
At the core, this blueprint reflects Unilever's mission to change the way people see businesses as value creators and community builders, and to get them to rethink business fundamentals that lead to financial returns. To achieve targets, Unilever had to look across its supply chain, rally industry leaders behind the commitment to source from sustainable resources, focus on raising awareness to change customer behavior and on designing products to minimize the environmental impact. Beyond the targets, Unilever highlights that it has inspired innovation, new ways of doing business and purposeful brands.

Stakeholder Engagement

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.

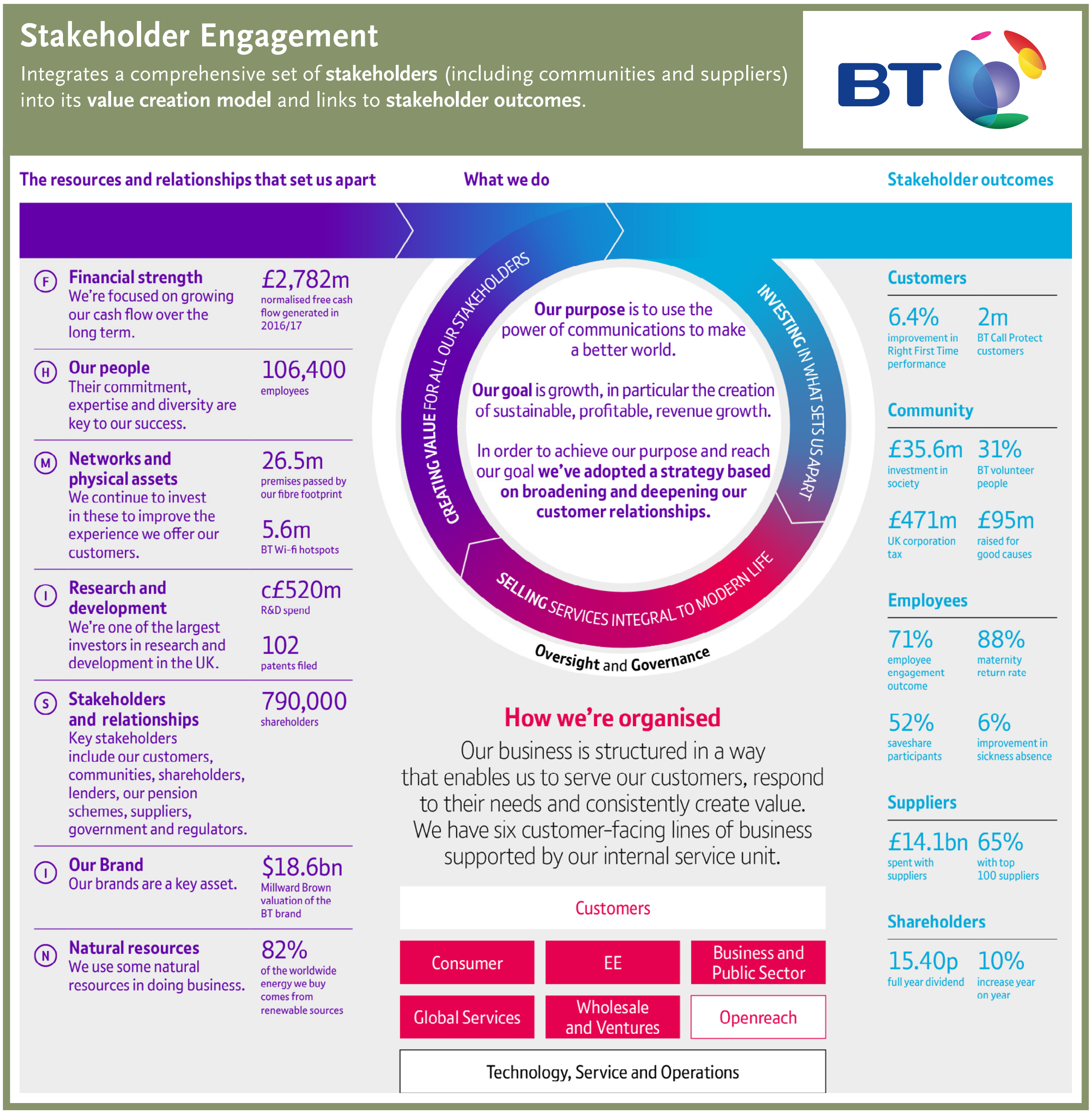
Our research reveals that even among GSL, companies take too narrow a view of the relevant stakeholders and are too focused on limiting the downside:

We find that all the companies analyzed measure value for internal stakeholders, but only 44% for external stakeholders.



Based on Argüden Governance Academy research for Sustainability Governance Scorecard©

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:**



Source: British Telecom Delivering Our Purpose Report - Update On Our Progress In 2016/17, p. 6

British Telekom integrates a comprehensive set of stakeholders (including communities and suppliers) into its value creation model and links to stakeholder outcomes. The company clearly articulates its purpose and assumes leadership for sustainability: "Our purpose is to make sure of the power of communication to make a better world." On the left side of the chart, all six capitals of the business model have been cited and their values have also been included.

An adequate stakeholder engagement process is a **multi-step, continuous process.** First, the company needs to prepare **a map of its key stakeholders** for the issue at hand. What matters here is to adopt a comprehensive view of stakeholders to include all relevant communities and the environment. Then, the company needs to define the **stakeholder engagement scope,** which determines the issues of engagement (environmental, social, economic). It is important that companies focus on issues which are most relevant to the **firm's core value proposition**, in order to mobilize resources for a step-change in selected areas. The **engagement model** should be defined based on stakeholder requirements and can cover several models including communication, consultation, participation on partnership. Tools of engagement may include interviews, workshops, focus groups, town-hall meetings, stakeholder perception surveys, stakeholder panels and joint decision-making.

Stakeholder Engagement

Presents a **comprehensive list of stakeholders** including patients, communities, employees, suppliers, shareholders and government bodies and details **engagement methods** and **outcomes** of engagement model for each stakeholder group.

AstraZeneca

Through dialogue, we strengthen our connections with stakeholders, understand their perspectives and combine forces to achieve common goals. We use the feedback to inform our sustainability approach, strategy development and risk management.

We use a wide range of channels for stakeholder engagement, including digital and face-to-face dialogue. Through a multi-stakeholder engagement approach, we identify systematic activities to create opportunities for interaction with groups of our stakeholders. All our relationships and engagements, including with patient groups and other healthcare organisations, are based on transparent and shared objectives to improve the lives of patients and comply with local regulations.

Our Global Policy on stakeholder engagement – Our Interactions – guides our approach. You can read more about how stakeholders can raise concerns in the Ethics and transparency section of this report.

Featured engagements

Patients
We publish our patient group relationships on country-level websites, including our R&D centres of excellence in Sweden, the United Kingdom and the United States.

Outcomes for patients
To help patients understand how a medicine might affect them and set expectations for their treatment, we have developed a series of patient-reported outcomes (PROs). These first-hand accounts explain how patients who have previously taken the medicine feel and function. We currently have nine PROs in product labels.

Communities
We aim to make a positive impact on our local communities by keeping them informed of our business activities and plans, and giving them the opportunity to raise any concerns. Our global community investment funds promote healthcare in the community and support science-based education and careers.

Outcomes for communities
We provided over $426 million in community investment sponsorships, partnerships and charitable donations worldwide, including our product donation and Patient Assistance Programmes that make our medicines available free of charge or at reduced prices.

Employees
We invite employees to share feedback in semi-annual Pulse surveys that measure dimensions of AstraZeneca being a great place to work. The latest survey in December 2017 had a 66% response rate.

Outcomes for employees
Of our respondents, 90% are clear on what they need to do in their job to help AstraZeneca achieve its sustainability goals (up 4 points), and 81% would recommend AstraZeneca as a great place to work (up 6 points).

Suppliers
We develop and implement ongoing supplier engagement programmes that reflect areas of specific geographical or supply sector risk, with a focus on any key gaps in third-party understanding.

Outcomes for suppliers
We conducted 6,139 assessments in 2017 and 41 audits on high-risk suppliers, seeking to ensure that they employ appropriate practices and controls. Of our suppliers, 10% met our expectations, with a further 90% implementing improvement plans to address minor instances of non-compliance. Through our due diligence process, we rejected 12 suppliers because of concerns.

Shareholders/investors/analysts
We enter into dialogue with the financial community through a range of media, including year-to-date and quarterly results, announcements and presentations; corporate website and other electronic media; roadshows, investor conferences, and topical and educational investor science webcasts and events; and incoming telephone and email enquiries.

Outcomes for shareholders/investors/analysts
Beginning with the fourth quarter 2017 earnings call, we will report on sustainability-related occurrences by incorporating content within the year-to-date and quarterly results for investors.

Government bodies and regulators
We, along with other biopharmaceutical companies, continue to work openly and transparently with policymakers and regulators to increase access and improve outcomes, and to support an environment that fosters medical and scientific innovation and value.

Outcomes for government bodies and regulators
We partner directly with governments to improve healthcare infrastructure and access to medical treatment, including signing two memoranda of understanding with Vietnam and Indonesia for our Healthy Lung Asia programme. Read more in the Health systems development section.

See more in the Public policy and advocacy section.

Source: AstraZeneca Sustainability Report 2017, p. 11

In this chart, **Astra Zeneca** presents a **comprehensive list of stakeholders** including patients, communities, employees, suppliers, shareholders and government bodies. A list of **engagement methods** for different stakeholder groups as well as the outcomes of engagement are shared, providing an opportunity for investors to make a reliable assessment. Furthermore, the chart explicitly mentions the right attitude for engaging with stakeholders "Through dialogue, we strengthen our connections with stakeholders, understand their perspective and combine forces to achieve common goals," as well as how feedback from stakeholders inform the company's sustainability approach, strategy development and risk management.

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."

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.

Materiality

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

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.

In its sustainability report, Metro clearly describes the process for materiality analysis (generating a comprehensive list of non-financial issues that are relevant to the company or its stakeholders). The criteria for materiality assessment (company's influence on issue, issue importance for company, and issue importance for stakeholder group) is comprehensive. A chart is presented summarizing results.

In its materiality matrix, **British Telecom** shares the results of its stakeholder engagement process and frames a comprehensive set of material topics around positive value-generation opportunities (being a responsible company, connecting society, supporting communities and delivering environmental benefits). Engagement covers a wide range of stakeholder groups and uses multiple sources of qualitative and quantitative for assessment of materiality.

Materiality analysis not only allows the company to prioritize their sustainability efforts by considering the ESG issues most related to its business, but also to inform sustainability reporting and communication with stakeholders.

Materiality Assessment Process

Clearly describes the process for materiality analysis for **non-financial issues**, criteria for **assessment** (including relevance to its stakeholders) and shares **results**.

METRO

2018 MATERIALITY ANALYSIS

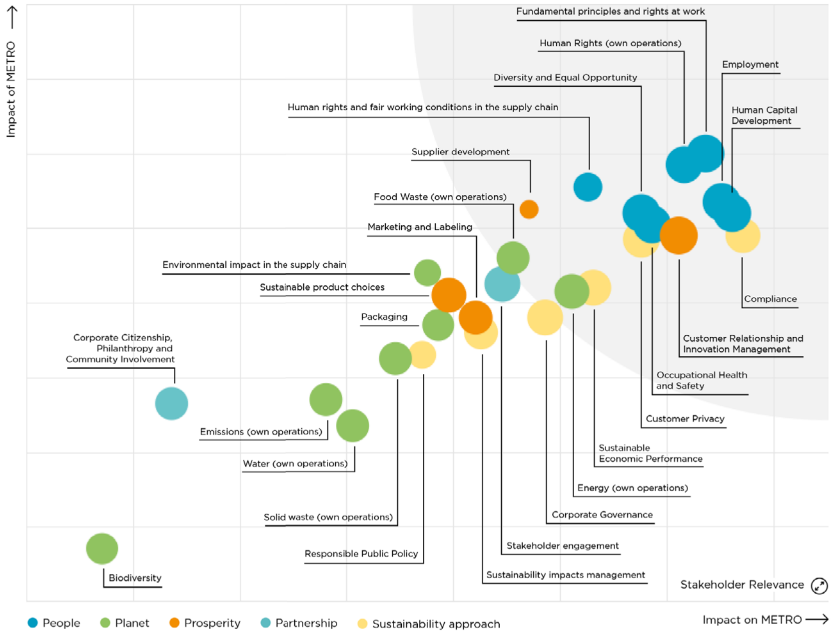
In order to recognise and prioritise early on any material issues that might constitute opportunities or risks for our business, we performed a materiality analysis in financial year 2017/18, including an extensive survey of internal stakeholders.

The material issues for METRO were selected in a process that consisted of several steps. The first step was the generation of a list of non-financial issues that are relevant to our company or our stakeholder groups. Key sources for this included:

- The standards of the Global Reporting Initiative (GRI)
- Existing strategies, commitments and guidelines of METRO and its sales lines
- EU CSR directive requirements concerning non-financial and diversity-related information
- Sustainable Development Goals
- Requirements for various rating systems, including the Dow Jones Sustainability Index (DJSI)
- Competitors' materiality analyses

The wide range of issues was summarised in a list of 27 issues, making sure that each aspect from the complete list appeared in the content of the condensed list. The issues on this shortlist formed the basis for the survey. Respondents assessed them in relation to 3 aspects:

- What influence the issue has on METRO's business, financial result or economic situation
- What influence METRO's business operations have on the issue in question
- How relevant the issue is for the stakeholders affected by it



Source: Metro Corporate Responsibility Report 2017/18, p. 6

Materiality Matrix

Shares the results of its stakeholder engagement process and frames a comprehensive set of material topics around positive value-generation opportunities, across a wider angle of stakeholder groups.

BT

Our priorities continued

What matters to our stakeholders

At the end of each calendar year, we draw on multiple sources of qualitative and quantitative information that have been gathered throughout the preceding 12 months. This is to determine the relevance and significance of issues identified through stakeholder engagement. This mapping supports our strategic decision-making and directs our reporting.

We listen to customers, employees, suppliers, government bodies and investors to find out what's important to them and get feedback on how we're doing. Engaging with these stakeholders helps us build strong relationships and maintain trust.

Our interactions range from everyday conversations with customers through surveys and via social media, to broader discussions with NGOs and through groups such as the World Economic Forum and the World Business Council for Sustainable Development.

The grid shows which issues matter most to different stakeholder groups. Each row lists the issues that significantly matter to the named group of stakeholders. The issues that matter most to them are shown in coloured boxes (the different colours only relate to chapters in this report, as repeated in the diagram on page 10).

	Being a responsible company						Connecting society	Supporting our communities	Delivering environmental benefits		
	Ethics	Human rights & modern slavery	Equality	Health, safety & wellbeing	Privacy, data & cyber security	Economic impacts	Connecting society[a]	Charities & communities	Climate change	Energy	Waste reduction
Consumers	Behave in an ethical manner				Privacy and data security Cyber security Internet policy, security and protection		Network investment Customer experience		Carbon emissions reduction		
Employees	Behave in an ethical manner Strong governance		Diversity and equal opportunities	Health, wellbeing and workplace safety		Jobs, pay and pensions	Network investment Customer experience	Supporting communities			
Suppliers	Behave in an ethical manner		Diversity and equal opportunities				Network investment Education and employability skills	Supporting communities	Carbon emissions reduction	Energy savings	Waste reduction
Socially responsible investors	Strong governance Transparency in reporting	Human rights Freedom of expression	Diversity and equal opportunities	Radio frequency emissions and health	Privacy and data security Cyber security Internet policy, security and protection	Pensions	Network investment Customer experience	Supporting communities	Carbon emissions reduction	Renewables Energy efficiency of products Energy savings	
Mainstream investors	Strong governance				Cyber security	Pensions	Network investment Customer experience				
Governments & regulators		Freedom of expression Modern slavery			Privacy and data security Cyber security Data governance Online safety	Price increases Geopolitical risks	Network investment Customer experience		Carbon emissions reduction		

a Connecting society includes network investment, customer experience and skills development.

Source: British Telecom Delivering our Purpose Report - Update on our progress in 2016/17, p. 8

Materiality Matrix

Shows assessment of **material topics** by stakeholders, covering a **wide range** of stakeholders including capital market, customers, suppliers, local communities, employees, media, government, schools, competitors.

Disclosure 102-49 Now, the innovation process no longer refers to ecological aspects, but is reported under "Impacts of climate change" within the framework of standard "GRI 201: Economic Performance". This is due to the abolition of the former G4-EN27 indicator governing the aspect 'products and services' that was replaced by the introduction of the GRI Standards.

Disclosure 102-44 This overview outlines the aspects that were given particularly high priority by specific stakeholder groups:

Assessment of material topics by stakeholders	Capital Market	Customers	Suppliers/ Sub-contractors	Local commu-nities	Employees	Public/ media	Govern-ment/Public authorities	Schools/ Universities	Competi-tors
Economic Performance, incl. implications due to climate change	✓	✓	✓	✓	✓	✓	✓	✓	✓
Procurement Practices	✓	✓	✓	✓					
Anti-corruption	✓	✓	✓		✓	✓	✓		✓
Emissions	✓	✓		✓	✓	✓	✓		
Supplier Assessment (Environmental/Social)	✓	✓	✓						
Labor/Management Relations	✓			✓	✓	✓			
Occupational Health and Safety	✓	✓	✓		✓		✓		
Training and Education	✓			✓	✓			✓	
Diversity and Equal Opportunity	✓				✓	✓		✓	
Human Rights Assessment	✓	✓	✓		✓	✓	✓		
Socioeconomic Compliance	✓	✓	✓		✓	✓	✓		✓

Source: GEA Annual Report 2017, p. 106

Gea Group shows assessment of material topics by stakeholders, covering a wide range of stakeholders including capital market, customers, suppliers, local communities, employees, media, government, schools, competitors This can serve as the basis of deciding which areas to focus on, as well as provide a framework for managing communication with different stakeholder groups.

Issues material to performance constantly evolve, so ongoing analysis and dialogue with stakeholders is essential for companies to focus of their sustainability efforts on what matters for their performance and their stakeholders in the short and long term horizon.

Link to SDGs

The Sustainable Development Goals (SDGs) define global sustainable development priorities and aspirations for 2030 and seek to mobilize global efforts around a common set of goals and targets. The SDGs present an opportunity for business-led solutions and technologies to be developed and implemented to address the challenges. As the SDGs form the global agenda for the development of our societies, they will allow leading companies to demonstrate how their business helps to advance sustainable development, both by minimizing negative impacts and maximizing positive impacts on people and the planet.

The SDGs can help to connect business strategies with global priorities, and leadership is required from GSL to drive action. *Currently, even among GSL, only 65% of companies in our sample link their strategy to SDGs.*

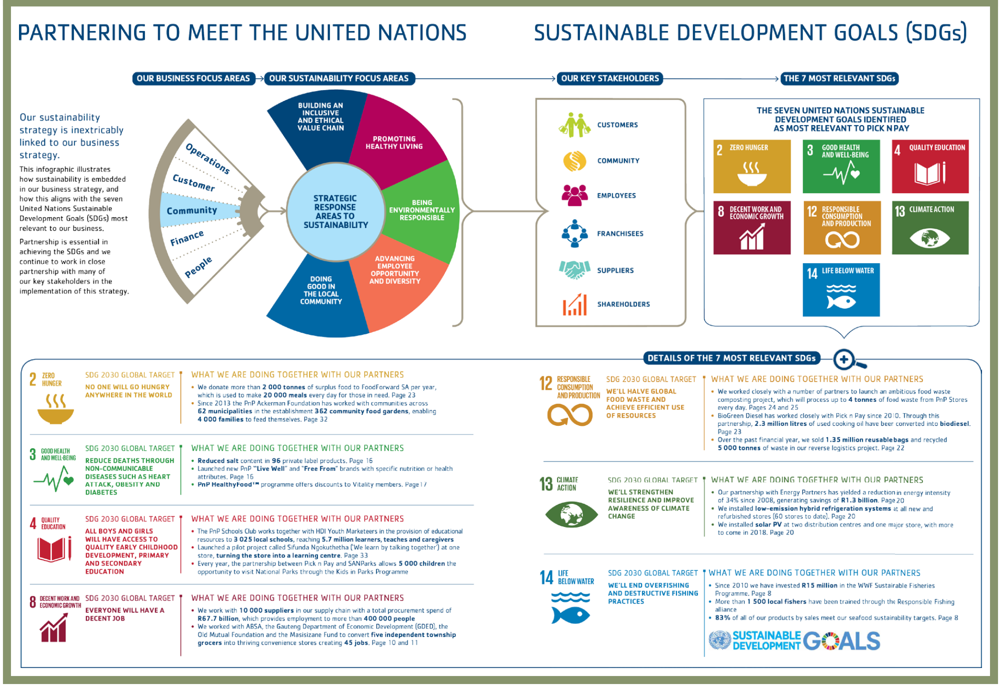
Responsible boards need to actively engage in embedding SDGs responsibilities to their corporations' business strategies to create sustainable value for all stakeholders, realize benefits for their shareholders, and be a leading institution for a sustainable world. Companies can use the SDGs as an overarching framework to shape, steer, communicate and report their strategies, goals and activities, allowing them to capitalize benefits and create value.

Pick N Pay presents a clear process showing how to integrate SDGs into reporting by linking strategy, engaging stakeholders and fostering partnership. The infographic illustrates how sustainability is embedded in the business strategy and how this aligns with the SDGs most relevant to business. Detailed outcomes are presented for each SDG and links provided to access more detailed information on each. Partnership is essential in achieving the SDGs and the company works in close partnership with many of the key stakeholders in implementation of this strategy.

Link to SDGs

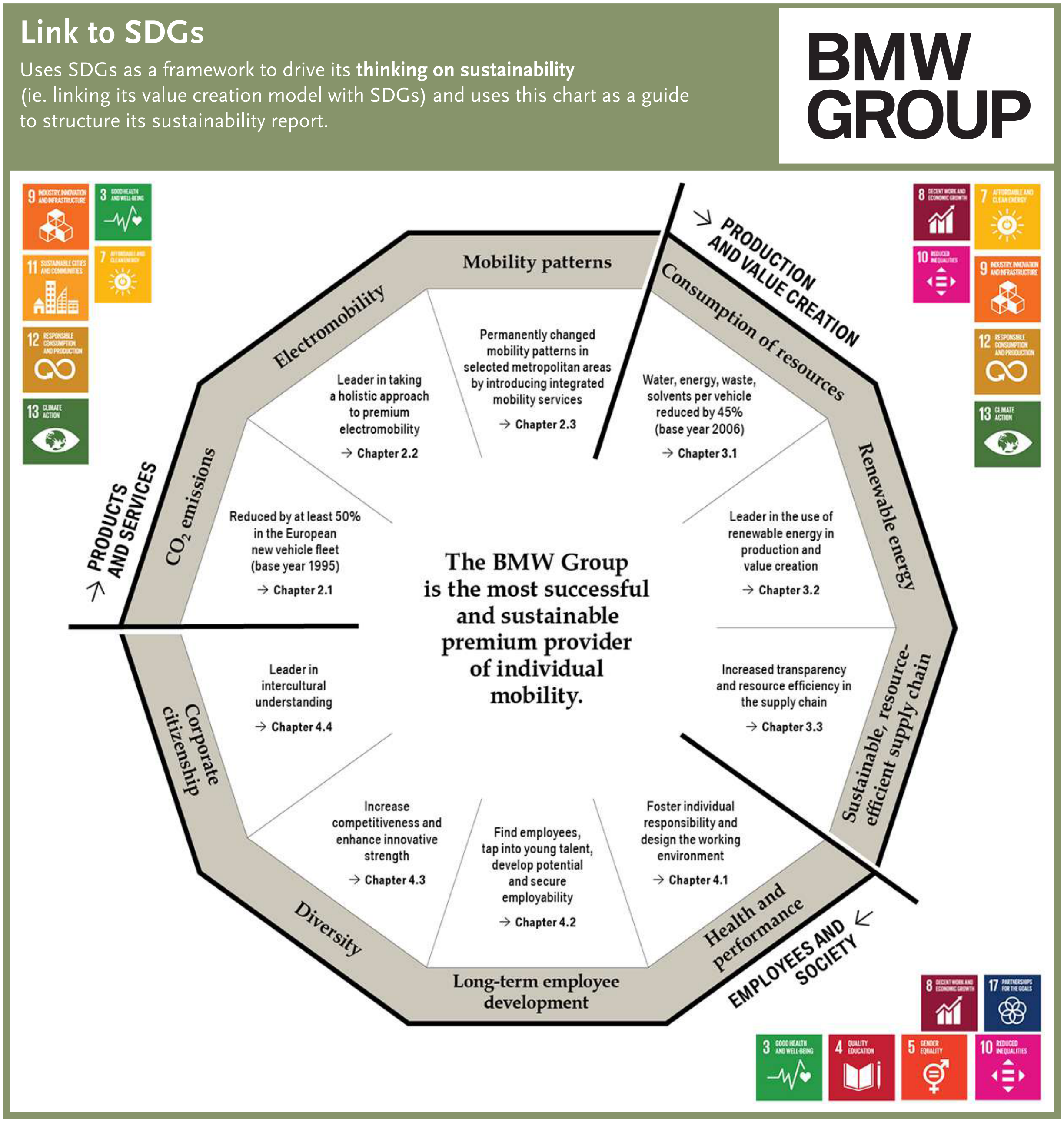
This process is depicted very well in an example chart found from Pick n Pay 2017 sustainability report. The chart starts with mentioning that the sustainability strategy is linked with to the business strategy. In the colorful circle on the top left priority areas have been detailed.

Pick n Pay will then engage stakeholders based on these focus areas and this process will finally lead to priority SDGs the company has selected on the top right. What we also like at the bottom of the chart is that the details of the actual outcomes for each SDG effort has been presented and together with page numbers from the report so the reader could quickly jump to a specific SDG to learn more about this subject.

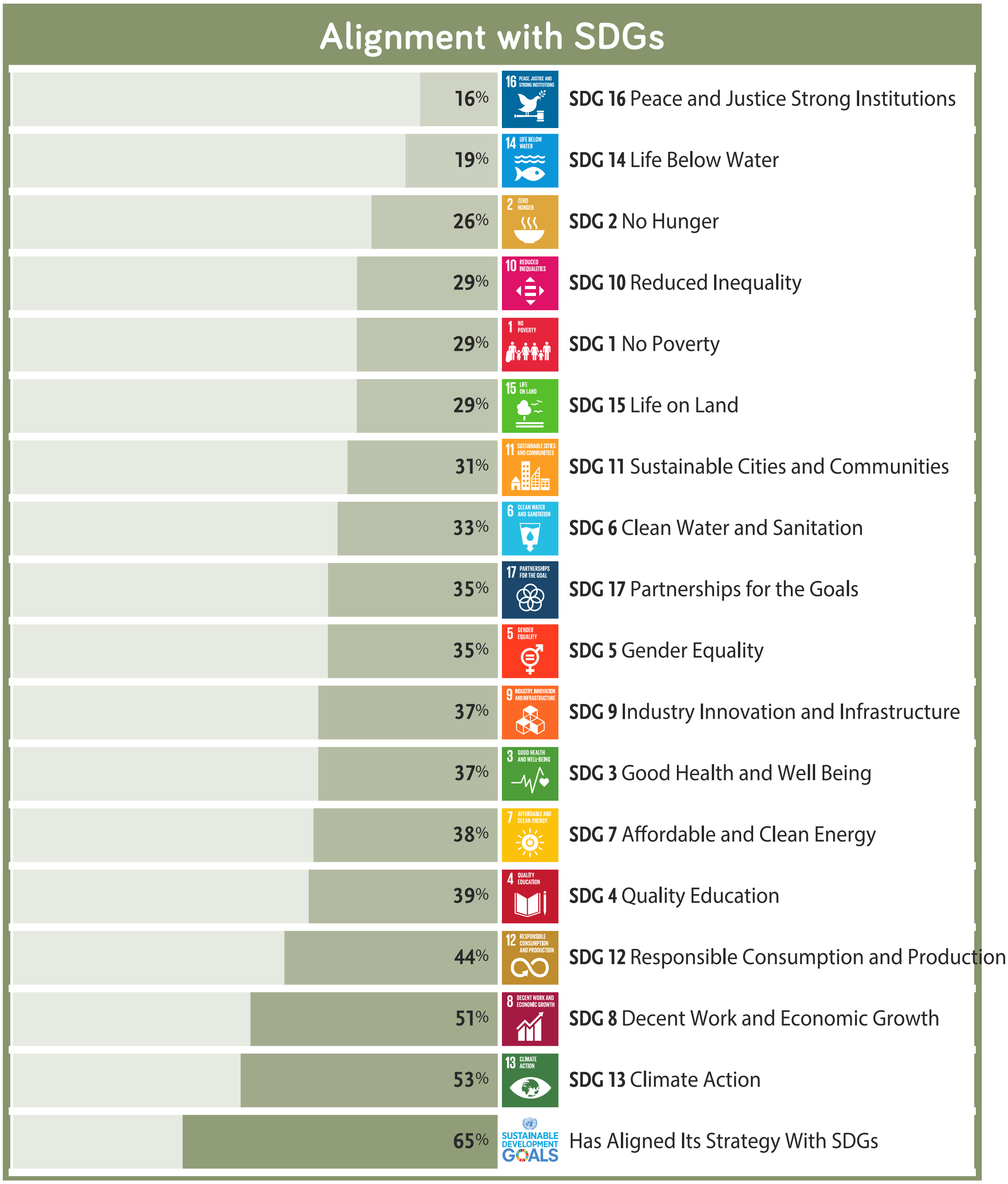


Source: Pick n Pay Sustainable Living Report 2017, p. 2-3

BMW uses SDGs as a framework to drive its thinking on sustainability and uses this chart as a guide to structure its sustainability report. The chart links the value creation model to SDGs prioritized based on materiality matrix on areas in which BMW can have the greatest potential impact. For "mobility patterns" BMW mentions "they permanently changed mobility patterns in selected metropolitan areas". This implies a long-term sustainable value creation which is a crucial criteria we are looking for a good example company. Sustainability targets cover areas from products and services, production and value creation to employees and society. Outcomes are either included in the chart or page numbers have been indicated for details.



Source: BMW Group Sustainable Value Report 2017, p. 15



Based on Sustainability Governance Scorecard Model© of Argüden Governance Academy

We find that engagement of GSL with SDG16: Peace and Justice Strong Institutions is 16% and SDG 14:Life Below Water is 19%.

As part of our research, we also evaluated the link reported by GSL between strategy and specific SDGs. Our findings reveal that companies tend to prioritize SDGs that align with their core business model, rather than taking an all-encompassing approach to creating the right climate and environment for sustainable development. These are two areas that will require multi-stakeholder and long-term systematic approaches for a better future; and GSL have a role to play.

To build the world we want in the future requires changes in the global incentive system (i.e. carbon pricing, anti-corruption). For this system change, Global Sustainability Leaders need to take leadership. Adopting a long-term horizon, these SDGs have significant impact on the environment and social structure in which business will operate in the future. Furthermore, the complexity of the nature of these SDGs require mobilizing resources for a common goal. GSL can lead the way in establishing this link and serving as role-models for other businesses to follow and spark collective action.

Increased action and partnership are required around creating the right climate for sustainability through institution-building and preserving the basis of our life on this planet by protecting oceans.

We find that GSL have embraced the global climate change agenda (53% of GSL linked SDG 13: Climate Change to their strategy) and that SDG engagement is higher for SDGs that are actionable within their business models - SDG 8: Decent Work and Economic Growth (51%) and SDG 12: Responsible Consumption and Production (44%).

Target-setting /Commitment

Our research shows that Global Sustainability Leaders have successfully integrated policy, KPI's, and results coverage to include environmental, social and governance issues. However, only 69%, 70%, 53% of the companies in our sample set targets for ESG respectively. To increase accountability, disclosure is required on how non-financial metrics are established and managed.

Investors look to companies to identify the ESG factors that are important to helping them achieve their strategic objectives and to set targets that will be relevant over that time horizon. To move forward, companies can strengthen their commitment to sustainability by setting targets for environmental, social and governance-related outcomes and tracking performance against key metrics.

Sustainability Governance Targets

	Environmental	Social	Governance
Sets Targets for Future	69%	70%	53%
Sets KPIs	99%	98%	100%
Defines Policies	100%	99%	100%

Based on Argüden Governance Academy research for Sustainability Governance Scorecard©

Seven Trent presents its sustainability targets in a comprehensive chart that can be analyzed from several dimensions.

Targets include short and long-term targets on relevant ESG areas, suppliers as well as community-level targets.

Comprehensive Sustainability Targets

Presents its sustainability targets including **short/long-term** targets across relevant ESG areas, suppliers and communities.

SEVERN TRENT

Our responsible commitments and our performance against them

Objective	Our commitment	How we are measuring our performance	This year's performance	2016/17 target	2020 target
Ambition One: We will make our region the most water efficient in the UK	We will empower our customers to save up to 25Ml/d by 2020	Water efficiency level achieved	4.91Ml/d	5Ml/d	25Ml/d
	We will improve understanding of our services through education	Number of customers we have educated from 2015 to 2020	167,024	160,000	700,000 (cumulative over AMP6)
Ambition Two: We will play a leading role to help make our region's rivers even healthier	We will work with landowners and partner organisations to reduce agricultural run-off in our region's rivers	Positive engagement with land managers in targeted areas by end of AMP6	44% (in 11 out of 12 catchments)	44% (in 12 catchments)	80% (in 12 catchments)
	We will do our fair share to achieve Water Framework Directive good ecological status in our region's failing water bodies, where it is cost-effective to do so	Number of Water Framework Directive classification improvement points (as monitored by the Environment Agency)	15	n/a	233 (cumulative over AMP6)
	We will improve biodiversity in our region by improving at least 75 hectares of Sites of Special Scientific Interest ('SSSI')	Number of hectares improved from unfavourable or deteriorating condition using Natural England's database of SSSIs	-29.74	n/a	75
We put our customers first	We provide a service to our customers that is good value for money	% of customers who rate our service value for money in an independent quarterly survey	58%	47%	55%
	We help our customers who are in genuine need and struggling to pay their bills	Number of customers we help each year through social tariffs and assistance schemes	50,903	50,000	50,000
We are passionate about what we do	Our employees are passionate about what we do	Group % engagement score from our annual employee survey	55%	50%	–
We act with integrity	We involve our customers in our plans, and we're honest about how they think we're doing	We will invite the independent Water Forum to review and comment on our annual performance	4 meetings held this year	–	–
We protect our environment	We do everything we can to prevent polluting the environment	Number of Environment Agency Category 1 & 2 incidents (calendar year metric)	7	6	0
	We reduce our carbon footprint	% reduction in Group carbon emissions (scope 1 and 2 – our direct emissions and those from the energy we use)	8%	4%***	19%
We are inspired to create an awesome company	No one is hurt or made unwell by what we do	STW – LTI rate	0.22	0.18	–
		Business Services – LTI rate	0.04	–	–
	We believe a diverse and inclusive workforce is a key factor in being a successful business	STW – Total workforce % female	31.3%	33%**	–
		Group – Total workforce % female	29.5%	–	–
		STW – Total workforce % BAME	8.9%	5.0%**	–
		Group – Total workforce % BAME	14.8%	–	–
Our suppliers support our values and ambitions	We are a responsible payer	% invoices paid to terms, including self bill (12 month financial year average)	97%	97%	97%

Source: Severn Trents Annual Report and Accounts 2017, p. 58

Executive compensation

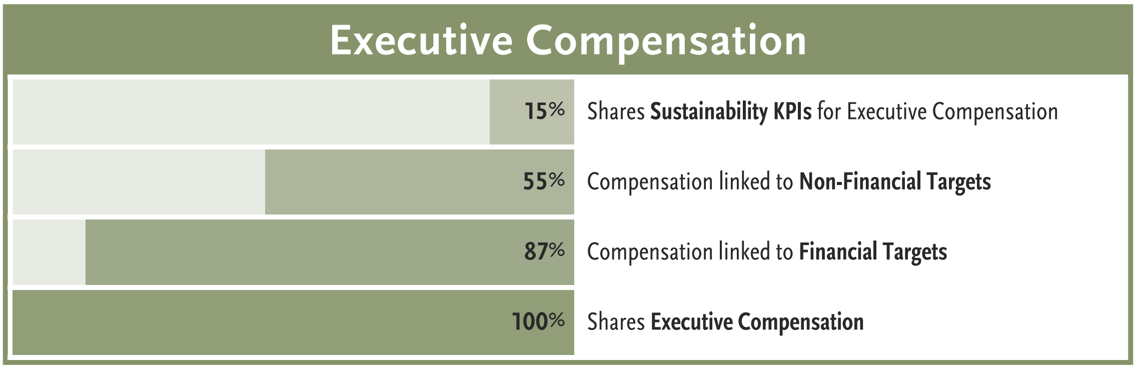
In order to focus management behavior on capturing opportunities from sustainability and ensure that sustainability practices are adopted as everyday practice in decision making, Boards need to make management explicitly accountable for the company's environmental and social impact. By aligning executive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

Results show that existing remuneration plans for executives are not aligned with sustainability goals.

Without this link, it is unlikely that sustainability will receive the attention and priority that it deserves.

Companies leading this change identify appropriate ESG metrics, link these metrics to executive compensation and provide disclosure on such practices. By limiting the number of sustainability goals in its incentives, companies can wield huge power to change leaders' behavior.

We find that 100% of GSL share executive compensation, 87% linked it to financial targets, 55% linked to non-financial targets, and only 15% linked to sustainability targets.

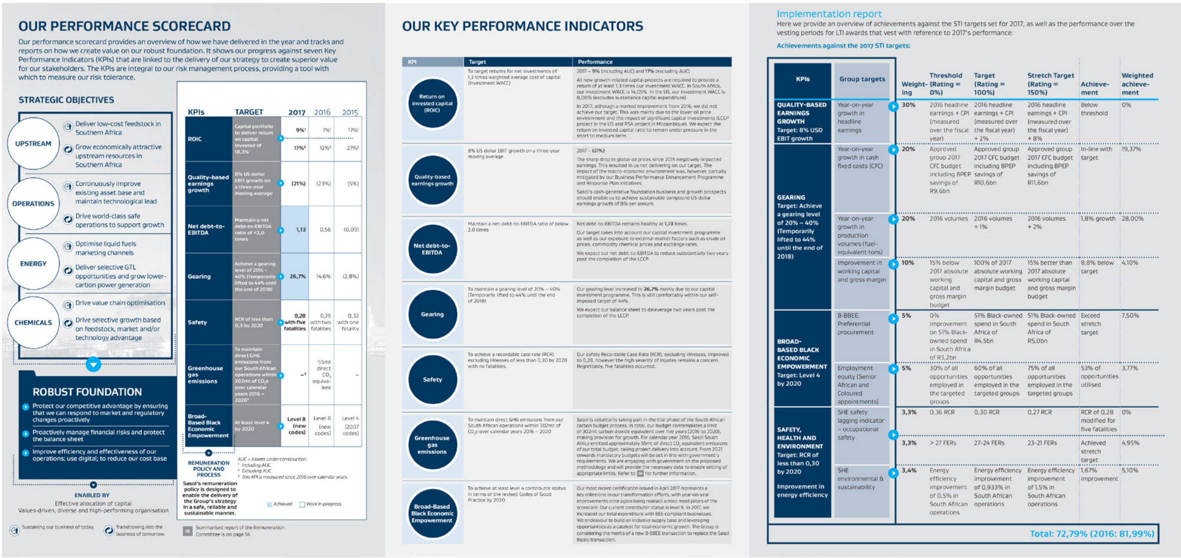


Based on Argüden Governance Academy research for Sustainability Governance Scorecard©

Executive Compensation

Links its performance scorecard to strategic objectives and links incentives to sustainability KPIs covering **sustainability**, **greenhouse gas emissions** and **broad-based black economic empowerment**.

Furthermore, the chart demonstrates the adoption of a learning mindset by showing **trends**, **past performance** and **targets**.



Source: Sasol 2017 Integrated Report, p. 24-25, 59

Sasol is one good example of a company that clearly links its performance scorecard to strategic objectives and has designed a remuneration policy that focuses on enabling the delivery of the Group's strategy in a safe, reliable and sustainable manner by linking incentives to sustainability KPIs covering **sustainability, greenhouse gas emissions and broad-based black economic empowerment.** Furthermore, the chart demonstrates the adoption of a learning mindset by showing trends, past performance and targets.

Targets are broken down into several categories including threshold, target and stretch target as well as providing an assessment of achievement. The targets can vary based on the **company's specific context.** What matters is that **non-financial metrics** are aligned with strategy and are **relevant, measurable, comparable and sufficiently challenging.** In order to drive management performance, payouts should be conditional on financial and nonfinancial performance.

Executive Compensation

Has linked executive compensation to sustainable development by linking 20% of compensation to **safety** (personal safety, process safety) and **emission** (GHG) metrics covering specific business areas: refining, chemical plants and flaring in upstream assets.

Executive scorecard

In 2017, sustainable development continued to account for 20% of the Executive Directors' annual bonus scorecard, which helps determine the annual bonus for the Executive Directors.

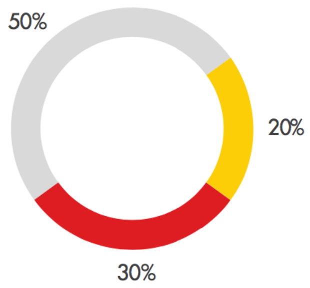
Targets are set each year by the Board's Remuneration Committee and the outcomes against these targets are reported retrospectively in the Annual Report. The same annual bonus scorecard approach applies to senior management and other employees.

The metrics on sustainable development in 2017 had equal weighting between our safety (10%) and environmental (10%) performance. The safety component covers personal and process safety and the environmental component includes greenhouse gas (GHG) emissions for the first time in three specific business areas: refining, chemical plants and flaring in upstream assets.

In 2017, GHG metrics covered around 60% of direct and energy indirect emissions from our operated portfolio. The GHG metrics in the 2018 scorecard have evolved and coverage has increased to around 90% of operated emissions. The refining and chemicals metrics will be retained and emissions coverage in upstream and midstream will be measured on an intensity basis and expanded beyond flaring.

Scorecard structure

Operational excellence 2017	
Production	**12.5%**
LNG liquefaction volumes	**12.5%**
Refinery and chemical plant availability	**12.5%**
Project delivery	**12.5%**



Sustainable development 2017		
Safety **10%**	Personal safety	**5%**
	Process safety	**5%**
Environment **10%**	Refining GHG intensity	**4%**
	Chemicals GHG intensity	**3%**
	Upstream flaring	**3%**

Operational excellence   Cash flow from operating activities   Sustainable development

Source: Shell Sustainability Report 2017, p. 16

For example, **Shell** has linked executive compensation to sustainable development by linking 20% of compensation to safety (personal safety, process safety) and emission (GHG) metrics covering specific business areas: refining, chemical plants and flaring in upstream assets. The report also describes the current and target operations coverage ratio across supply chain. (GHG metrics covered around 60% of direct and energy indirect emissions from our operated portfolio, metrics for next year's scorecard evolved and coverage has increased around 90% of operated emissions). This information is presented in an easy-to-read chart that shows the different components of the executive incentive structure.

Executive Compensation

Shares non-financial metrics in executive compensation; covering **safety**, **carbon-reduction** and **diversity** metrics (women and minorities, executive and professional level).

2017 Annual Incentive Compensation

We based annual cash incentive opportunities for 2017 on the following parameters:

- ***80% financial targets***, equally weighted as adjusted free cash flow (40%) and adjusted EBITDA (40%) metrics, as more fully described below; and
- ***20% non-financial targets***, consisting of safety (5%), environmental (5%), and diversity (10%) metrics, each as more fully described below.

The below chart describes the specific 2017 metrics and results for Alcoa's annual incentive compensation awards:

Performance Metrics[1]	Metric Weight	Performance Minimum (0%)	Performance Target (100%)	Performance Maximum (200%)	Performance Results	Achievement %	Weighted Result
Financial Metrics (80%)							
Adjusted Free Cash Flow ($M)[2]	40%	(329)	21	671	523	179%	**71.5%**
Adjusted EBITDA ($M)[2]	40%	1,157	1,482	1,982	1,247	30%	**12.0%**
Non-Financial Metrics (20%)							
Safety FSI-Actual (count)[3][5]	5%	4	3	2	5	0%	**0.0%**
Environmental CO_2 Emissions Reduction (KTons)[4][5]	5%	100.2	163.7	227.1	-59	0%	**0.0%**
Diversity Global Women %[5]	10%	14.2%	14.5%	14.8%	14.6%	127%	**12.7%**
Total	100%						**96.2%**

Named Executive Officer	2017 Tranche of 2015 PRSU Grant (Target)	2017 Tranche of 2016 PRSU Grant (Target)	2017 Tranche Total % Achievement (Both 2017 Tranches)	2017 Tranche Total Earned Shares for each 2015 and 2016 PRSU Grants
Roy C. Harvey	10,531	32,024	0%	0
William F. Oplinger	15,318	28,267	0%	0
Tomas M. Sigurðsson	3,161	6,686	0%	0
Leigh Ann Fisher	1,583	4,144	0%	0

Source: Alcoa Notice of 2018 Annual Meeting of Stockholders and Proxy Statement, p. 46, 52

Alcoa is a good example of breadth of non-financial metrics in executive compensation; covering safety, carbon-reduction and diversity metrics (women and minorities, executive and professional level). It is easy to read and in one chart you can get financial, non-financial metrics, weight, target and evaluation. TSR is used as benchmark.

Executive Compensation

Health and safety and sustainability metrics as part of compensation bonus.

Min, target, max thresholds and results.

NEWMONT®

The structure and results of the Corporate Performance Bonus for 2017 are provided in the table below:

Component		Metrics	Weight	Performance Objectives Min	Target	Max	2017 Results Result	Outcome	Payout[1]
Health & Safety 20%	Fatality risk management (leading)	Implementation[2]	4%	50%	100%	100%	100%	200%	8.0%
		Execution	4%	20%	65%	95%	99%	200%	8.0%
	Health risk management (leading)	Exposure reduction	4%	5%	10%	15%	14%	178%	7.1%
	Total injury rates (lagging)	TRIFR	8%	0.35	0.32	0.26	0.39	0%	0%
Operational Excellence 60%	Value creation	EBITDA per share	30%	$ 2.58	$ 3.97	$ 5.35	$ 4.65	149%	44.7%
	Efficiency	Cash Sustaining Costs (CSC per GEO)[3]	30%	$ 1,033	$ 943	$ 825	$ 914	125%	37.4%
Growth 15%	Project execution	Progress & Spend	8%	20%	100%	200%	—	130%	10.4%
		Project Advancement	2%	20%	100%	200%	—	81%	1.6%
	Exploration success	Reserves per 1,000 shares[4]	2.5%	1.9	4.5	11.7	10.4	181%	4.5%
		Resources[4]	2.5%	1.4	3.3	5.9	5.8	196%	4.9%
Sustainability & External Relations 5%	Access (public targets)	Water strategy	1%	70%	80%	100%	158%	200%	2.0%
		Closure & reclamation	1%	80%	90%	100%	100%	200%	2.0%
		Complaints & Grievances	1%	95%	100%	100%	98%	92%	0.9%
	Reputation	Dow Jones Sustainability Index	2%	w/in 5% of industry leader			Leader	200%	4.0%
Total Result									**135.6%**

Source: Newmonh 2018 Proxy Statement, p. 71

Another good example of breadth in setting non-financial metrics is **Newmont**, has tied 25% of its remuneration to health&safety and sustainability metrics. Its health& safety metrics cover fatality risk management (implementation and execution), health risk management (exposure reduction) and total injury rates. For sustainability., Newmont focuses on metrics that are core to its value proposition (access) and reputation(leader in sustainability). For. Newmont has linked its executive compensation to its reputation as a leader in sustainability through its rank in the Dow Jones Sustainability Index.

IMPLEMENTATION

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

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

Results Disclosure

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.

Investors are increasingly looking for incorporating environmental, social and governance factors to calculate enterprise value. However, standards and regulations are not yet in place to define how to value and report performance on material topics. Emerging global standards for sustainability reporting, including the GRI standards and IIRC are gaining broader acceptance, but the field of sustainability reporting is still open for public and private organizations to experiment with new approaches.

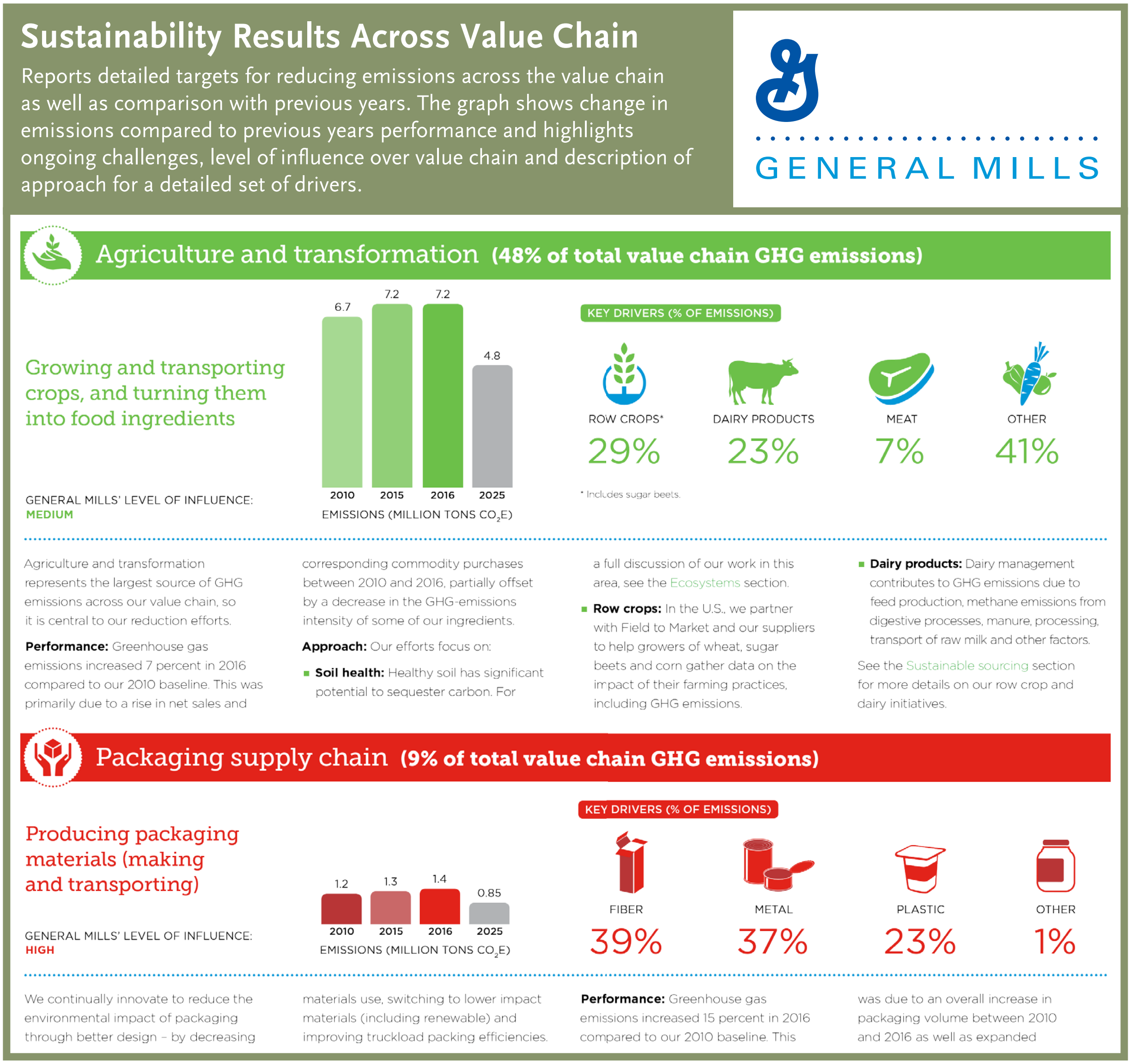
Global Sustainability Leaders are leading this effort:

We find that 98%, 95% and 99% of the companies in our sample have shared results on their environmental, social and governance performance indicators.

Best-in-class companies:

- are **transparent** and **accountable** with their sustainability efforts and disclosure policy;
- ensure the **comprehensiveness of policy and implementation** throughout the value chain including the **supply chain**, the product **lifecycle**, all **geographies**, all stakeholder groups and all levels of the **organization**;
- measure performance across **key sustainable performance indicators** and report past performance as well as **future targets**;
- share the **assessment** of their performance and **remedial actions**.

Below are several examples that report ESG results with comprehensive coverage across several dimensions:



Sustainability Results Across Value Chain

Reports detailed targets for reducing emissions across the value chain as well as comparison with previous years. The graph shows change in emissions compared to previous years performance and highlights ongoing challenges, level of influence over value chain and description of approach for a detailed set of drivers.

GENERAL MILLS

Agriculture and transformation (48% of total value chain GHG emissions)

Growing and transporting crops, and turning them into food ingredients

GENERAL MILLS' LEVEL OF INFLUENCE: MEDIUM

2010	2015	2016	2025
6.7	7.2	7.2	4.8

EMISSIONS (MILLION TONS CO_2E)

KEY DRIVERS (% OF EMISSIONS)

ROW CROPS*	DAIRY PRODUCTS	MEAT	OTHER
29%	23%	7%	41%

* Includes sugar beets.

Agriculture and transformation represents the largest source of GHG emissions across our value chain, so it is central to our reduction efforts.

Performance: Greenhouse gas emissions increased 7 percent in 2016 compared to our 2010 baseline. This was primarily due to a rise in net sales and corresponding commodity purchases between 2010 and 2016, partially offset by a decrease in the GHG-emissions intensity of some of our ingredients.

Approach: Our efforts focus on:

- **Soil health:** Healthy soil has significant potential to sequester carbon. For a full discussion of our work in this area, see the Ecosystems section.
- **Row crops:** In the U.S., we partner with Field to Market and our suppliers to help growers of wheat, sugar beets and corn gather data on the impact of their farming practices, including GHG emissions.
- **Dairy products:** Dairy management contributes to GHG emissions due to feed production, methane emissions from digestive processes, manure, processing, transport of raw milk and other factors.

See the Sustainable sourcing section for more details on our row crop and dairy initiatives.

Packaging supply chain (9% of total value chain GHG emissions)

Producing packaging materials (making and transporting)

GENERAL MILLS' LEVEL OF INFLUENCE: HIGH

2010	2015	2016	2025
1.2	1.3	1.4	0.85

EMISSIONS (MILLION TONS CO_2E)

KEY DRIVERS (% OF EMISSIONS)

FIBER	METAL	PLASTIC	OTHER
39%	37%	23%	1%

We continually innovate to reduce the environmental impact of packaging through better design – by decreasing materials use, switching to lower impact materials (including renewable) and improving truckload packing efficiencies.

Performance: Greenhouse gas emissions increased 15 percent in 2016 compared to our 2010 baseline. This was due to an overall increase in packaging volume between 2010 and 2016 as well as expanded

Source: General Mills 2017 Global Responsibility Report, p. 36

In this chart, **General Mills** presents results on **emissions reduction efforts** across its **value chain**. General Mills takes environmental stewardship into consideration all the way from agriculture, packaging supply chain, producing, shipping, selling and consuming. The chart shows results for the current year and targets, and puts the numbers in perspective by sharing previous years' results. For each part of the value chain, General Mills shares **the percentage of GHG emissions** from that section (e.g. Agriculture and transformation account for 50% of total value chain GHG emissions, supply chain for 8%), **level of influence** the company has (e.g. Low, Medium, High), **key drivers** and relative importance for that phase, **assessment of performance** compared to previous years, and approach for reaching targets (e.g. External collaboration, sustainable sourcing commitments).

Sustainability Data by Geography

Discloses performance against targets for each geography across several **environmental metrics** (energy use ratio, GHG emissions, water use, total waste recycling rate).

To improve our performance and create environmental awareness, we organized environmental training for our employees at the plants. In 2017, we provided

8,574 person-hours

of environmental training to our employees in

Turkey, Jordan, Azerbaijan, Kazakhstan, Pakistan and Kyrgyzstan.

COUNTRY	YEAR	Key Performance Indicators: Energy Use Ratio (MJ/L)	GHG Emissions Ratio (g CO_2-e/L)	Water Use Ratio (L/L)	Total Waste Recycling Rate (%)
Turkey	2017	0.27*	40.43**	1.56*	96.00
	2020 Target	0.28	28.54	1.35	98
Jordan	2017	0.25	38.78	1.44	91.90
	2020 Target	0.23	50.00	1.41	94
Kazakhstan	2017	0.655***	58.62	1.59	90.00
	2020 Target	0.644	45.00	1.55	92
Azerbaijan	2017	0.38	55.66	1.73	97.80
	2020 Target	0.35	55.00	1.70	98
Pakistan	2017	0.38	40.47	1.93	94.44
	2020 Target	0.37	tbd	1.78	98.6
Kyrgyzstan	2017	0.44	54.20	1.65	97.70
	2020 Target	0.45	53.00	1.57	98.50

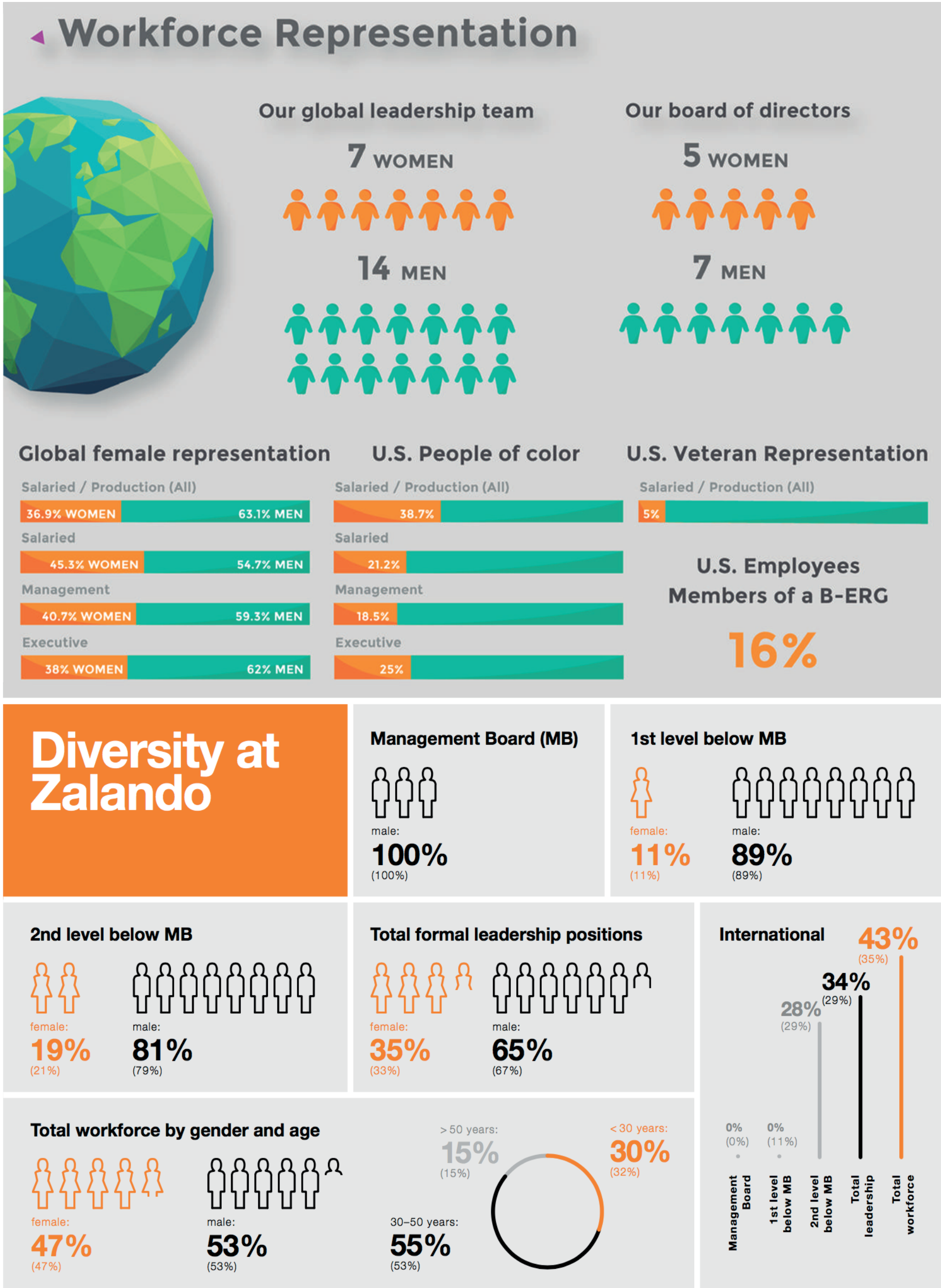
Source: Coca-Cola Icecek Sustainability Report 2017, p. 40

Coca Cola Icecek environmental results chart is a good example for **geographical coverage.** The company discloses performance against targets across several environmental metrics (energy use ratio, GHG emissions, water use, total waste recycling rate) for each geography.

The chart indicates that results have been **audited by an independent** firm, which gives assurance to shareholders that results are accurate. Furthermore, the report discloses the **geographical coverage ratio** for its sustainability results and its **commitment** to increase this coverage.

Social Results: Workforce and Supplier Diversity

Shows workforce diversity results across a **number of criteria** (eg. age, gender) covering **different levels** of the organization (eg. board, management, employees).



Sources: Kellogg 2018 Features: Diversity and Inclusion Annual Report, p. 9 / Zalando 2017 Annual Report, p. 21

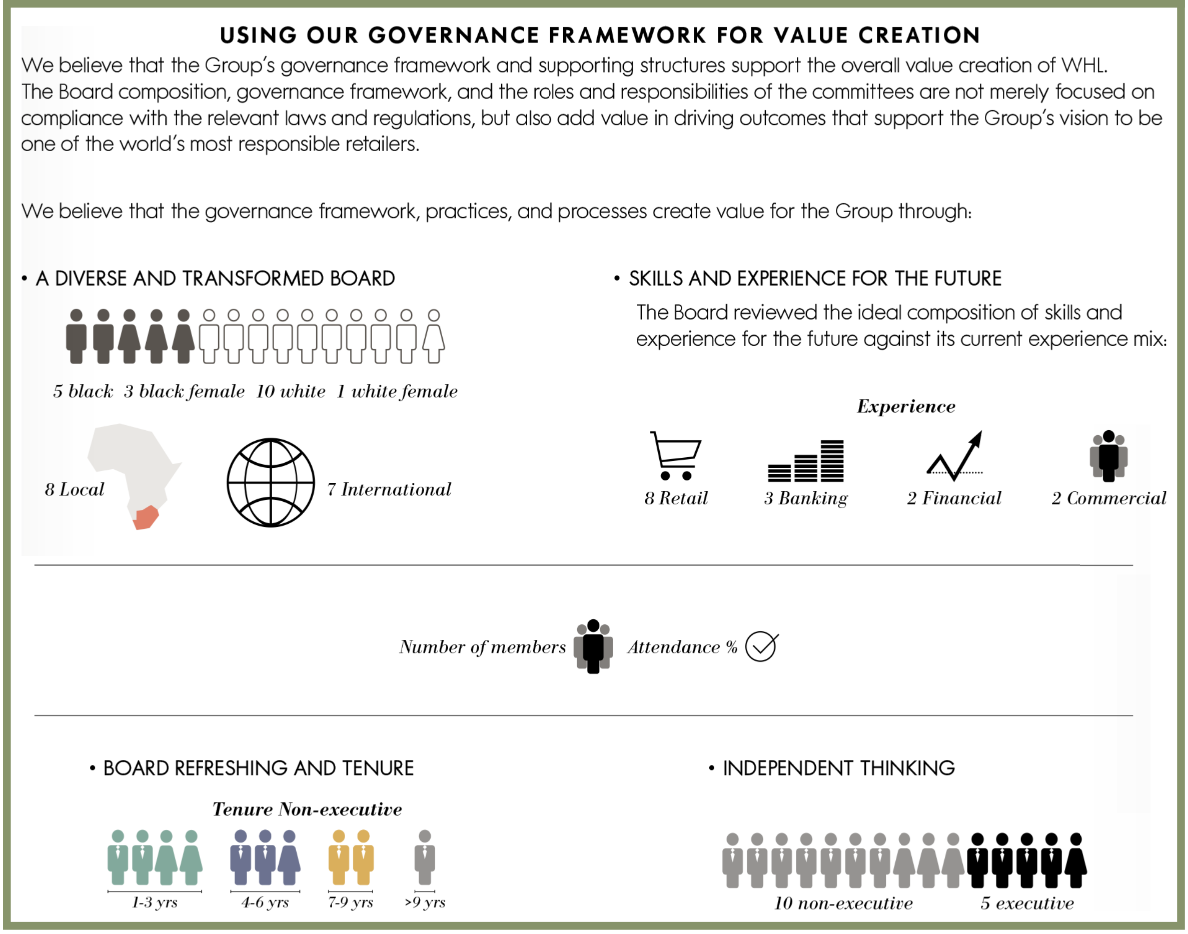
The two example charts from **Kellogg and Zalando show workforce diversity results** across a number of criteria. Results are presented in an infographic covering **different levels of the organization** including the board, management and different levels of the workforce. Diversity and inclusion criteria should include more than just **gender**. To ensure better diversity companies, should report results for a wider range of diversity criteria based on what matters for the company and its stakeholders: including **race, age and tenure.** Inclusion of disadvantaged people should also be part of diversity (e.g. hiring people with disabilities or from disadvantaged communities) Kellogg from United States uses "people of color" and Zalando from Germany uses "international" to define a similar diversity concept. In its results chart, Zalando also mentions that they have set future targets for female leadership at executive and board level and that company is on course of accomplishing the future targets.

Woolworth's Holdings chart is a good example of **breadth and depth** in sharing **governance results**. Board diversity metrics and results are presented across several criteria including: **Independence, Diversity (age, tenure, gender, race, nationality), Skills and Experience (retail, commercial, banking, financial).** The results for skills diversity are helpful because it can foster understanding of which key skills should be incorporated into the board of this specific company. Attendance for each board member is also provided. The chart includes diversity **targets vs. progress towards targets,** suggesting a continuous process for improvement across diversity performance indicators.

Governance Results: Board Diversity

Presents board diversity metrics and results across several criteria including **Independence**, **Diversity** (age, tenure, gender, race, nationality), **Skills** and **Experience** (retail, commercial, banking, financial).

WHL


USING OUR GOVERNANCE FRAMEWORK FOR VALUE CREATION

We believe that the Group's governance framework and supporting structures support the overall value creation of WHL. The Board composition, governance framework, and the roles and responsibilities of the committees are not merely focused on compliance with the relevant laws and regulations, but also add value in driving outcomes that support the Group's vision to be one of the world's most responsible retailers.

We believe that the governance framework, practices, and processes create value for the Group through:

• A DIVERSE AND TRANSFORMED BOARD

5 black 3 black female 10 white 1 white female

8 Local

7 International

• SKILLS AND EXPERIENCE FOR THE FUTURE

The Board reviewed the ideal composition of skills and experience for the future against its current experience mix:

Experience

8 Retail *3 Banking* *2 Financial* *2 Commercial*

Number of members *Attendance %*

• BOARD REFRESHING AND TENURE

Tenure Non-executive

1-3 yrs *4-6 yrs* *7-9 yrs* *>9 yrs*

• INDEPENDENT THINKING

10 non-executive *5 executive*

Source: Woolworths Holdings Limited 2017 Integrated Report, p. 133-134

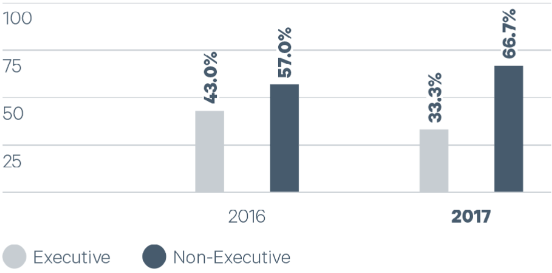
Governance Results: Board Diversity

Presents a **comparison of results** with the previous year across several criteria for board composition including **independence**, **diversity**, **tenure** and **experience**.

Pennon

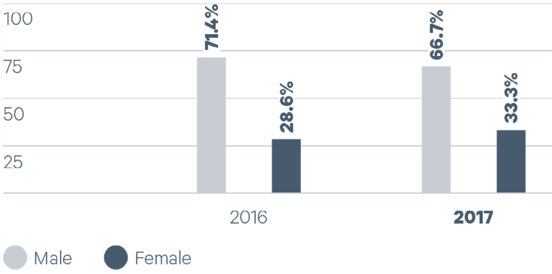
Pennon Board composition, independence and experience

Composition
as at 31 March



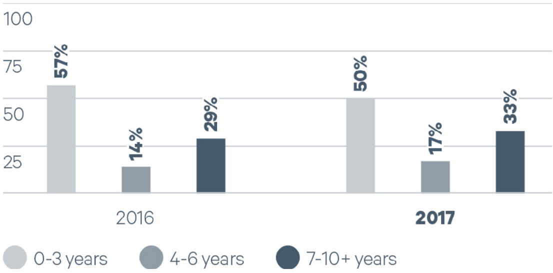
At the end of the year the Board of Directors comprised the Chairman, two Executive Directors and three Non-Executive Directors.

Diversity
as at 31 March

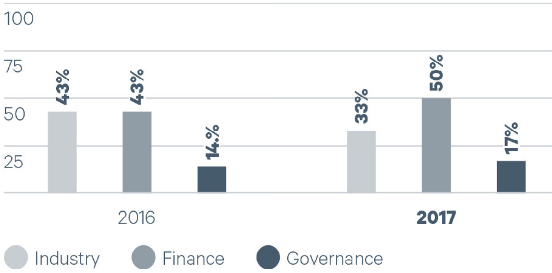


The Board continued to exceed its target of 25% female representation throughout the year and at the year end it was 33.3%.

Tenure
as at 31 March



Experience
as at 31 March



Source: Pennon Group Annual Report 2017, p. 59

Another example that provides **comparable results** for board diversity is Pennon. The charts present a comparison of results with the previous year **across several criteria** for board composition including independence, diversity, tenure and experience.

Supply Chain Coverage

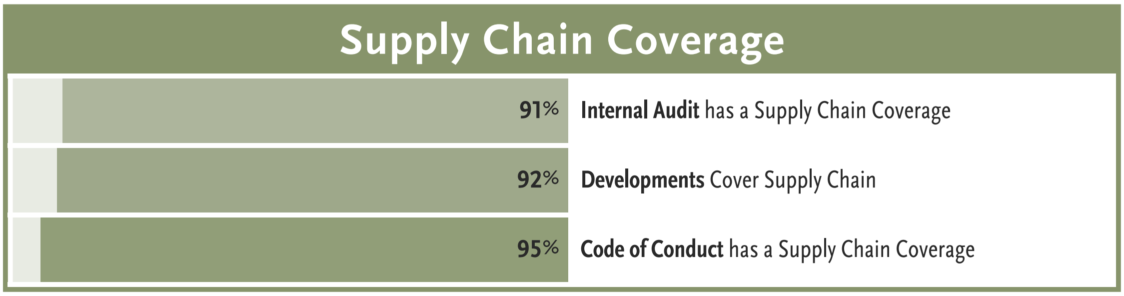
Supply chains are critical links that connect an organization's inputs to its outputs. Many companies' greatest sustainability risks and opportunities are in the supply chain. However, sustainability efforts of many companies are limited to measuring the sustainability of their own business operations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

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.

Global Sustainability Leaders recognize the importance of supply chain for achieving their sustainability targets and are transparent about their efforts. Our assessment shows that 95% of GSL share a Supplier Code of Conduct and that supply chain coverage for developments and internal audit is 92% and 91% respectively.

However, there is still potential for improvement in ensuring implementation effectiveness and reducing risk across supply chain through more effective due diligence and incentive mechanisms.

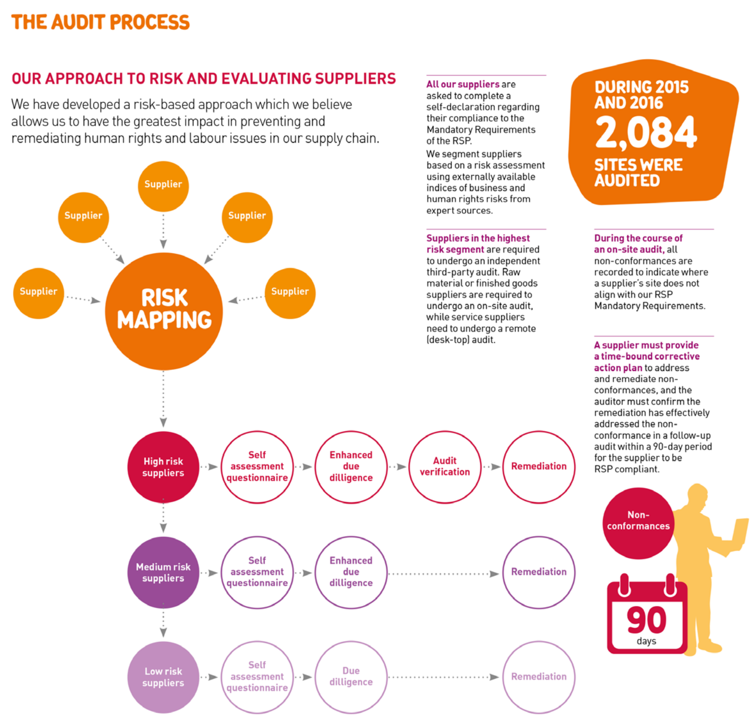
Supply chains can pose significant risks for a company's reputation and sustainability goals cannot be achieved success if suppliers are not on board. To ensure that suppliers are working in line with company policies; audit process should be clearly disclosed in Supplier Code of Conduct. Due diligence procedure should include proper internal audits as well as independent audit. Remedial action should be conducted for suppliers that are not up to standards.

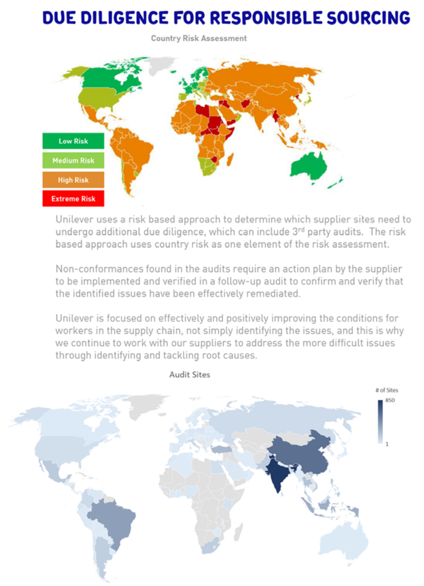


Based on Argüden Governance Academy research for Sustainability Governance Scorecard©

Supply Chain Audit

Presents "**process page**" which describes how they audit suppliers and consider the levels/stages of risk for various suppliers and "**results and action page**" which gives information on audit results (ie. high risk suppliers) and remedial actions.





Unilever uses a risk based approach to determine which supplier sites need to undergo additional due diligence, which can include 3rd party audits. The risk based approach uses country risk as one element of the risk assessment.

Non-conformances found in the audits require an action plan by the supplier to be implemented and verified in a follow-up audit to confirm and verify that the identified issues have been effectively remediated.

Unilever is focused on effectively and positively improving the conditions for workers in the supply chain, not simply identifying the issues, and this is why we continue to work with our suppliers to address the more difficult issues through identifying and tackling root causes.

Total number of suppliers risk assessed to date	44,290
Number of suppliers classified as High Risk	11,287
Total Responsible Sourcing audits to date	4,500
Total audits of high risk suppliers in last 3 years	2,033
Number of high risk suppliers with identified issues in last 3 years	1,667
Number of high risk suppliers with verified corrective action plans in last 3 years	1,175

Source: Unilever Human Rights Report 2017, p. 18 / Unilever's Supply Chain Overview May 2018, p. 17

Unilever also has two good practice examples for supply chain a) **"process page"** which describes how they audit suppliers and consider the levels/stages of risk for various suppliers. b) "**results and action** page" where it is possible to quantify the numbers of total supplier audits conducted, how many were **categorized as high-risk suppliers** and which **remedial actions** have been taken accordingly. The process page gives the details on risk

analysis. The results page includes a heat map, which is easy to understand and allows an overall perspective of covering the whole **geography** of operations.

Apart from such engagement with the suppliers within the value chain, approaches such as supplier management, product design, manufacturing rationalization, and distribution optimization can be utilized to minimize negative externalities throughout the company's value chain. Furthermore, the sustainability impacts of the company's activities further downstream, including its final customers, can also be mitigated by product design and customer education.

Adidas and Diageo are two examples that incorporate supply chain in their sustainability targets and development efforts.

Supply Chain Targets

Discloses a detailed description of its **environmental targets** (quantitative and qualitative) across three areas (water, material & process innovation, energy) with specific targets for its **own operations** and its **suppliers**.

adidas® GROUP

PRODUCT

1 WE VALUE WATER

Water is essential for life. It is also a key resource for our industry. In order to tackle the ever-growing issue of water scarcity and achieve water stewardship[1], we have developed an approach addressing water efficiency, quality and accessibility.

BY 2020, WE WILL ACHIEVE

- 20% water savings at our strategic suppliers[2]
- 50% water savings at our apparel material suppliers[3]
- 35% water savings per employee at our own sites [4]

Additionally, we will:

- Further expand the use of waterless technologies for our products.
- Continue to develop programmes focused on providing access to clean water in the communities we operate in.

2 WE INNOVATE MATERIALS & PROCESSES

We create the best for the athlete, while optimising our environmental impact. We are committed to steadily increasing the use of more sustainable materials in our production, products and stores. At the same time, we are driving towards closed-loop solutions.

BY 2020, WE WILL ACHIEVE

- 20% waste reduction at our strategic suppliers[5]
- 50% waste diversion for owned operations to minimise landfill[6]
- 75% paper reduction per employee at our own sites [7]

Additionally, we are working on:

- Replacing conventional cotton, with the aim of achieving 100% sustainable cotton by 2018.
- Phasing out the use of virgin plastic, starting with:
  - Eliminating plastic bags in our stores.
  - Increasing the use of recycled polyester in our products.
  - Creating a completely new supply chain for Ocean Plastic together with our partner Parley for the Oceans. This means that we are investing in resources to divert plastic waste from coastal communities back into the production cycle and turning it into products.

Source: Adidas Group Sustainability Strategy, 2020 Goals & Ambitions

Adidas discloses a detailed description of its **environmental** targets across three areas (water, material & process innovation, energy) with specific targets for **its own operations and its suppliers**. The targets are a combination of **quantitative** and **qualitative** measures that focus on managing **negative impact** as well as **fostering innovation** in its own operations as well as its supply chain. Quantitative targets are differentiated for different supplier groups and employees (e.g. 20% water savings in strategic suppliers, 50% water savings in material suppliers, 35% water savings per employee in own sites).

Supply Chain Development

Presents supply chain coverage in development across **social** and **governance** factors, covering **supply chain** and **entire workforce**.

DIAGEO

CARBON: Our footprint and progress

OUR FOOTPRINT

The biggest impacts are in packaging, raw ingredients and production.

25%	37%	22%	12%	4%
Raw ingredients	Packaging	Production	Transport	Retail and consumer

25ml measure

70 grams CO_2

A single measure of our vodka has a carbon footprint of 70g CO_2 – that's less than a can of cola and about the same as a packet of crisps or watching television for 45minutes.

1l bottle

2.8 kilograms CO_2

A litre bottle of our vodka has a carbon footprint of 2.8kg CO_2 – about the same as needed to produce 2 litres of milk or to drive a car 7 miles.

REDUCING OUR FOOTPRINT

As a company our 2020 targets include:
A 30% reduction in carbon emission – from across our supply chain

Using renewable energy
We have invested in energy reduction technology at the sites where we make Smirnoff. For instance at our Plainfields sites in the US, renewable electricity and energy efficiency technologies are helping to save the same amount of carbon as generated by 2,000 cars per year.

Working with our suppliers
By switching from glass to plastic bottles we are able to reduce the carbon footprint of a 1.75l bottle of Smirnoff Vodka by 19%. This carbon saving is equivalent to driving a car approximately 1,750,000 miles.

What can you do
Globally, on average, only 1 in 3 glass bottles ends up being recycled. Raising this to 2 in 3 could reduce a bottle of Smirnoff Vodka's carbon footprint by as much as 10%.

Source: Diageo Knowing Our Footprint: Smirnoff, August 2017

Diageo is good example of supply chain coverage in **development** across **social** and **governance** factors. Disclosed commitments include **empowering its supply chain** through expanding and refining the grievance systems and skill training programs; and achieving **sustainable leadership at suppliers** and licensees through governance and leadership level certification.

In short, 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.

OVERSIGHT

Oversight is critical for successful implementation by creating an opportunity to learn from experiences. In this section, we assess disclosed information to see if the board reviews and decides on risk appetite and monitor the implementation throughout the organization; ensure that internal control mechanisms are regularly reviewed, risks are monitored; and third-party verification is available upon board request. We assess whether there is a board evaluation process and results are disclosed, whether there is sufficient board oversight on sustainability issues to ensure implementation, whether internal and independent audit covers ESG issues, supply chain, and geographies, whether trends and benchmarks are disclosed and impact analysis is conducted to identify areas for improvement.

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 Oversight

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

The 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. Another key issue to consider is the standards of conduct and level of implementation in all the jurisdictions that the company operates in. OECD's MNEs Guidelines particularly focus on this issue.

Board Oversight

Defines the oversight role of the board across several sustainability areas including **safety**, **climate change**, and **social responsibility**; also describes the **governance mechanisms** in place for providing oversight.

Sustainability

Sustainability practices and values are integrated into our company's strategy and operations. We believe our focus on sustainability creates value for our stockholders and helps position us to continuously improve business performance. Our strategy focuses our efforts on the areas most significant to our business, including health and safety, climate change, community and stakeholder engagement, human rights, and transparency.

Board Oversight of Sustainability Practices

As part of our commitment, the board is actively engaged in overseeing Hess' sustainability practices and works alongside senior management to ensure focus on these topics. The environmental, health and safety subcommittee of the board's audit committee provides oversight and makes recommendations to the full board of directors with respect to Hess' policies, positions and systems for environmental, health, safety and social responsibility, compliance and risk management. Our board is climate change literate, and these and other environmental risks are discussed at the board level and taken into account in strategic decisions. Furthermore, the board's compensation and management development committee has tied executive compensation to advancing the environmental, health and safety goals of the company.

Safety	Climate Change & Environment	Social Responsibility
Enterprise-wide focus on continuous improvement to ensure "everyone, everywhere, every day, home safe"	***Board evaluates sustainability risks and global scenarios in making strategic decisions***	***Fundamental to the way we do business is to have a positive impact on the communities where we operate***
✔ **Reduced workforce recordable incident rate** by 38% in 2017 (vs 2016)	✔ Set 2020 targets to **reduce flaring intensity by 50%** and **greenhouse gas (GHG) emissions intensity by 25%** compared to 2014 levels	✔ Guided by **commitments to international voluntary initiatives** including the U.N. Global Compact
✔ **Reduced workforce lost time incident rate** by 38% in 2017 (vs 2016)	✔ **Reduced our equity GHG emissions** by more than 6 million tonnes between 2008 and 2017	✔ Took immediate steps to support **Hurricane Harvey recovery and rebuilding efforts** including a $1 million donation
✔ **Employees and contractors share common goal** of zero safety incidents	✔ Account for **cost of carbon** in all significant new investments	✔ Integrate **social responsibility** into enterprise business processes

Source: Hess Corporation 2018 Proxy Statement, p. viii

Hess Corporation clearly mentions that sustainability practices are integrated into its value proposition and defines the **oversight role of the board** across several sustainability areas including safety, climate change, and social responsibility. The chart describes the **governance mechanisms in place** (i.e. Environmental, Health and Safety Sub-Committee of the Board's Audit Committee) and describes the **scope of responsibility** the Board has over sustainability issues.

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.

Generally, financial information is more readily available and presented in detail. However, other key information such as 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 a greater relevance for the future value of the corporation and for the board members to fulfill their stewardship roles.

The boards also need to ensure that the internal control and monitoring systems provide sufficient attention to sustainability issues, compliance and timeliness and adequacy of external reporting. Obviously, all these activities take time and therefore the boards need to allocate sufficient time and resources to deal with sustainability risks and management plans to address them. The time allocation should consider the breadth and immediacy of key sustainability issues that need to be addressed. GSL's tend to establish separate board committees to provide sufficient attention to sustainability matters and to bring the key issues to the full board.

Audit

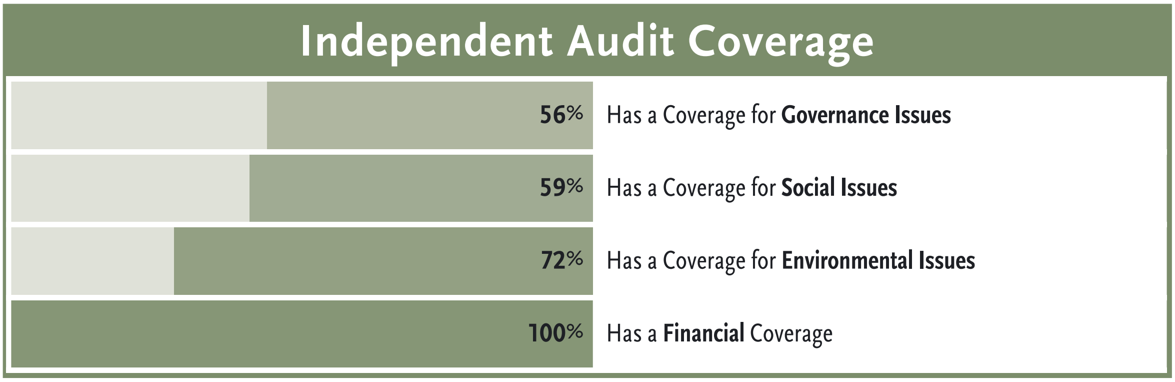
In order to exercise their oversight responsibilities, the boards should receive findings and recommendations from any investigation or audit by internal audit department, external auditors, regulatory agencies, corporation's insurance companies, or third-party consultants concerning the corporation's sustainability matters on a timely basis.

Internal audit should focus to both financial and process related issues to improve implementation and play an advisory role. Internal audit function must have direct access to the board. Audit Committee charter should cover compliance and sustainability related issues.

Independent audit coverage is still not widespread, even among GSL:

We find that all GSL have an independent audit for financial results, but independent audit coverage for environmental, social, and governance issues are 72%, 59%, 56% respectively.

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



Based on Argüden Governance Academy research for Sustainability Governance Scorecard©

Supplier Audit

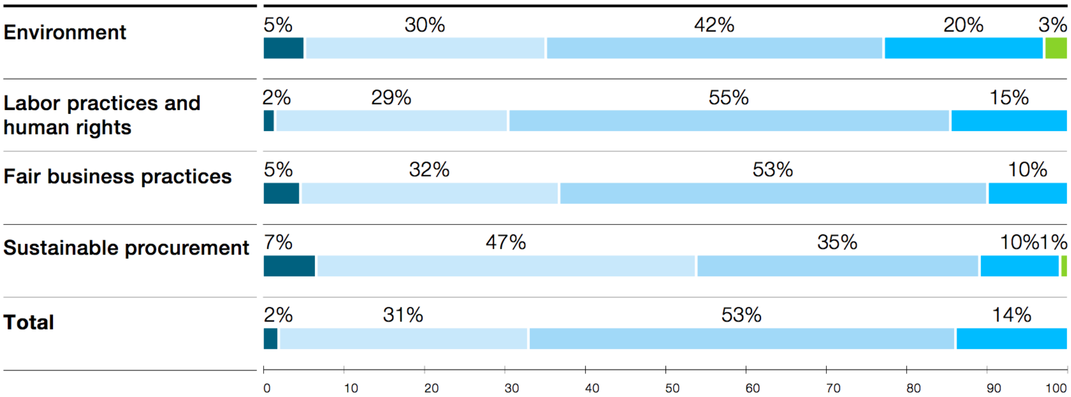
Discloses the results of its supplier assessment across several sustainability areas including environment, labor practices and human rights, fair business practices, and sustainable procurement.

Online Annex: A 1.4.2.1-4

The online assessments undertaken by EcoVadis in 2017 identified a need for suppliers to improve particularly in the areas of sustainable procurement, environment and fair business practices. Suppliers who achieve less than 25 of 100 possible points are regarded as critical in terms of their sustainability performance.

A 1.4.2.1-4/1

Results of Online Supplier Assessments by Category



Valuation according to EcoVadis (in points): 0 – 24 25 – 44 45 – 64 65 – 84 85 – 100

Number of suppliers assessed: 622 (as of December 31, 2017)

Source: Bayer Annual Report 2017, p. 96

For example, Bayer discloses the results of its supplier assessment across several sustainability areas including environment, labor practices and human rights, fair business practices, and sustainable procurement. The online assessments and on-site audits are analyzed and documented in order to define specific improvement measures in the case of unsatisfactory results. The report also mentions that in case of critical results, the suppliers are asked to rectify identified weaknesses within an appropriate period time based on specific action plans.

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.

Impact Analysis

Information quality drives decision quality. Information flow to the board needs to be relevant, context based, timely, balanced, and comprehensive. Balance refers not only to the amount different dimensions of information, but also, to its detail. **Relevance** and **context** are two key elements of for board information. Putting information into context requires an ability to show the bigger picture as well as including comparative benchmarking data. Relevance of information, in turn, is related to the decision-making process. The board has to understand the issue, and the options, costs, risks, and impacts of each option for different stakeholders. Comprehensiveness refers to the different dimensions of sustainability, including social, environmental, and governance aspects. Environmental impacts may include a broad range of issues, anywhere from carbon emissions to biodiversity, from energy efficiency to water and air pollution etc.

For information to be **useful**, it needs to be presented within a context which should include comparisons with past performance and budget targets, lead indicators, current trends, emerging issues, emerging benchmarks, compliance with applicable laws and regulations, and the key upcoming regulations and standards.

Board Evaluation

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.

Board Evaluation Results

Discloses the results of its **board evaluation process** across several criteria: total satisfaction, leadership, strategy, governing structures, governance functional areas and stakeholder relationships.

Source: Exxaro Integrated Report 2017, p. 115

For example, **Exxarro** discloses the results of its **board evaluation process**, which can serve as a signal that the board is ensuring its effectiveness to discharge its governance roles and responsibilities objectively and effectively. Evaluation categories include **total satisfaction, leadership, strategy, governing structures, governance functional areas and stakeholder relationships.** The report also provides a detailed assessment of board composition across several diversity and skill metrics; showing that it has an appropriate balance to ensure effective leadership.

LEARNING

Integrating sustainability into the organization's processes and culture requires a continuous learning climate. Having created the opportunity to learn by analyzing and evaluating results from the oversight process, lessons learned need to be utilized to improve-decision making processes. Skills gaps and required mindset changes need to be addressed through trainings and sustainability practices need to be integrated into the company's culture.

Therefore, the board needs 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. 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.

To assess whether the learning culture is sustained throughout the cycle, we seek any evidence of learning and improvements in performance of sustainability efforts. Examples of such evidence to reach targets through actions to implement lesson learned are:

- Organizational development (incorporating lessons learned into orientation, education, promotion, compensation processes);
- Training programs to address skill-gap (e.g. compliance, unconscious bias,
- Changes in incentive mechanisms;
- Resource allocation for improvement;
- Mobilizing collective action in areas where the company's resources would fall short (esp. with respect to SDGs)
- Improving stakeholder engagement.

Skills Development

The complexity of managing sustainability calls for corporations to implement their sustainability agenda through a continuous learning process. Such a process needs to involve all stakeholders, in order to integrate sustainability into the culture of the organization. Only when all stakeholders are acting together in an eco-system can goals such as human rights, non-discrimination, environmental or product stewardship be truly achieved. For example, it is not sufficient to have the correct way of sourcing, unless you make sure your suppliers adopt the same standards of responsibility. This might require expanding training programs across the supply chain and/or customers.

Therefore, we also evaluate whether coverage of the improvement initiatives encompass all relevant stakeholders including all levels of the organization, supply chain, geographies and even customers. We find that best-in-class companies ensure coverage of learning initiatives across related sustainability areas (e.g. compliance, unconscious bias, etc.) and relevant stakeholders (including supply chain and customers), and establish a **learning loop for continuous improvement** by disclosing remedial action to address gaps. Below, we present several examples:

Compliance Training & Learning

Presents its compliance training & learning results across several categories such as **anti-bribery**, **data privacy** and **ethical workplace conduct** and **share of employees** who have completed the trainings.

COMPLIANCE TRAINING

Thousands of employees receive ethics and compliance training every year at Cummins. These figures are accumulated enrollments of active employees since 2005, when the oldest courses were first offered. The completion rates reflect the number of completions by the first quarter of 2018.

TRAINING	ENROLLED	COMPLETED	% COMPLETED
Anti-Bribery	30,181	29,559	98 percent
Anti-Bribery Refresher	23,391	22,805	97 percent
Global Anti-Bribery	31,282	28,355	91 percent
Careful Communications	31,283	30,654	98 percent
Code of Business Conduct Refresher	26,927	25,741	96 percent
Conflicts of Interest	582	525	90 percent
Data Privacy	6,721	6,316	98 percent
Doing Business Ethically	31,283	30,501	98 percent
Export Compliance	23,947	22,163	93 percent
Treatment of Each Other at Work Refresher	19,908	19,328	97 percent
Fair Labor Standards	485	482	99 percent
Code of Business Conduct – New Hire	59,311	55,190	93 percent
Treatment of Each Other at Work – New Hire	59,311	55,139	93 percent
Fair Competition 2016	28,312	25,120	89 percent

Source: Cummins 2017 Sustainability Progress Report, p. 44

For example, **Cummins** presents its **compliance training & learning** results across several categories such as anti-bribery, data privacy and ethical workplace conduct. The chart shows how many employees have been enrolled for each sub-section and presents an assessment of progress in absolute and percentage terms. The report also mentions that Cummins has aligned its compliance strategy with SDG's and incorporated its training strategy to its long-term sustainability goals.

Community Learning Results

Presents a summary chart outlining its **goals**, **initiatives** and **results** across several criteria (including total training hours, gender diversity for leadership positions, employee health & wellness and employee culture survey results).

CRODA

People and Community

Ensuring the success and safety of our people and supporting the communities in which we operate

Key Material Areas

Occupational Health & Safety
Empower employees to have health and safety at the forefront of their thinking

Our People
Create an environment where people can thrive

Diversity & Inclusion
Embrace and empower all individuals

Knowledge Management
Safeguard our knowledge and expertise

Community Education & Involvement
Support the communities in which we operate, with a primary focus on encouraging young people to work within science and technology

Highlights

107,000+
training hours were recorded by 82.7% of employees

Living Wage
employer in the UK, accredited by the Living Wage Foundation

Global
Behavioural Safety Training Programme implemented

50.0%
of 1% Club time was spent on educational initiatives

Diversity and Inclusion
We embrace the differences of a multi-ethnic, multi-geographic and multi-skillset company

Across the Group

67.1% (2,890) male
2016: 67.5%

32.9% (1,419) female
2016: 32.5%

Regional and Business Board Members and Senior Functional Heads

83.8% (88) male
2016: 81.6%

16.2% (17) female
2016: 18.4%

Executive Committee Members

88.9% (8) male
2016: 90.0%

11.1% (1) female
2016: 10.0%

Board of Directors

75.0% (6) male
2016: 75.0%

25.0% (2) female
2016: 25.0%

We continue to comply with the ILO Declaration on Fundamental Principles and Rights at Work. Key policies can be found at www.croda.com/companypolicy

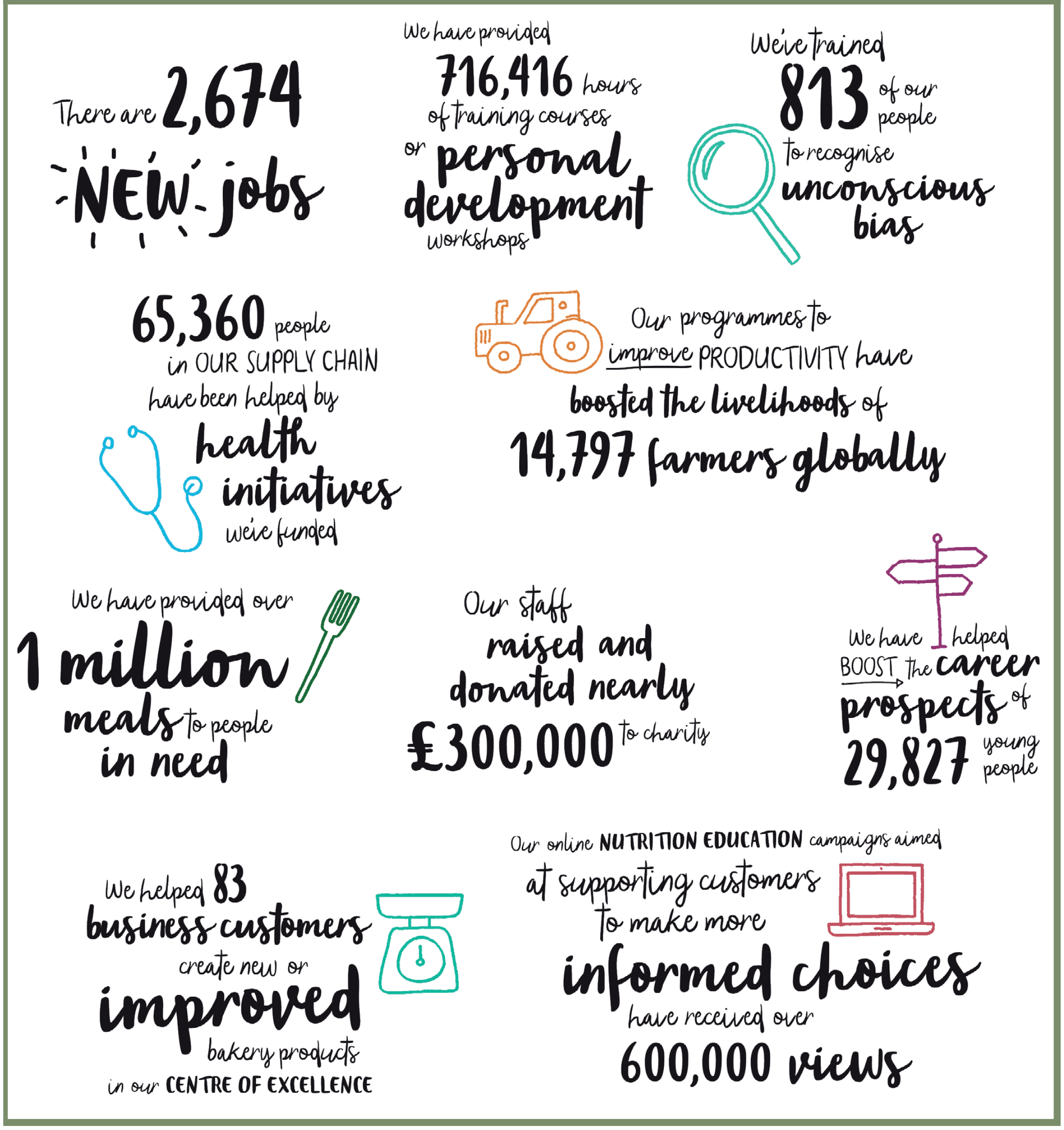
Source: Croda Sustainability Report 2017, p. 25

Croda presents a summary chart outlining its goals, initiatives and results for "ensuring the success and safety of its people and supporting the communities in which it operates" The chart shows actions taken towards commitments (rolling out a behavioral safety training program), showing that the company has recognized behavioral change as an important factor in achieving its health & safety commitments. The chart presents data on a variety of metrics, including total training hours, gender diversity for leadership positions (and remedial action taken), health and wellness of employees and a Global Employee Culture Survey they conduct on a yearly basis. Results for the previous year and percentage change in outcomes is also presented for easy comparison. The chart also builds a connection to long term sustainability goals by showing evidence on integration of human resources goals into their long-term SDG strategy.

Learning & Development Coverage

Highlights results on **supplier**, **community** and **customer** learning & development and **discloses details** on each stakeholder group in the rest of the report (eg. employee training hours for unconscious bias & personal development, training programs & health initiatives across supply chain to supporting customers with informed choices).

Associated British Foods plc



Source: Associated British Foods Corporate Responsibility Update 2017, p. 3

Associated British Foods highlights actual results on supplier, community and customer learning & development in one page at the beginning of the sustainability report before company gets into full details on each value chain stakeholder covering all ESG factors in a comprehensive way in the actual report. This includes employee training hours for unconscious bias & personal development, training programs & health initiatives across supply chain to supporting customers with informed choices.

Partnership for Skill-Building

Describes **approach** and **results** on food-handlers skills training program covering different stakeholder groups.

TIGER BRANDS

Flagship: Breakfast programme

WE'VE COME A LONG WAY SINCE 2011

R145m* spent on the programme to date

91 no-fee schools across all nine provinces included in the programme

9 project coordinators oversee smooth running at provincial level

33 kitchens constructed/ upgraded (five to be built by February 2018)

63 699 learners receive a nutritious breakfast every school morning

45,2m warm nutritious breakfasts served since 2011

360+ jobs sustained for the community as food handlers, monitors and provincial coordinators

* *Approximately 2011 – 2017*

The foundation partners with multiple stakeholders:
- The Department of Basic Education at national, provincial and local level
- Academic and research institutions (such as University of Johannesburg – Centre for Social Development in Africa)
- Beneficiary schools, parents and community leaders
- Community-based agencies (food delivery partners)
- Funders/donors investing in food-security and school-nutrition programmes
- Tiger Brands group, public and shareholders.

Enhancing capacity

The foundation introduced a food-handlers skills training programme accredited by the South African Qualifications Authority (SAQA) and welcomed by the Department of Basic Education. It was piloted in the Free State province with the support of the provincial education department, and aims to:
- Empower food handlers with appropriate knowledge about food preparation, safety and hygiene
- Extend the scope of SAQA-accredited training to give volunteer food handlers skills that will enhance their employability or opportunities for entrepreneurship after completing the nutrition programme
- Incorporate components of the national schools nutrition programme to ensure uniform food-preparation safety and hygiene standards.

Although food handlers are employed by the Department of Basic Education, they are paid a stipend by the foundation.

Commitments for FY18
- Given positive results from our public-private partnership model for in-school nutrition, we will expand this to more schools in South Africa
- We will continue to sponsor the first prize in the Department of Basic Education's annual NSNP awards for best school and best district. For the best school, this means R450 000 towards a school kitchen and adoption onto our in-school breakfast feeding programme for a minimum of three years. The best district will receive R80 000 towards equipment for the NSNP office
- Provide a stipend of R550 per month for food handlers
- The foundation will also donate at least four more school kitchens (for schools identified by the department) in FY18. Two of these will be built in partnership with a corporate funder.

Source: Tiger Brands Integrated Annual Report 2017, p. 61

Tiger Brands describes a food-handlers skills training program it helped introduce in 2011 accredited by the South African Qualifications Authority (SAQA) and welcomed by the Department of Basic Education. It provides the results regarding progress since 2011 and regarding impact on schools and on communities. This chart does not omit to state the names of various stakeholders that have been engaged for the accomplishment of the program. "

Deployment

Achieving sustainability goals require mobilizing the workforce and ensuring a continuous learning mindset is embedded in the company's processes. A successful deployment program requires:

establishing framework for effective communication and learning for the employees and the members of the supply chain;

- incorporating sustainability issues into hiring and remuneration policies as well as supplier identification processes (having appropriate incentive systems);
- establishing clear guidelines and remedies for those who fail to follow the corporation's sustainability standards;
- and making sure that the management information systems provide for adequate, appropriate, and verifiable data on key sustainability priorities.

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

KEY RECOMMENDATIONS

The SG Scorecard and our results can be utilized by many stakeholders including boards and managements of companies, investors, regulators, civil society organizations, academia, and the representatives of the press for identifying good examples, learning from these examples, and improving accountability and investment decisions.

In our research, we have adopted a governance lens to provide an assessment of whether there is the right climate for providing guidance and oversight, and managing sustainability. Below, the recommendations are provided on how the SG Scorecard can be used by different stakeholder groups to improve sustainability governance in their spehre of influence.

Boards

- Ensure the board has the right skills, composition, and processes to provide guidance on sustainability issues and serve as role model for the rest of the organization;
- Ask the right questions on sustainability (See Appendix 3) to mobilize the resources towards sustainability;
- Increase board oversight on sustainability through ensuring independent audit coverage of ESG issues; supply chain and life-cycle impact;
- Adopt a data-based management approach to sustainability through showing commitment by setting targets for environmental, social, and governance-related outcomes.
- Motivate and focus management through aligning management incentives with sustainability targets.

Investors

- Leverage best-practices on reporting material non-financial performance information (incuding processes and measurement tools for ESG across different time horizons) to assess long-term enterprise value and increase transparency, clarity, and consistency of sustainability performance measurement and integration of a data-based approach to decision-making;
- Integrate governance quality of sustainability (as measured through the Scorecard and differentiated into Tiers for companies across Sustainability indexes) to inform investment decisions;

Management

- Increase adoption of good practices for a more sustainable future by leveraging best practices and benchmarking information provided by the Scorecard;

- Compare sustainability governance performance against other Global Sustainability Leaders across the list of criteria (including across sectors and countries) to understand where they are in terms of sustainability governance and reporting practices;

- Proactively integrate external stakeholders – especially communities in different geographies – into the company's value creation model;

- Link stategy to SDGs to mobilize resources, manage risks, and effectively communicate the company's contribution to sustainable development;

- Adopt transparency in reporting practices and use Integrated Reporting as a transformative tool for continuously getting better at managing sustainability.

Regulators

- Utilize country and sector benchmarks, as well as promote best-practice examples to improve reporting quality

- Encourage adoption of reporting and conduct standards, including Integrated Reporting and UN Global Compact Principles

Civil Society Organizations

- Understand the state of the world with respect to where we are in terms of responsible leadership for a more sustainable future; to focus actions on lagging SDGs, especially in areas where multi-stakeholder approaches and long-term planning will be neccesary (eg. SDG 16: Peace, Justice and Strong Institutions)

- Enable collective action on SDGs by utilizing best examples on how to link SDG goals to strategy, how to set targets and how to mobilize relevant stakeholders for action.

APPENDIXES

APPENDIX 1. Company Scores

YES / NO

TIER 1 · TIER 2 · TIER 3 · TIER 4 · TIER 5

HIGH DEPTH · MODERATE DEPTH · LOW DEPTH

COMPANY	INDUSTRY	COUNTRY	SCORES	<IR>	UNGC	UNGC 100	UNGC LEAD
Adidas	*Consumer Goods*	DE	Tier 3, Moderate depth	No	No	No	No
AECI	*Chemicals*	ZA	Tier 3, High depth	Yes	No	No	No
African Rainbow Minerals	*Natural Resources*	ZA	Tier 3, High depth	Yes	No	No	No
Air Products and Chemicals	*Utilities*	US	Tier 2, High depth	No	No	No	No
Akenerji	*Utilities*	TR	Tier 4, Moderate depth	No	No	No	No
Aksa Enerji	*Utilities*	TR	Tier 5, Low depth	No	Yes	No	No
Alcoa	*Natural Resources*	US	Tier 1, High depth	No	No	No	No
Anadolu Efes	*Food Processors*	TR	Tier 5, Low depth	No	Yes	No	No
Anglo American	*Natural Resources*	ZA	Tier 1, High depth	Yes	Yes	No	No
Anglo American Platinum	*Natural Resources*	ZA	Tier 2, High depth	Yes	No	No	No
Anglogold Ashanti	*Natural Resources*	ZA	Tier 2, High depth	Yes	Yes	No	No
Antofagasta	*Natural Resources*	UK	Tier 2, High depth	No	No	No	No
Archer Daniels Midland	*Food Processors*	US	Tier 2, Low depth	No	Yes	No	No
Aspen Pharmacare	*Pharmaceuticals*	ZA	Tier 4, Moderate depth	Yes	Yes	No	No
Associated British Foods	*Food Processors*	UK	Tier 1, Moderate depth	No	No	No	No
AstraZeneca	*Pharmaceuticals*	UK	Tier 2, Low depth	No	Yes	No	No
AVI	*Food Processors*	ZA	Tier 4, Moderate depth	Yes	No	No	No
B&M	*Retail*	UK	Tier 4, Low depth	No	No	No	No
B+T Group	*Telecommunications*	UK	Tier 1, High depth	No	Yes	No	No
BASF SE	*Chemicals*	DE	Tier 1, Moderate depth	Yes	Yes	Yes	Yes
Bayer	*Pharmaceuticals*	DE	Tier 1, High depth	Yes	Yes	No	No
Beiersdorf	*Consumer Goods*	DE	Tier 3, Moderate depth	No	Yes	No	No
Beijing Capital	*Utilities*	CN	Tier 5, Low depth	No	No	No	No
Best Buy	*Retail*	US	Tier 3, Moderate depth	No	No	No	No
BHP	*Natural Resources*	UK	Tier 1, High depth	No	No	No	No
BMW	*Automotive*	DE	Tier 1, High depth	No	Yes	Yes	No
Brenntag	*Chemicals*	DE	Tier 4, Low depth	No	Yes	No	No
Brisa	*Automotive*	TR	Tier 4, Moderate depth	No	Yes	No	No
Bristol-Myers Squibb	*Pharmaceuticals*	US	Tier 4, Moderate depth	No	Yes	No	No
Burberry Group	*Consumer Goods*	UK	Tier 2, Low depth	No	Yes	No	No
Campbell Soup	*Food Processors*	US	Tier 3, High depth	No	Yes	Yes	No
Caterpillar	*Machines and Equipments*	US	Tier 3, Moderate depth	No	No	No	No

YES NO

TIER 1 TIER 2 TIER 3 TIER 4 TIER 5

HIGH DEPTH MODERATE DEPTH LOW DEPTH

COMPANY	INDUSTRY	COUNTRY	SCORES	<IR>	UNGC	UNGC 100	UNGC LEAD
Centrica	*Utilities*	UK	Tier 2, Moderate depth	No	Yes	No	No
China Everbright	*Machines and Equipments*	CN	Tier 5, Low depth	No	No	No	No
China Mobile	*Telecommunications*	CN	Tier 5, Moderate depth	No	Yes	No	No
China United Telecom	*Telecommunications*	CN	Tier 5, Low depth	No	Yes	No	No
CLP Group	*Utilities*	CN	Tier 1, Low depth	No	No	No	No
Coca-Cola European Partners	*Food Processors*	UK	Tier 2, High depth	No	Yes	No	No
Coca-Cola HBC	*Food Processors*	UK	Tier 1, High depth	Yes	No	No	No
Coca-Cola İçecek	*Food Processors*	TR	Tier 2, Moderate depth	No	Yes	Yes	No
Conagra Brands	*Food Processors*	US	Tier 3, Low depth	No	No	No	No
ConocoPhillips	*Natural Resources*	US	Tier 3, High depth	No	No	No	No
Continental	*Automotive*	DE	Tier 3, Moderate depth	No	Yes	No	No
Croda International	*Chemicals*	UK	Tier 1, High depth	No	No	No	No
Cummins	*Machines and Equipments*	US	Tier 2, High depth	No	Yes	No	No
Diageo	*Food Processors*	UK	Tier 2, Moderate depth	No	Yes	Yes	No
DowDuPont	*Chemicals*	US	Tier 2, Low depth	No	Yes	No	No
E.On SE	*Utilities*	DE	Tier 2, High depth	No	Yes	No	No
Eaton Corporation	*Machines and Equipments*	US	Tier 5, Moderate depth	No	No	No	No
Ecolab	*Chemicals*	US	Tier 4, Low depth	No	Yes	No	No
Emerson Electric	*Machines and Equipments*	US	Tier 4, Moderate depth	No	No	No	No
Evonik Industries	*Chemicals*	DE	Tier 1, High depth	No	Yes	No	No
Exxaro Resources	*Natural Resources*	ZA	Tier 1, High depth	Yes	Yes	No	No
Ford Otosan	*Automotive*	TR	Tier 4, Moderate depth	No	No	No	No
Gap	*Retail*	US	Tier 2, Low depth	No	Yes	No	No
GEA Group	*Machines and Equipments*	DE	Tier 3, Low depth	No	No	No	No
General Mills	*Food Processors*	US	Tier 1, Moderate depth	No	Yes	No	No
General Motors	*Automotive*	US	Tier 2, High depth	No	Yes	No	No
GlaxoSmithKline	*Pharmaceuticals*	UK	Tier 1, High depth	No	Yes	No	No
Glencore	*Natural Resources*	ZA	Tier 1, Moderate depth	No	No	No	No
Gold Fields	*Natural Resources*	ZA	Tier 1, High depth	Yes	No	No	No
Hain Celestial Group	*Food Processors*	US	Tier 5, Low depth	No	No	No	No
Harmony Gold	*Natural Resources*	ZA	Tier 2, High depth	Yes	No	No	No
Hershey's	*Food Processors*	US	Tier 2, High depth	No	Yes	No	No
Hess Corporation	*Natural Resources*	US	Tier 2, High depth	No	Yes	Yes	No
Honeywell International	*Machines and Equipments*	US	Tier 5, Low depth	No	No	No	No
Hong Kong and China Gas	*Utilities*	CN	Tier 4, Moderate depth	No	No	No	No
Hugo Boss	*Consumer Goods*	DE	Tier 1, Moderate depth	No	No	No	No

YES NO

TIER 1 TIER 2 TIER 3 TIER 4 TIER 5

HIGH DEPTH MODERATE DEPTH LOW DEPTH

COMPANY	INDUSTRY	COUNTRY	SCORES	<IR>	UNGC	UNGC 100	UNGC LEAD
Impala Platinum	*Natural Resources*	ZA	Tier 4, moderate depth	Yes	Yes	No	No
Inchcape	*Retail*	UK	Tier 5, low depth	No	No	No	No
Ingersoll Rand	*Machines and Equipments*	US	Tier 3, high depth	No	No	No	No
Inmarsat	*Telecommunications*	UK	Tier 3, low depth	No	No	No	No
Innogy	*Utilities*	DE	Tier 4, low depth	No	No	No	No
IPG Phogonics	*Machines and Equipments*	US	Tier 5, low depth	No	No	No	No
Johnson Controls	*Machines and Equipments*	US	Tier 3, high depth	No	Yes	Yes	No
Just Eat	*Retail*	UK	Tier 5, low depth	No	No	No	No
K+S	*Chemicals*	DE	Tier 4, high depth	No	Yes	No	No
Kellogg's	*Food Processors*	US	Tier 3, moderate depth	No	Yes	No	No
KION Group	*Machines and Equipments*	DE	Tier 3, moderate depth	Yes	No	No	No
Kingfisher	*Retail*	UK	Tier 1, high depth	No	Yes	No	No
Kordsa Global	*Automotive*	TR	Tier 5, moderate depth	No	Yes	No	No
Kumba Iron Ore	*Natural Resources*	ZA	Tier 2, high depth	Yes	No	No	No
Lanxess	*Chemicals*	DE	Tier 3, moderate depth	No	Yes	No	No
Linde	*Chemicals*	DE	Tier 1, high depth	No	Yes	Yes	No
MAN	*Automotive*	DE	Tier 4, moderate depth	No	Yes	No	No
Marks & Spencer	*Retail*	UK	Tier 3, low depth	No	Yes	No	No
Massmart	*Retail*	ZA	Tier 4, moderate depth	Yes	No	No	No
Metro Group	*Retail*	DE	Tier 2, high depth	No	Yes	No	No
Migros Ticaret	*Retail*	TR	Tier 5, low depth	No	No	No	No
Mondelez International	*Food Processors*	US	Tier 3, high depth	No	No	No	No
Morrisons	*Retail*	UK	Tier 2, high depth	No	No	No	No
Mr Price Group	*Retail*	ZA	Tier 4, moderate depth	Yes	No	No	No
MTN Group	*Telecommunications*	ZA	Tier 2, high depth	Yes	Yes	No	No
National Grid	*Utilities*	UK	Tier 2, high depth	No	Yes	No	No
Newmont Goldcorp	*Natural Resources*	US	Tier 1, high depth	No	Yes	No	No
Next	*Retail*	UK	Tier 2, low depth	No	No	No	No
Northam Platinum	*Natural Resources*	ZA	Tier 3, moderate depth	Yes	No	No	No
Omnia Holdings	*Chemicals*	ZA	Tier 5, moderate depth	Yes	No	No	No
Oshkosh Corporation	*Machines and Equipments*	US	Tier 3, low depth	No	No	No	No
Otokar	*Automotive*	TR	Tier 5, moderate depth	No	No	No	No
Pennon Group	*Utilities*	UK	Tier 1, moderate depth	No	No	No	No
Pentair	*Machines and Equipments*	US	Tier 4, low depth	No	No	No	No
Petkim	*Chemicals*	TR	Tier 5, low depth	No	No	No	No
Pick n Pay	*Retail*	ZA	Tier 4, moderate depth	Yes	Yes	No	No

SUSTAINABILITY GOVERNANCE SCORECARD

YES / NO

TIER 1 · TIER 2 · TIER 3 · TIER 4 · TIER 5

HIGH DEPTH · MODERATE DEPTH · LOW DEPTH

COMPANY	INDUSTRY	COUNTRY	SCORES	<IR>	UNGC	UNGC 100	UNGC LEAD
Pioneer Foods	*Food Processors*	ZA	Tier 4, Moderate depth	Yes	No	No	No
Polisan Holding	*Chemicals*	TR	Tier 5, Low depth	No	Yes	No	No
Power Assets	*Utilities*	CN	Tier 5, Low depth	No	No	No	No
Reckitt Benckiser Group	*Consumer Goods*	UK	Tier 3, High depth	No	No	No	No
Rio Tinto	*Natural Resources*	UK	Tier 3, Moderate depth	No	Yes	No	No
Rotork	*Machines and Equipments*	UK	Tier 4, Low depth	No	Yes	No	No
Royal Dutch Shell	*Natural Resources*	UK	Tier 4, High depth	No	No	No	No
Sainsbury's	*Retail*	UK	Tier 4, Moderate depth	No	No	No	No
Sartorius	*Pharmaceuticals*	DE	Tier 5, Low depth	No	Yes	No	No
Sasol	*Natural Resources*	ZA	Tier 1, High depth	Yes	Yes	Yes	No
Sempra Energy	*Utilities*	US	Tier 3, High depth	No	No	No	No
Severn Trent	*Utilities*	UK	Tier 2, Moderate depth	No	Yes	No	No
Shanghai Electric	*Machines and Equipments*	CN	Tier 5, Low depth	No	No	No	No
Sibanye-Stillwater	*Natural Resources*	ZA	Tier 1, High depth	Yes	Yes	No	No
Smiths Group	*Machines and Equipments*	UK	Tier 4, Low depth	No	No	No	No
Soda Sanayii	*Chemicals*	TR	Tier 4, Low depth	No	Yes	No	No
South32	*Natural Resources*	ZA	Tier 2, High depth	No	No	No	No
Stanley Black & Decker	*Machines and Equipments*	US	Tier 4, Low depth	No	No	No	No
Tat Gıda	*Food Processors*	TR	Tier 5, Low depth	No	No	No	No
Tate & Lyle	*Food Processors*	UK	Tier 4, Low depth	No	No	No	No
TE Connectivity	*Machines and Equipments*	US	Tier 3, Low depth	No	No	No	No
Telefónica Deutschland	*Telecommunications*	DE	Tier 2, High depth	No	No	No	No
Telkom	*Telecommunications*	ZA	Tier 4, High depth	Yes	No	No	No
Tesco	*Retail*	UK	Tier 1, Moderate depth	No	Yes	No	No
The Foschini Group	*Retail*	ZA	Tier 3, Low depth	Yes	No	No	No
The Spar Group	*Retail*	ZA	Tier 3, Low depth	Yes	No	No	No
The Weir Group	*Natural Resources*	UK	Tier 3, Low depth	No	No	No	No
Tiger Brands	*Food Processors*	ZA	Tier 1, High depth	Yes	No	No	No
Tofaş	*Automotive*	TR	Tier 5, Moderate depth	No	No	No	No
Tongaat Hulett	*Food Processors*	ZA	Tier 1, High depth	Yes	No	No	No
Travis Perkins	*Retail*	UK	Tier 4, Low depth	No	No	No	No
Truworths International	*Retail*	ZA	Tier 2, High depth	Yes	No	No	No
Turkcell	*Telecommunications*	TR	Tier 2, Low depth	No	Yes	No	No
Tüpraş	*Natural Resources*	TR	Tier 2, Low depth	No	No	No	No
Türk Telekom	*Telecommunications*	TR	Tier 2, Low depth	No	No	No	No
Türk Traktör	*Automotive*	TR	Tier 2, Low depth	No	No	No	No

YES NO

TIER 1 TIER 2 TIER 3 TIER 4 TIER 5

HIGH DEPTH MODERATE DEPTH LOW DEPTH

COMPANY	INDUSTRY	COUNTRY	SCORES	<IR>	UNGC	UNGC 100	UNGC LEAD
Unilever	*Consumer Goods*	UK	Tier 1, High depth	No	Yes	Yes	Yes
United Utilities	*Utilities*	UK	Tier 2, High depth	No	No	No	No
Ülker	*Food Processors*	TR	Tier 5, Low depth	No	No	No	No
Vodacom Group	*Telecommunications*	ZA	Tier 4, Moderate depth	Yes	No	No	No
Vodafone Group	*Telecommunications*	UK	Tier 1, Moderate depth	No	No	No	No
Waste Management	*Utilities*	US	Tier 5, Low depth	No	No	No	No
Wood Group	*Natural Resources*	UK	Tier 3, Low depth	No	Yes	No	No
Woolworths Holdings	*Retail*	ZA	Tier 1, High depth	Yes	Yes	No	No
Zalando	*Retail*	DE	Tier 3, Moderate depth	No	No	No	No
Zorlu Enerji	*Utilities*	TR	Tier 5, Low depth	No	No	No	No

APPENDIX 2. Assessment Guidelines

	GUIDANCE
001	The company shares its values.
002	The company shares its policy.
003	The shared policy includes environmental issues.
004	The shared policy includes environmental issues focusing on water.
005	The shared policy includes environmental issues focusing on climate change/emissions.
006	The shared policy includes environmental issues focusing on energy.
007	The shared policy includes environmental issues focusing on biodiversity.
008	The shared policy includes environmental issues focusing on waste management.
009	The shared policy includes environmental issues focusing on hazardous materials.
010	The shared policy includes social issues.
011	The shared policy includes human rights issues.
012	The shared policy includes issues related to protecting human rights.
013	The shared policy includes issues related to respecting human rights.
014	The shared policy includes issues related to remedy human rights.
015	The shared policy includes human rights issues focusing on ensuring non-complicity.
016	The shared policy includes customer/community related issues.
017	The shared policy includes issues related to product safety.
018	The shared policy includes issues related to customer privacy.
019	The shared policy includes issues related to data security.
020	The shared policy includes issues related to inclusiveness on customer/community related issues.
021	The shared policy includes labor standards issues.
022	The shared policy includes issues related to child labor.
023	The shared policy includes issues related to forced labor.
024	The shared policy includes issues related to freedom of association.
025	The shared policy includes issues related to non-discrimination among labors.
026	The shared policy includes issues related to labor diversity.
027	The shared policy includes issues related to gender equality among labors.
028	The shared policy includes issues related to labor privacy.
029	The shared policy includes issues related to health and safety of labors.
030	The shared policy includes issues related to development of human resources.

	GUIDANCE
031	The shared policy includes governance related issues.
032	The shared policy includes issues related to diversity.
033	The shared policy includes issues related to supplier code of conduct.
034	The shared policy includes issues supplier to donations.
035	The shared policy includes issues related to business ethics.
036	The shared policy includes issues related to anti-corruption.
037	The shared policy includes issues related to executive compensation.
038	The shared policy includes issues related to donations.
039	The shared policy includes issues related to related party transactions.
040	The shared policy includes issues related to succession planning.
041	The company shares its business strategy.
042	The company shares its key performance indicators (KPIs).
043	The company shares its KPIs related to environment.
044	The company shares its KPIs related to water.
045	The company shares its KPIs related to climate change/emissions.
046	The company shares its KPIs related to energy.
047	The company shares its KPIs related to waste management.
048	The company shares its KPIs related to biodiversity.
049	The company shares its KPIs related to hazardous materials.
050	The company shares its KPIs related to social issues.
051	The company shares its KPIs related to product responsibility.
052	The company shares its KPIs related to gender equality.
053	The company shares its KPIs related to diversity.
054	The company shares its KPIs related to inclusiveness.
055	The company shares its KPIs related to non-discrimination.
056	The company shares its KPIs related to stakeholder engagement.
057	The company shares its KPIs related to development of human resources.
058	The company shares its KPIs related to life cycle impact management.
059	The company shares its KPIs related to health and safety.
060	The company shares its KPIs related to governance.

	GUIDANCE
061	The company shares its KPIs related to age diversity.
062	The company shares its KPIs related to tenure diversity.
063	The company shares its KPIs related to experience diversity.
064	The company shares its KPIs related to gender diversity.
065	The company shares its KPIs related to geographical diversity.
066	The company shares its KPIs related to race diversity.
067	The company shares its KPIs related to background/education diversity.
068	The company shares its KPIs related to stakeholder relations diversity.
069	The company shares its KPIs related to executive compensation.
070	The company shares its KPIs for executive compensation focusing on sustainability.
071	The company shares its KPIs for executive compensation focusing on diversity.
072	The company shares its KPIs for executive compensation focusing on safety.
073	The company measures and shares its value creation for internal stakeholders.
074	The company measures and shares its value creation for external stakeholders.
075	The company measures and shares its value creation for shareholders.
076	The company shares its business model.
077	The company shares its human capital.
078	The company shares its financial capital.
079	The company shares its manufactured capital.
080	The company shares its natural capital.
081	The company shares its relationship capital.
082	The company shares its intellectual capital.
083	The company shares its SDG mapping.
084	The company shares its stakeholder map in SDG mapping.
085	The company shares its stakeholder engagement in SDG mapping.
086	The company shares its materiality analysis in SDG mapping.
087	The company shares its prioritization in SDG mapping.
088	The company shares its resource allocation in SDG mapping.
089	The company adopts a comprehensive approach in SDGs and shares it.
090	The company aligns its strategy with SDGs and shares it.

	GUIDANCE
091	The company aligns its strategy with SDG 1: No Poverty and shares it.
092	The company aligns its strategy with SDG 2: No Hunger and shares it.
093	The company aligns its strategy with SDG 3: Good Health and Well Being and shares it.
094	The company aligns its strategy with SDG 4: Quality Education and shares it.
095	The company aligns its strategy with SDG 5: Gender Equality and shares it.
096	The company aligns its strategy with SDG 6: Clean Water and Sanitation and shares it.
097	The company aligns its strategy with SDG 7: Affordable and Clean Energy and shares it.
098	The company aligns its strategy with SDG 8: Decent Work and Economic Growth and shares it.
099	The company aligns its strategy with SDG 9: Industry Innovation and Infrastructure and shares it.
100	The company aligns its strategy with SDG 10: Reduced Inequality and shares it.
101	The company aligns its strategy with SDG 11: Sustainable Cities and Communities and shares it.
102	The company aligns its strategy with SDG 12: Responsible Consumption and Production and shares it.
103	The company aligns its strategy with SDG 13: Climate Action and shares it.
104	The company aligns its strategy with SDG 14: Life Below Water and shares it.
105	The company aligns its strategy with SDG 15: Life on Land and shares it.
106	The company aligns its strategy with SDG 16: Peace and Justice Strong Institutions and shares it.
107	The company aligns its strategy with SDG 17: Partnerships for the Goals and shares it.
108	The company shares its board charter.
109	The company shares the role of the board in its charter.
110	The company defines and shares issues related to appointment and remuneration in its board charter.
111	The company defines and shares issues related to succession planning in its board charter.
112	The company defines and shares issues related to board independence in its board charter.
113	The company defines and shares issues related to access to information/independent advice in its board charter.
114	The company defines and shares issues related to training/orientation in its board charter.
115	The company defines and shares issues related to board evaluation in its board charter.
116	The company defines and shares issues related to role of the chair in its board charter.
117	The company defines and shares issues related to duties of the members in its board charter.
118	The company defines and shares issues related to committees in its board charter.
119	The company defines and shares issues related to conflict of interest and related party transactions in its board charter.
120	The company defines and shares issues its code of conduct in the board charter.

	GUIDANCE
121	The company defines and shares that strategy is one of the board's responsibilities.
122	The company defines and shares that audit is one of the board's responsibilities.
123	The company defines and shares that risk management is one of the board's responsibilities.
124	The company defines and shares that sustainability is one of the board's responsibilities.
125	The company defines and shares that internal control is one of the board's responsibilities.
126	The company defines and shares that ethics is one of the board's responsibilities.
127	The company shares its skills matrix of the board.
128	The company shares the existence of a sustainability skill in its board's skills matrix.
129	The company shares the existence of a human resources skill in its board's skills matrix.
130	The company shares the existence of a stakeholder management skill in its board's skills matrix.
131	The company shares the existence of a risk management skill in its board's skills matrix.
132	The company measures and shares its diversity proxies.
133	The company measures and shares its age diversity.
134	The company measures and shares its tenure diversity.
135	The company measures and shares its experience diversity.
136	The company measures and shares its gender diversity.
137	The company measures and shares its geography diversity.
138	The company measures and shares its race diversity.
139	The company measures and shares its background/education diversity.
140	The company measures and shares its stakeholder relations diversity.
141	The company has an audit committee and shares it.
142	The company has and audit committee and shares its charter.
143	The company shares that its audit committee has an independent chair.
144	The company has a governance committee and shares it.
145	The company has a governance committee and shares its charter.
146	The company shares that its governance committee has an independent chair.
147	The company has a renumeration and nomination committee and shares it.
148	The company has a renumeration and nomination committee and shares its charter.
149	The company shares that its renumeration and nomination committee has an independent chair.
150	The company has a risk committee and shares it.

	GUIDANCE
151	The company has a risk committee and shares its charter.
152	The company shares that its risk committee has an independent chair.
153	The company has a sustainability committee and shares it.
154	The company has a sustainability committee and shares its charter.
155	The company shares that its sustainability committee has an independent chair.
156	The company shares its stakeholder engagement process.
157	The company shares its stakeholder map.
158	The company prioritizes its stakeholders and shares it.
159	The shared stakeholder map includes environmental issues.
160	The shared stakeholder map includes social issues.
161	The shared stakeholder map includes economic issues.
162	The company shares its materiality matrix.
163	The shared materiality matrix covers issues related to risk.
164	The shared materiality matrix covers prioritization.
165	The shared materiality matrix is reviewed and approved.
166	The company shares its future targets.
167	The company shares its future targets related to environment.
168	The company shares its future targets related to water.
169	The company shares its future targets related to climate change/emissions.
170	The company shares its future targets related to energy.
171	The company shares its future targets related to waste management.
172	The company shares its future targets related to biodiversity.
173	The company shares its future targets related to hazardous materials.
174	The company shares its future targets related to social issues.
175	The company shares its future targets related to product responsibility.
176	The company shares its future targets related to gender equality.
177	The company shares its future targets related to diversity.
178	The company shares its future targets related to inclusiveness.
179	The company shares its future targets related to non-discrimination.
180	The company shares its future targets related to stakeholder engagement.

	GUIDANCE
181	The company shares its future targets related to development of human resources.
182	The company shares its future targets related to life cycle impact management.
183	The company shares its future targets related to health and safety.
184	The company shares its future targets related to governance.
185	The company shares its future targets related to age diversity.
186	The company shares its future targets related to tenure diversity.
187	The company shares its future targets related to experience diversity.
188	The company shares its future targets related to gender diversity.
189	The company shares its future targets related to geographical diversity.
190	The company shares its future targets related to race diversity.
191	The company shares its future targets related to background/education diversity.
192	The company shares its future targets related to stakeholder relations diversity.
193	The company shares its future targets related to executive compensation.
194	The company shares its non-financial future targets for executive compensation.
195	The company shares its financial future targets for executive compensation.
196	The company shares its future targets for executive compensation focusing on sustainability.
197	The company shares its future targets for executive compensation focusing on diversity.
198	The company shares its future targets for executive compensation focusing on safety.

	IMPLEMENTATION
001	The company shares its performance results.
002	The company shares its performance results related to environment.
003	The company shares its performance results related to water.
004	The company shares its performance results related to climate change/emissions.
005	The company shares its performance results related to energy.
006	The company shares its performance results related to waste management.
007	The company shares its performance results related to biodiversity.
008	The company shares its performance results related to hazardous materials.
009	The company shares its performance results related to social issues.
010	The company shares its performance results related to product responsibility.
011	The company shares its performance results related to gender equality.
012	The company shares its performance results related to diversity.
013	The company shares its performance results related to inclusiveness.
014	The company shares its performance results related to non-discrimination.
015	The company shares its performance results related to stakeholder engagement.
016	The company shares its performance results related to development of human resources.
017	The company shares its performance results related to life cycle impact management.
018	The company shares its performance results related to health and safety.
019	The company shares its performance results related to governance.
020	The company shares its executive compensation data.
021	The company shares the usage of at least one of the stakeholder engagement method.
022	The company conducts surveys for stakeholder engagement and shares it.
023	The company organizes workshops for stakeholder engagement and shares it.
024	The company organizes one to one meetings for stakeholder engagement and shares it.
025	The company organizes public meetings for stakeholder engagement and shares it.
026	The company organizes focus groups for stakeholder engagement and shares it.
027	The company conducts research for stakeholder engagement and shares it.
028	The company conducts an ad hoc stakeholder engagement approach and shares it.
029	The company conducts continuous stakeholder engagement approach and shares it.
030	The company shares its financial risk mitigation.

IMPLEMENTATION

031	The company shares its environmental risk mitigation.
032	The company shares its social risk mitigation.
033	The company shares its reputation risk mitigation.
034	The company shares its risk transfer approach.
035	The company shares its risk-taking approach.
036	The company shares its risk limitation approach.
037	The company shares its code of conduct.
038	The shared code of conduct has a supply chain coverage.
039	The shared code of conduct has an internal audit coverage.
040	The shared code of conduct covers development efforts.

	OVERSIGHT
001	The company shares its evaluation of results.
002	The company shares its evaluation of results related to environment.
003	The company shares its evaluation of results related to water.
004	The company shares its evaluation of results related to climate change/emissions.
005	The company shares its evaluation of results related to energy.
006	The company shares its evaluation of results related to waste management.
007	The company shares its evaluation of results related to biodiversity.
008	The company shares its evaluation of results related to hazardous materials.
009	The company shares its evaluation of results related to social issues.
010	The company shares its evaluation of results related to product responsibility.
011	The company shares its evaluation of results related to gender equality.
012	The company shares its evaluation of results related to diversity.
013	The company shares its evaluation of results related to inclusiveness.
014	The company shares its evaluation of results related to non-discrimination.
015	The company shares its evaluation of results related to stakeholder engagement.
016	The company shares its evaluation of results related to development of human resources.
017	The company shares its evaluation of results related to life cycle impact management.
018	The company shares its evaluation of results related to health and safety.
019	The company shares its evaluation of results related to governance.
020	The company shares its benchmark analysis for executive compensation.
021	The company shares its evaluation of sustainability KPIs for executive compensation.
022	The company shares its evaluation of diversity KPIs for executive compensation.
023	The company shares its evaluation of safety KPIs for executive compensation.
024	The company defines and shares that business strategy is one of the board's oversight responsibilities.
025	The company defines and shares that environmental issues are listed in the board's oversight responsibilities.
026	The company defines and shares that human rights are listed in the board's oversight responsibilities.
027	The company defines and shares that labor rights are listed in the board's oversight responsibilities.
028	The company defines and shares that customer/community related issues are listed in the board's oversight responsibilities.
029	The company defines and shares that involvement in setting materiality levels is one of the board's oversight responsibilities.

	OVERSIGHT
030	The company defines and shares that risk management is one of the board's oversight responsibilities.
031	The company defines and shares that supplier code of conduct is one of the board's oversight responsibilities.
032	The company defines and shares that executive compensation is one of the board's oversight responsibilities.
033	The company defines and shares that succession planning is one of the board's oversight responsibilities.
034	The company defines and shares that business ethics are listed in the board's oversight responsibilities.
035	The company defines and shares that anti-corruption is one of the board's oversight responsibilities.
036	The company defines and shares that related party transactions are listed in the board's oversight responsibilities.
037	The company defines and shares that donations are listed in the board's oversight responsibilities.
038	The company defines and shares that regulatory compliance is one of the board's oversight responsibilities.
039	The company evaluates and shares lost time related to the incidents.
040	The company shares its evaluation of the regulatory environment.
041	The company shares its evaluation of emerging standards.
042	The company shares that the internal audit covers financials.
043	The company shares that the internal audit covers processes.
044	The company shares that the internal audit directly reports to the board.
045	The company defines and shares the role of the board in its audit committee charter.
046	The company has an independent audit.
047	The independent audit covers financial issues.
048	The independent audit covers environmental issues.
049	The independent audit covers governance issues.
050	The independent audit covers social issues.

	CONTINUOUS LEARNING
001	The company assesses and shares the new skills requirements.
002	The company shares its employee diversity matrix.
003	The company shares its new recruits' orientation program.
004	The company performs and shares its gap analysis to determine development opportunities.
005	The company shares its resource allocation for development opportunities.
006	The company shares the process revision based on lessons learned sustainability.
007	The company organizes and shares sustainability trainings.
008	The company organizes and shares health and safety trainings.
009	The company organizes and shares stakeholder engagement trainings.
010	The company organizes and shares leadership development program.

APPENDIX 3. Checklist For Responsible Boards*

KEY SUCCESS FACTORS	FOCUS AREAS FOR THE BOARD	KEY REQUIREMENTS
CRAFTING THE SUSTAINABILITY VISION	Comprehensive Scope	The scope of the board's oversight on sustainability issues is well-defined, comprehensive, encompasses the entire value chain, product life-cycle and company's jurisdictions
	Stakeholder Engagement	An adequate stakeholder engagement process is conducted that includes identification of key stakeholders, understanding of stakeholder expectations through 2-way dialogue and prioritization of initiatives
	Materiality and Risk Management	Sustainability risk analysis encompassing strategic, operational, compliance and disclosure is conducted and key risk areas are prioritized
BUILDING A SUSTAINABLE BOARD	Board Skills	Board members have appropriate expertise, understanding of sustainability issues and diversity to provide guidance and oversight
	Board Processes	Board processes are in place to identify sustainability risks and opportunities, internal control, monitoring and self-evaluation mechanisms are established
	Timely and adequate information	Information flow to the board is relevant, context based, timely, balanced, and comprehensive
INTEGRATING SUSTAINABILITY INTO THE ORGANIZATION	Leadership and Culture	Sustainability priorities are integrated into the company's culture, strategies, and policies including resource allocation
	Deployment and Accountability	Sustainability initiatives are adopted by managers across the corporation and sustainability performance metrics are linked with remuneration policy
	Transparency and Reporting	The company's disclosure policy includes financial, social, environmental, governance performance metrics, is evaluated by an independent party and performance against targets is clearly communicated to all stakeholders

* Argüden Y. 2015. " Responsible Boards - Action Plan for a Sustainable Future". IFC Private Sector Opinion 36

35 Sustainability Questions for Responsible Board Members

1. CRAFTING THE SUSTAINABILITY VISION

Comprehensive Scope: Does the board have a sustainability charter with appropriate scope?

1. Does it include all areas of sustainability, such as safety, health, environmental and community impact, human rights, labor rights, anti-corruption, and business ethics?

2. Does it include the responsibilities throughout the value chain?

3. Does it include product responsibilities throughout the lifecycle of the corporation's full product portfolio?

4. Does it include highest standards of conduct in all the jurisdictions that the corporation operates in?

Stakeholder Engagement: Has an adequate stakeholder engagement process been conducted?

1. Has the management comprehensively identified its relevant stakeholders and prepared a stakeholder map?

2. Has the management identified sustainability initiatives targeting each stakeholder group through two-way communication?

3. Does the board have access to the key issues raised by this process?

4. Does the board have a process to evaluate management's sustainability plans to

address the key issues?

Materiality and Risk Management: Have the material issues been properly identified that would substantively affect the company's strategy, business model, capital, or performance?

1. Has the board been involved in setting the materiality thresholds in each sustainability area (economic, environmental, and social)?

2. Have the trends as well as current and future impacts been considered?

3. Has management prioritized the key sustainability issues?

4. Has management considered resource requirements to deal with the prioritized issues in its mitigation plans?

2. BUILDING SUSTAINABLE BOARDS

Skills and Team: Does the board have the right skills to provide guidance and oversight to the sustainability plans of the corporation?

1. Does the board have sufficient expertise to understand the decision-making processes of key stakeholders?

2. Does the board have members who are familiar with the evolving sustainability standards and benchmarks?

3. Does the board have enough diversity to adequately evaluate the different dimensions, perspectives, and risks of the sustainability issues? For example, does it have diversity in the following areas:

- Industry experience—to better understand benchmarking opportunities
- Tenure—to avoid groupthink
- Age—to better understand the sensitivities of different cohorts of customers and stakeholders
- Ethnic, gender, and geographic—to better understand the sensitivities of different social segments and markets
- Stakeholder experience—to better understand the decision-making processes of different stakeholders

Processes: Does the board have the right processes to provide guidance and oversight to the sustainability plans of the corporation?

1. 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?

2. Does the board understand the **sustainability risks and impacts** across the corporation's value chain and how this might affect the competitive positioning of the corporation?

3. Does the board provide **guidance** on incorporation of sustainability issues into corporate strategy and the company's focus on sustainability-driven innovation and value-creation opportunities?

4. Does the board provide **sufficient oversight** to the management's identification of risks and opportunities concerning sustainability issues, including those related to strategy, regulatory and legal liability, product development and pricing, and disclosure and reputation, as well as the management's action plans?

5. Does the board have **access to outside experts** on various dimensions of sustainability, who can provide second opinions on management reports on sustainability issues?

6. Has the board allocated **specific and sufficient t**ime during its annual time budget to adequately review the sustainability issues for the corporation?

7. 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?

8. Does the board **D&O insurance package** sufficiently protect the directors against liabilities arising from sustainability issues, and does the corporation incorporate the recommendations of the insurers into its sustainability plans?

Timely and Adequate Information: Does the board receive timely and adequate information to evaluate the performance of the corporation's sustainability plans?

1. Does the board regularly receive sufficient information about sustainability performance of the corporation, including comparisons with past performance and budget targets (oversight of the quality of implementation)?

2. How about lead indicators, current trends, emerging issues, emerging benchmarks, compliance with applicable laws and regulations, and the critical upcoming regulations and standards (continuous learning)?

3. Is information about the level of intellectual capital and reputation of the corporation measured and made available to the board?

4. Does the board receive on a timely basis findings and recommendations concerning the corporation's sustainability matters from any investigation or audit by the internal audit department, external auditors, regulatory agencies, the corporation's insurance companies, or third-party consultants?

3. INTEGRATING SUSTAINABILITY INTO THE ORGANIZATION

Leadership and Culture

1. Are the sustainability issues that are identified and approved by the board incorporated into the corporation's strategies, policies, objectives, and associated management systems (value-creation opportunities)?

2. Has the corporation allocated sufficient resources to address these sustainability issues (sustainability of the efforts)?

- Financial resources
- Organizational/human resources
- Intellectual resourcesAny significant changes to the plans and resource requirements (which should be reported to the board)

Deployment and Accountability

1. Are all the executives and key employees of the corporation in different geographies familiar with the sustainability priorities of the corporation (deployment)?

2. Does the board link sustainability performance metrics with the remuneration policy for top management (incentives)?

3. Does the board have an explicit policy for those who fail to follow the sustainability standards of the corporation (remedies)?

4. How does the board ensure continuous learning regarding developing sustainability issues—within the organization as well as throughout the supply chain?

Transparency and Reporting

1. Has the board adopted a disclosure policy for the corporation's sustainability program, and does it review the disclosure on management approach to sustainability?

2. How does the board assure itself that the sustainability reporting by the company is adequate, appropriate, and verifiable?

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We take action to support
Sustainable Development Goals 16 & 17

GOOD GOVERNANCE

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

ARGÜDEN GOVERNANCE ACADEMY

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

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

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

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

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

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

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

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