



JOHANNESBURG STOCK EXCHANGE
SRI Index



Background and Selection Criteria



INTRODUCTION**Key objectives**

The JSE launched the SRI Index in South Africa in May 2004 to:

- identify those companies listed on the JSE that integrate the principles of the triple bottom line and good governance into their business activities;
- provide a tool for a broad holistic assessment of company policies and practices against globally aligned and locally relevant corporate responsibility standards;
- serve as a facilitation vehicle for responsible investment for investors looking for non-financial risk variables to include in investment decisions, as such risks do carry the potential to have significant financial impacts;
- contribute to the development of responsible business practice in South Africa and beyond.

Key features

- The Index philosophy is founded on the principles of the three pillars of the triple bottom line, namely environmental, social and economic sustainability, with good corporate governance underpinning each. These principles are encapsulated in the Index indicators, which are then structured along the categories of Environment, Society and Governance and related sustainability concerns (ESG).
- Alignment with global standards while reflecting the complex nature of social responsibility in South Africa.
- Evolving Criteria to reflect the continuous development of both the concepts and practices of SRI and sustainability.
- Annual review of company policies, management systems and performance, and reporting.
- The SRI Index Criteria continuously evolve to align more closely with global benchmarks, while remaining reflective of local developments.

ASSESSMENT PROCESS

To qualify for assessment against the Criteria indicators, a company must be in the base universe, the FTSE/JSE All Share Index. There are no exclusions of any specific sectors for purposes of the SRI Index.

Companies that are in the FTSE/JSE Top 40 Index or the FTSE/JSE Mid Cap Index following the March review, or that are current JSE SRI Index constituents, will be automatically assessed against the Criteria (“the automatic universe”).

Companies that are in the FTSE/JSE All Share Index but not in one of the indices mentioned above, will have the option to elect whether to be voluntarily assessed or not.

The automatic assessment will be expanded over future reviews of the Index to reach an automatic assessment of the full base universe.

Further rules regarding eligibility, as well as operation of the SRI Index from a technical perspective, are set out in the SRI Index Ground Rules, which are available on www.jse.co.za/sri.

RESEARCH METHODOLOGY

EIRIS will be the data provider for the annual reviews of the SRI Index, to research company performance against the indicators.

The research will consist of two phases:

- Scrutiny of most recent publicly available material such as annual reports, company websites and other sources; and
- Feedback to preliminary profiles by the company and/or completion of surveys where necessary to clarify research and gather non-public information.

To qualify for inclusion, a company must meet the required number of indicators as set out in each individual area of measurement. The indicators are split between core and desirable. Core indicators cover elements that companies should have as a minimum, while desirable indicators are aspirational or advanced, and intended to guide companies to identify all relevant issues they need to address. These indicators will also aid in identifying advanced companies. Over time desirable indicators may evolve to core as companies gain in understanding and as the Index Criteria become more demanding.

MULTINATIONAL COMPANIES

The SRI Index acknowledges that there are certain Criteria that apply to South African-specific issues that may not be relevant in other countries in the same manner, if at all. For instance, dual-listed companies follow the law of primary listing and the country of primary listing may not have specific employment equity legislation.

For purposes of the Index, all the Criteria apply to all companies, except where specifically indicated otherwise. For multinational companies¹, the following guideline applies:

- for all operations, the company should be able to show that it applies a core set of principles which at least meet globally accepted principles in relation to the relevant issues. These principles must be applied in relation to the relevant issues across all operations, regardless of geographic location, although the level of application may vary depending on the geographic location provided that they at least meet globally accepted principles; and
- for operations within South Africa, the company should be able to show that it at least applies South African principles and standards in addition to the core set of principles referred to above.

The Criteria for Black Economic Empowerment applies only to South African operations.

¹ A company is classified as a multinational if it has operations outside of South African borders, which are relatively significant or which have a meaningful impact on the company's core business. This applies whether the company is dual listed or not.

ENVIRONMENTAL CLASSIFICATION

All business activities have an impact of some kind on the environment, however, the extent varies. As a result, the SRI Index classifies companies as being **high, medium or low** impact for purposes only of the environmental Criteria.

The SRI Index applies the classification system developed by EIRIS. The sectors constructed and used by EIRIS to classify environmental impact are loosely based on sectors within the Industry Classification Benchmark (ICB) as used by the JSE, however, the environmental impact classification groups companies with similar activities rather than economic links.

The underlying principle is that a sector's overall environmental impact should be assessed in relation to the economic contribution of relevant activities within that sector. The basic indicator used is a ratio of environmental damage to economic significance.

For each sector, direct impacts relating to the *key issues* of climate change, air pollution, water pollution, waste and water consumption were reviewed. Impacts arising indirectly through upstream (supply chain) or downstream (product life cycle) were also considered, predominantly in qualitative terms.

Each sector was profiled in terms of its impacts (high, medium or low) for the key issues listed above, and the overall classification of a sector depends on the number of key issue areas where the sector has been found to have a high or medium impact. Sectors that have a high impact in at least one key issue or a medium impact in more than four key issues are classified 'high', and sectors with a medium impact in at least two issues are classified 'medium' overall. The remaining sectors are classified as 'low' impact.

A particular company is allocated one or more sectors based on all of the company's activities which generate 15% or more of turnover, and is then classified as high, medium or low according to the highest impact classification of all the sectors within which it may fall.

As with the ICB sectors, these classifications may evolve over time.

GROUP AND HOLDING COMPANIES

- Where a listed group contains more than one company that is eligible for assessment against the Criteria, each separately listed company will be assessed on its own merit. A subsidiary will not be eligible for separate inclusion in the Index by virtue of the parent or holding company qualifying for inclusion.
- Holding companies and investment holding companies should include data on the subsidiary contributing the largest proportion of its revenue. They should also indicate their own approach to the issues addressed in the Criteria, specifically on Board practice and related matters.
- For future reviews, the JSE will be developing a policy framework which should be in place at holding company level, and the research at subsidiary level will be expanded to include more subsidiaries.

AREAS OF MEASUREMENT

CRITERIA THEMES

The Criteria identify the issues that companies must meet in order to show that they have integrated triple bottom line practices across their activities. The indicators are structured along the categories of Environment, Society and Governance and related sustainability concerns (ESG). Within each of the areas of measurement, a number of themes are covered.

ENVIRONMENT

A company should continually seek to improve its environmental performance by:

- working to reduce and control its direct negative environmental impacts;
- promoting awareness of its significant direct and indirect impacts;
- working to use natural resources in a sustainable manner; and
- committing to risk reduction, reporting and auditing.

Specific criteria in relation to climate change will be introduced in the short term for future reviews.

SOCIETY

A company should demonstrate a commitment to social sustainability and good stakeholder relationships by:

- treating all stakeholders with dignity, fairness and respect, recognising their rights to life and security and free association, and their rights to freedom from discrimination;
- actively promoting the development and empowerment of its employees and the community;
- ensuring that core labour standards are met and good employee relations maintained; and
- working to promote the health and safety of its employees,

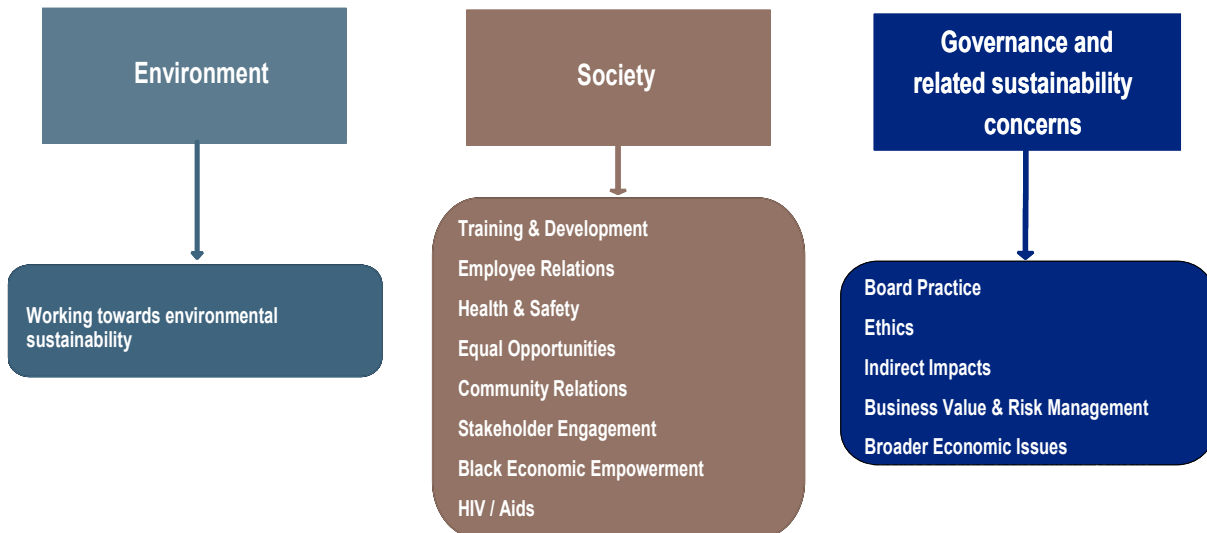
through the use of targets, monitoring performance against targets and reporting on performance.

Critical issues such as HIV/AIDS and black economic empowerment (BEE) are measured separately.

GOVERNANCE AND RELATED SUSTAINABILITY CONCERNS

A company should:

- uphold and support good corporate governance practices as the foundation for its business policies and practices, through strategies to achieve and maintain internationally recognised corporate governance standards and implementing sound ethical practices;
- work towards long term growth and sustainability by assessing and managing the risks to sustaining its business while adapting to changing demands, trends and macro-economic driving forces;
- identify and manage the broader impact of the company within the company's sphere of influence or where the company operates from a social, environmental, ethical and economic perspective, directly as well as indirectly.



INTEGRATION OF PRINCIPLES

Within each of the themes, the Criteria measure how companies integrate the principles emerging from each of the areas of measurement into their existing frameworks of governance and activities across the following business areas:

POLICY AND STRATEGY

Commitment can be demonstrated through public statements, policies and/or strategies, which should ideally be publicly available. Implementing management and performance measures can in certain instances also be sufficient to demonstrate commitment, e.g. where the nature of the system negates the need for an additional policy statement.

MANAGEMENT AND PERFORMANCE

Systems, including the use of targets, objectives and other initiatives to manage, monitor and measure business activities, progress and performance against targets.

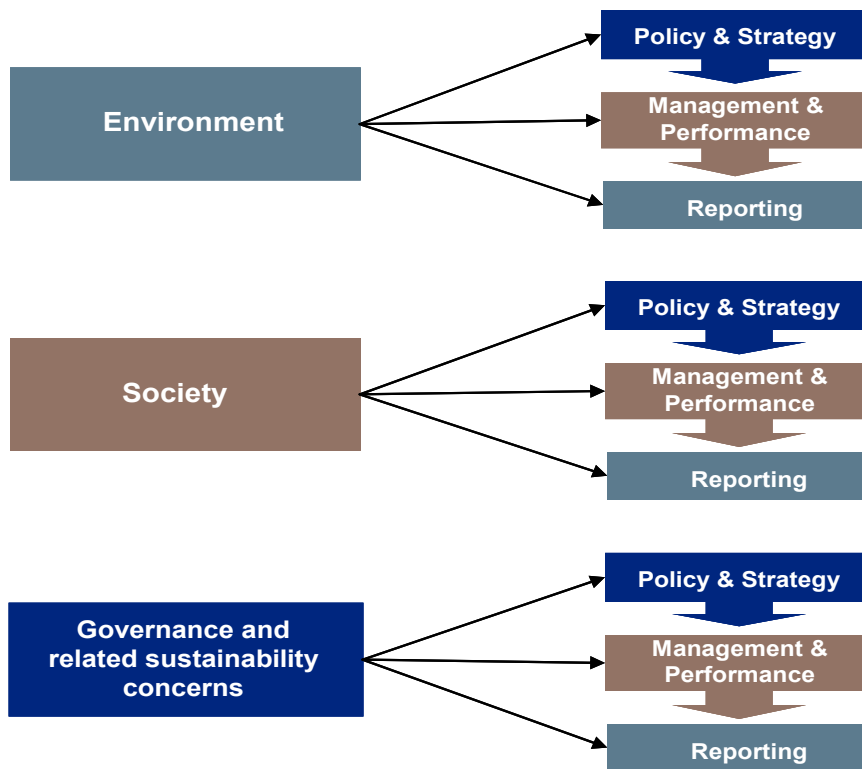
While this is already included in some areas, the Index will continue its evolution towards increasing performance measurements throughout the Criteria.

REPORTING

The fundamental principle to reporting is to provide stakeholders with access to information about aspects of the company's business activities within a reasonable time period, ensuring that relevant information is available on a reasonably regular basis. This goes beyond the publication of glossy reports.

The Criteria indicators define the minimum *content* that should be covered by reporting for purposes of the Index.

Companies should, however, also consider and incorporate the basic principles of reporting quality², including materiality; balance (reflecting positive and negative aspects); comparability; accuracy, transparency and clarity; timeliness (frequency); and reliability (as may be confirmed by independent assurance / verification)



² As set out in the Global Reporting Initiative's Sustainability Reporting Guidelines Version 3.0

INDEX DEVELOPMENT

In keeping with its developmental nature, the SRI Index continually evolves to become more demanding. As also set out in the Key Features, the Index is advancing to align it more closely with global benchmarks such as FTSE4Good, while remaining reflective of local developments. A high level view on some aspects of the intended progression of the Index is set out below.

CRITERIA DEVELOPMENT

The Index will in due course introduce more detailed criteria specifically focusing on the particular concerns of:

- property loan stock companies and property unit trusts;
- holding and investment holding companies;
- climate change;
- supply chain issues;
- bribery and corruption;
- human rights; and
- crime.

The survey questionnaire sent to companies by EIRIS for the 2009 review will include questions on climate change, and data will be collected on holding company policies and subsidiaries. While companies will not be directly assessed on this data for purposes of this round of the SRI Index, this feedback will help establish a barometer of companies' current observance of these issues and how we may most appropriately position new criteria going forward.

MINIMUM REQUIREMENTS

To facilitate more objective data collection, the Index Criteria and methodology achieves the following:

- a thematic distinction of elements in relation to society, governance and related sustainability concerns; and
- a more detailed indication of requirements across policy, management and reporting. The reporting element in particular now indicates specific content requirements, which was not the case in past Criteria.

A summary of the current aggregation is as outlined below:

Minimum requirements for 2007 review				
		<i>High impact</i>	<i>Medium impact</i>	<i>Low impact</i>
Environment	Policy	Policy must be publicly available, and: <ul style="list-style-type: none"> • <u>All five</u> core indicators plus at least one desirable; or • <u>Four</u> core plus two desirable indicators. 	<u>Four</u> indicators, <u>at least three</u> of which must be core	One of policy, management or reporting
	Management/ performance	Depending on coverage of EMS: <ul style="list-style-type: none"> • <u>Six</u> indicators, and quantified targets; or • <u>five</u> indicators, including documented objectives and targets in all key areas. ISO certification or EMAS registrations are considered to meet all indicators.	Depending on coverage of EMS: <ul style="list-style-type: none"> • <u>four</u> indicators; or • <u>six</u> indicators, including documented quantitative objectives and targets. ISO certification or EMAS registrations are considered to meet all indicators.	
	Reporting	Depending on coverage of EMS: <ul style="list-style-type: none"> • <u>at least two</u> core indicators and <u>one</u> desirable; or • <u>three</u> core indicators, or <u>two</u> core indicators together with <u>two</u> desirable. 	The report must cover the whole group, and include text of environmental policy plus <u>one</u> other reporting indicator.	
Society	<ul style="list-style-type: none"> • All companies must meet the majority³ of all indicators, of which one third (1/3) must be core • In addition to the general requirement, companies operating in South Africa must meet at least one core indicator in each of BEE and HIV/Aids 			
Governance and related sustainability concerns	All companies must meet the majority of all indicators, of which one third (1/3) must be core			
Overall approach to Reporting	Indicators that require information to be publicly available, can be met by providing EIRIS with information that is currently not available publicly, or demonstrating a clear commitment to public disclosure on these indicators in the short term. In future it will be expected for indicators that require information to be publicly available, that such information must be found publicly.			

³ "Majority" in this context means half (50%) of all indicators (core and desirable), plus one

ENVIRONMENTAL CRITERIA

IMPACT CLASSIFICATION

High impact	Medium impact	Low impact
Air transport	Banks*	Consumer / mortgage finance
Airports	DIY and building supplies	Financials not elsewhere classified*
Building materials (Includes quarrying)	Electronic and electrical equipment	Information technology
Chemicals and pharmaceuticals	Energy and fuel distribution	Leisure not elsewhere classified (gyms and gaming)
Construction	Engineering and machinery	Media
Fast food chains	Hotels, catering and facilities management	Property investors
Food, beverages and tobacco	Manufacturers not elsewhere classified	Research and development
Forestry and paper	Ports	Support services
Major systems engineering	Printing and newspaper publishing	Telecoms
Mining and metals	Property developers	Wholesale distribution
Oil and gas	Public transport	
Pest control	Retailers not elsewhere classified	
Power generation	Vehicle hire	
Road distribution and shipping		
Supermarkets		
Vehicle manufacture		
Waste		
Water		

* The sector 'Financials not elsewhere classified' includes banks, insurance and other financial companies such as asset managers. In terms of the EIRIS classification, this sector's classification is medium where activities involve equity investment and commercial lending. The sector is currently separated to allow companies other than banks a low impact classification as part of the developmental nature of the Index. This may move to a medium impact in future reviews.

CRITERIA INDICATORS

	High Impact Companies	Medium Impact Companies	Low Impact Companies
Policy	Policy must be publicly available, cover the whole group and either meet: <ul style="list-style-type: none"> o <u>all five</u> core indicators plus at least one desirable indicator; or o <u>four</u> core plus two desirable indicators. 	Policy must cover the whole group and meet <u>at least four</u> indicators, <u>at least three</u> of which must be core.	Companies must have published a policy statement including at least <u>one</u> core or desirable indicator, <u>OR</u> meet either the management or reporting requirement.
	Core Indicators <ul style="list-style-type: none"> • Policy refers to all key issues • Responsibility for policy at board or department level • Commitment to use of targets • Commitment to monitoring and audit • Commitment to public reporting 		Desirable indicators <ul style="list-style-type: none"> • Globally applicable corporate standards • Commitment to stakeholder involvement • Policy addresses product or service impact • Strategic moves towards sustainability
Management	If environmental management system (EMS) is applied to <u>between one- and two-thirds</u> of company activities, <u>six</u> indicators must be met, and targets must be quantified. If EMS is applied to more than two-thirds of company activities, the company must meet at least <u>five</u> indicators, one of which must be documented objectives and targets in all key areas. ISO certification or EMAS registrations are considered to meet all indicators.	EMS must cover at least one-third of the company and meet <u>four</u> indicators. If the EMS covers less than one-third of the company's operations, the company must meet <u>six</u> indicators, including documented quantitative objectives and targets. ISO certification or EMAS registrations are considered to meet all indicators.	Companies must have completed an initial / baseline review to identify significant impacts, <u>OR</u> meet either the policy or reporting requirement.
	Indicators <ul style="list-style-type: none"> • Presence of environmental policy • Identification of significant impacts • Documented objectives and targets in key areas • Outline of processes and responsibilities, manuals, action plans, procedures • Internal audits against the requirements of the system (not limited to legal compliance) • Internal reporting and management review • Internal communication of policy • Training for relevant employees 		
Reporting	The report must cover the whole group, and meet <u>at least two</u> core indicators and <u>one</u> desirable indicator. Reports which do not cover the whole group must meet <u>three</u> core indicators, or <u>two</u> core indicators together with two desirable indicators.	The report must cover the whole group, and include text of environmental policy plus <u>one</u> other reporting indicator.	The report must cover the whole group, and include description of main impacts <u>OR</u> meet either the policy or management requirement.
	Core Indicators <ul style="list-style-type: none"> • Text of environmental policy • Description of main impacts • Quantitative data • Performance measured against targets 		Desirable Indicators <ul style="list-style-type: none"> • Outline of an EMS • Non-compliance, prosecution, fines, accidents • Financial dimensions • Independent assurance / verification • Stakeholder dialogue • Coverage of sustainability issues

SOCIAL CRITERIA

- ALL COMPANIES MUST MEET THE MAJORITY OF ALL INDICATORS, OF WHICH ONE THIRD (1/3) MUST BE CORE
- IN ADDITION TO THE ABOVE MINIMUM REQUIREMENT, COMPANIES OPERATING IN SOUTH AFRICA MUST MEET AT LEAST ONE CORE INDICATOR IN EACH OF BEE AND HIV/AIDS

CRITERIA INDICATORS

TRAINING AND DEVELOPMENT		
	Core Indicators	Desirable Indicators
Policy	<ul style="list-style-type: none"> • Public commitment to training and development • Senior responsibility for training and development 	
Management / Performance	<ul style="list-style-type: none"> • Documented objectives and targets • Any supporting data on employee training and development (e.g. overall budgets, time and money spent on training, improvements, industry comparisons, nature of training e.g. business-related essential skills etc.) 	<ul style="list-style-type: none"> • Performance against targets • FOR COMPANIES OPERATING IN SOUTH AFRICA: Any supporting data on external skills development (e.g. overall budgets, time and money spent on training, bursaries / learnerships (not limited to black persons), nature of training e.g. business-related essential skills etc.) • Proportion of staff having training and development review annually
Reporting	<ul style="list-style-type: none"> • Public commitment to training and development • Quantitative data on employee training and development 	<ul style="list-style-type: none"> • Senior responsibility • Objectives and targets and performance against these • Quantitative data on external skills development
EMPLOYEE RELATIONS		
	Core Indicators	Desirable Indicators
Policy	<ul style="list-style-type: none"> • Senior responsibility for <u>one</u> of the following as appropriate: <ul style="list-style-type: none"> ○ union negotiations where applicable OR ○ employee relations / workforce consultation • Disciplinary and grievance policy / procedures in place • Disciplinary and grievance policy / procedures communicated to all employees 	
Management / Performance	<ul style="list-style-type: none"> • <u>One</u> of the following two indicators as may be appropriate: <ul style="list-style-type: none"> ○ Data on percentage of global workforce covered by collective agreements, union recognition or equivalent consultative arrangements (including works councils or workplace forums) where applicable OR ○ Procedures in place for employee relations / workforce consultation in non-unionised settings 	<ul style="list-style-type: none"> • Quantitative data on business impact of employee relations issues (e.g. number of strike days or financial impact of industrial action)
Reporting		<ul style="list-style-type: none"> • Coverage of consultative arrangements OR workforce consultation procedures as appropriate • Senior responsibility • Disciplinary and grievance policy / procedures and communication • Quantitative data and financial dimensions
EQUAL OPPORTUNITIES		
	Core Indicators	Desirable Indicators
Policy	<ul style="list-style-type: none"> • Demonstrated commitment to equal opportunities or diversity 	<ul style="list-style-type: none"> • Public statement specifying forms of discrimination covered by equal opportunities / diversity policy • Global applicability
Management / Performance	<ul style="list-style-type: none"> • Any supporting data (e.g. workforce and management composition covering race, gender and disability, etc.) • Any documented targets for promoting equal opportunities 	<ul style="list-style-type: none"> • Existence of flexible working arrangements and family benefits (includes e.g. flexible working hours; child care facilities / subsidy; job sharing; career breaks; paternity and/or maternity leave period and/or payment exceeding statutory requirement) • Performance against targets
Reporting	<ul style="list-style-type: none"> • Quantitative data • Any documented targets 	<ul style="list-style-type: none"> • Public statement • Global applicability • Flexible working arrangements and family benefits • Performance against targets

SOCIAL CRITERIA

HEALTH & SAFETY		
	Core Indicators	Desirable Indicators
Policy	<ul style="list-style-type: none"> Senior responsibility for occupational health & safety 	
Management / Performance	<ul style="list-style-type: none"> Any supporting data (e.g. sickness / accident rates, improvements, industry comparisons) Risk assessment conducted within the last three years (e.g. identification of main health & safety risks) Programmes and procedures to mitigate main health & safety risks 	<ul style="list-style-type: none"> Details of health & safety training Data on percentage coverage by certified health & safety or equivalent systems
Reporting	<ul style="list-style-type: none"> Senior responsibility Quantitative data Programmes and procedures to mitigate main health & safety risks 	<ul style="list-style-type: none"> Details of health & safety training provided Risk assessment Coverage of certified systems Crime-related initiatives and counselling

COMMUNITY RELATIONS		
	Core Indicators	Desirable Indicators
Policy	<ul style="list-style-type: none"> Demonstrated commitment to be involved in community development or upliftment 	
Management / Performance	<ul style="list-style-type: none"> Details of projects supported (e.g. community upliftment projects and partnerships) Monetary value of charitable giving 	<ul style="list-style-type: none"> Social impact assessment Employee secondment, gifts in kind or payroll giving schemes
Reporting	<ul style="list-style-type: none"> Monetary value of charitable giving 	<ul style="list-style-type: none"> Details of projects supported Employee secondment, gifts in kind or payroll giving

STAKEHOLDER ENGAGEMENT		
	Core Indicators	Desirable Indicators
Policy	<ul style="list-style-type: none"> Demonstrated commitment to engage with stakeholders 	
Management / Performance	<ul style="list-style-type: none"> Evidence of stakeholder engagement (e.g. formal programme, newsletters, surveys, meetings) 	<ul style="list-style-type: none"> Evidence of stakeholder identification
Reporting	<ul style="list-style-type: none"> Evidence of engagement 	<ul style="list-style-type: none"> Disclosure of key company stakeholders

SOCIAL CRITERIA

BLACK ⁴ ECONOMIC EMPOWERMENT (BEE)		
Companies without South African operations are not required to provide data on BEE indicators		
	Core Indicators	Desirable Indicators
Policy	<ul style="list-style-type: none"> Demonstrated commitment to BEE 	<ul style="list-style-type: none"> Where targets achieved, commitment to monitor / maintain compliance or review achieved targets on a regular basis
Management / Performance	<ul style="list-style-type: none"> Documented targets for preferential procurement, ownership & control and workforce composition (in line with industry standard / charter / code of good practice) Systems to monitor performance against targets (e.g. internal / external audits of scorecard) Performance against specific targets 	<ul style="list-style-type: none"> Number of black persons participating in learnerships or other skills development programmes
Reporting	<ul style="list-style-type: none"> Targets in <u>two or more of</u> preferential procurement, ownership & control and workforce composition Systems to monitor performance Performance against targets 	<ul style="list-style-type: none"> Learnerships or skills development programmes for black persons Commitment to maintain or review achieved targets

HIV/AIDS		
Companies operating in 'high risk' countries ⁵ are required to meet at least the core indicators for HIV/AIDS		
	Core Indicators	Desirable Indicators
Policy	<ul style="list-style-type: none"> Existence of HIV/Aids policy (covering at a minimum confidentiality, non-discrimination and commitment to develop / implement programmes for treatment / prevention) 	<ul style="list-style-type: none"> Global applicability
Management / Performance	<ul style="list-style-type: none"> Evidence of risk assessment in relation to HIV/Aids Prevention, education and awareness programmes for employees Access to voluntary counselling and testing for employees 	<ul style="list-style-type: none"> Documented objectives and targets for addressing direct impact of HIV/Aids Strategies to address indirect business risks of HIV/Aids (e.g. effect on customer base / supply chain) Occupational health & safety training / procedures covering prevention of transmission of HIV Provision of treatment, care and support benefits for employees (directly or indirectly through providing access or facilitating government programmes in countries where these are available/effective) Sponsorship of / support for community-based prevention, education and awareness programmes Sponsorship of / support for community-based treatment, care and support
Reporting	<ul style="list-style-type: none"> Existence of policy Evidence of risk assessment (disclosure of actual risk not required) 	<ul style="list-style-type: none"> Global applicability Objectives and targets in relation to direct impacts Strategies to address indirect impacts Employee involvement, including programmes for prevention, education and awareness, access to counselling and testing, health & safety training / procedures, provision of benefits Community involvement

GENERAL		
	Core Indicators	Desirable Indicators
Reporting	<ul style="list-style-type: none"> Disclosure of any major non-compliance, fines or prosecution 	<ul style="list-style-type: none"> Statement of independent assurance covering social reporting

⁴ In line with the Broad-Based Black Economic Empowerment Act 53 of 2003, "black" includes Africans, Coloureds and Indians.

⁵ The classification of high risk countries is made by EIRIS in view of the UN Human Development Index and estimated prevalence rates, and is reviewed regularly as the data changes and the methodology evolves. Companies operating in the following countries are currently considered to be high risk for purposes of the HIV/AIDS Criteria for the 2007 SRI Index: Angola, Belize, Benin, Botswana, Burkina Faso, Burundi, Cote d'Ivoire, Cambodia, Cameroon, Central African Republic, Chad, Congo, Democratic Republic of Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Guyana, Haiti, Kenya, Liberia, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia, Zimbabwe

CRITERIA FOR GOVERNANCE AND RELATED SUSTAINABILITY CONCERNS

ALL COMPANIES MUST MEET THE MAJORITY OF ALL INDICATORS, OF WHICH ONE THIRD (1/3) MUST BE CORE

CRITERIA INDICATORS

BOARD PRACTICE		
	Core Indicators	Desirable Indicators
Policy	<ul style="list-style-type: none"> • Public commitment to comply with an internationally recognised governance standard (e.g. King II or UK Combined Code) • Existence of Board Charter 	<ul style="list-style-type: none"> • Global applicability
Management / Performance	<ul style="list-style-type: none"> • Board composition must meet the following: <ul style="list-style-type: none"> ○ Separate CEO and Chairperson ○ Independent Chairperson and ○ Majority non-executive directors • Existence of separate committee(s) for audit and remuneration • Procedures to review / address external audit findings 	<ul style="list-style-type: none"> • Existence of separate committee(s) for nominations and risk • Independent chair of all board committees (except where committee performs an executive function) • Internal audit function • Annual performance appraisal of Board conducted and minuted performance appraisals available to external auditors
Reporting	<ul style="list-style-type: none"> • Commitment to comply with internationally recognised governance standard • Board composition confirming independence of Chairperson (separate from CEO) and majority non-executive directors • Existence of committee(s) for audit and remuneration 	<ul style="list-style-type: none"> • Coverage of governance policies and practices • Existence of Board Charter • Existence of committee(s) for nominations and risk • Board composition confirming independent chair of committees and annual performance appraisals • Internal audit • Review of external audit findings

CODE OF ETHICS / CONDUCT		
	Core Indicators	Desirable Indicators
Policy	<ul style="list-style-type: none"> • Code of ethics / conduct covering <u>at least four of</u> <ul style="list-style-type: none"> ○ Commitment to legal and regulatory compliance ○ Prohibiting giving and receiving of bribes ○ Prohibiting facilitation payments ○ Guidelines on giving and receiving gifts ○ Guidelines on political donations ○ Addresses conflicts of interest ○ or one other (e.g. money laundering provisions, prohibiting anti-competitive practices, etc.) • Senior responsibility for ethics management • Disclosure of applicability of code of ethics / conduct • Commitment to manage whistleblowing, fraud reports or other concerns in a non-discriminatory and confidential fashion 	
Management / Performance	<ul style="list-style-type: none"> • Training and/or communication on code of ethics / conduct for employees (e.g. as part of employee induction) 	<ul style="list-style-type: none"> • Compliance monitoring • Regular reviews of code of ethics / conduct • Reporting on non-compliance • Secure communication channel for employees to seek advice or voice concerns (e.g. fraud hotline, whistleblowing facility or other confidential reporting procedure etc.)
Reporting	<ul style="list-style-type: none"> • Existence of code of ethics / conduct • Senior responsibility 	<ul style="list-style-type: none"> • Disclosure of applicability • Training and/or communication of code of ethics / conduct to employees • Compliance monitoring and regular review • Secure communication channel / facility • Disclosure of political donations, if any

CRITERIA FOR GOVERNANCE AND RELATED SUSTAINABILITY CONCERNS

INDIRECT IMPACTS		
	Core Indicators	Desirable Indicators
Policy	<ul style="list-style-type: none"> Demonstrated commitment to address indirect impacts 	<ul style="list-style-type: none"> Public commitment to voluntary standards that address indirect impacts (e.g. Equator Principles, Responsible Care for chemicals industry, ICMM sustainable development framework, Ethical Trading Initiative etc.)
Management / Performance	<ul style="list-style-type: none"> Identification of indirect impacts in <u>one or more of</u> social, environmental or economic elements⁶ Assessment of indirect impacts in <u>one or more of</u> social, environmental or economic elements (e.g. description of impacts, conducting life-cycle analysis, etc.) 	
Reporting	<ul style="list-style-type: none"> Identification of indirect impacts in <u>one or more of</u> social, environmental or economic elements 	<ul style="list-style-type: none"> Assessment of indirect impacts in <u>one or more of</u> social, environmental or economic elements Voluntary standards adopted

BUSINESS VALUE AND RISK MANAGEMENT		
	Core Indicators	Desirable Indicators
Policy	<ul style="list-style-type: none"> Demonstrated commitment to work towards long-term business sustainability Demonstrated commitment to address social, ethical and environmental (SEE) issues / risks⁷ 	
Management / Performance	<ul style="list-style-type: none"> Identification of main business risks and opportunities (e.g. financial, operational, market, etc.) Procedures for ongoing risk management and internal control (e.g. risk review) Description of systems / initiatives to value and protect key assets (e.g. valuation of tangible and intangible assets including intellectual capital, disaster recovery and business continuity, insurance, contingency plans etc.) Description of systems / initiatives to create value (e.g. Research & Development, innovation, customer attraction and retention, growth strategy etc.) Identification of social, ethical and environmental (SEE) issues / risks facing the business, including at least <u>one</u> of the following: <ul style="list-style-type: none"> Financial implications of SEE issues / risks (e.g. quantified potential liabilities and/or opportunities from SEE issues) Regular Board review of SEE issues / risks Outline of corporate policies and procedures for ongoing SEE risk management 	<ul style="list-style-type: none"> Documented targets for achieving strategic objectives / realising opportunities (should ideally be time-bound, quantitative, e.g. performance targets, KPIs or balanced scorecard) Management incentives / compensation linked to strategic objectives
Reporting	<ul style="list-style-type: none"> Identification of main business risks and opportunities (disclosure of actual risks and opportunities not required) Risk management and internal control systems Asset valuation and protection systems / processes Business and product development systems / processes 	<ul style="list-style-type: none"> Documented targets in relation to strategic objectives and opportunities Link between strategic objectives and management compensation Identification of social, ethical and environmental (SEE) issues / risks facing the business, including at least <u>one</u> of the following: <ul style="list-style-type: none"> Financial implications Regular Board review of SEE issues / risks Outline of corporate policies and procedures for ongoing management of SEE issues / risks

⁶ Indirect impacts include any resultant benefit or detriment to the society, economy or environment resulting indirectly from company activities e.g. through considering the impacts by the company's supply chain on the society, environment or economy (starting with major suppliers); the impact of the company's products and/or services, e.g. public health issues; financing projects that may have a significant environmental or social impact, etc.

⁷ SEE risks consider those that could harm the financial prospects of the company, e.g. through litigation or scandal. Some examples include legal compliance; product-related matters such as quality, recall, litigation (e.g. asbestos, fatty foods); reputation concerns (e.g. linked to supply chain or NGO/community campaigns); environmental implications on company activities such as climate change (e.g. carbon emissions restrictions); impact on workforce of HIV/Aids, etc.

CRITERIA FOR GOVERNANCE AND RELATED SUSTAINABILITY CONCERNS

BROADER ECONOMIC ISSUES		
	Core Indicators	Desirable Indicators
Policy	<ul style="list-style-type: none"> • Demonstrated commitment to empowerment of local⁸⁸ people through procurement, employment and skills development 	
Management / Performance	<ul style="list-style-type: none"> • Evidence of commitment to local empowerment including: <ul style="list-style-type: none"> ○ policy, practices and proportion of spending on locally-based suppliers at significant locations of operation ○ procedures for local hiring at all levels of the organisation • Demonstrated commitment to local economic development including infrastructure investments and services provided primarily for public benefit (e.g. indirect job creation in local communities) 	<ul style="list-style-type: none"> • Activities / initiatives in support of national economic priorities on issues such as skills development, creating economic well-being, etc.
Reporting	<ul style="list-style-type: none"> • Disclosure of policies, practices and spending in relation to <u>one of</u> the following: <ul style="list-style-type: none"> ○ Local procurement and employment ○ Local economic development and job creation 	<ul style="list-style-type: none"> • Activities / initiatives in support of national economic priorities on issues such as skills development, creating economic well-being, etc.

GENERAL		
	Core Indicators	Desirable Indicators
Reporting	<ul style="list-style-type: none"> • Disclosure of major non-compliance, fines or prosecutions (e.g. linked to anti-competitive practices or other governance / economic issues, including non-compliance with code) 	<ul style="list-style-type: none"> • Value-added statement (e.g. direct economic value generated and distributed, taxes paid)

⁸⁸ As the geographic definition of “local” may vary, companies can choose their own definition but should disclose this clearly.