

SRI INDEX INFORMATION BRIEFING DOCUMENT

2014



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1. Introduction

This document is aimed at notifying companies of the SRI index review process for 2014, and is particularly intended to serve as a practical reference guide to the assessment process for eligible companies for this year's review. It is advisable to read the information contained in this document in conjunction with the Criteria and Ground Rules, which are available from the JSE or from Related Documents on the SRI Index web page (www.jse.co.za, click on Products and Services in the top menu, find the SRI Index under Indices).

Please note the following salient points about this year's review:

- The entire FTSE/JSE All Share index forms part of the automatic universe for the review, and the most recent publically available information will be assessed automatically.
- The review process will only consider publically available information. Companies may therefore not supplement the company profile with internal / non-public information. Only additional public information may be provided.
- Individual company analysis will be available to investors who purchase it from EIRIS and will be limited to the public information collected from 2012 onwards.

2. Data provision for 2014 review

EIRIS will be the data provider for the 2014 annual review, and will be responsible for handling the research of companies this year. Some local researchers have been contracted to assist in this process.

3. Eligible companies in 2014

The eligible universe for the 2014 review is the FTSE/JSE All Share Index as at the time following the March 2014 review of the FTSE/JSE Africa Index Series. If a company is excluded from the FTSE/JSE All Share Index at any time during the process or after the review, it will not be eligible for the SRI Index.

4. Criteria overview

The broad criteria are based on a holistic triple bottom line sustainability approach and are structured along three pillars, namely environment, society and governance & related sustainability concerns.

Climate change criteria are included as a focus area, and forms another area of measurement for index qualification. The aim with the climate change criteria is to gauge the extent to which companies consider what risks they face from climate change, and to encourage more action in this regard.

Generally, indicators are made up of *core and desirable* indicators –

- Core elements represent the minimum a company should strive to meet. The Index qualification threshold may not require meeting of all core indicators, but we believe that these are the areas that companies should aspire to meet as a minimum.
- Desirable indicators are aspirational or developmental aspects.

Each basic pillar of the criteria (environment, society and governance) measures **policy, management & performance and reporting** –

- For policy indicators, evidence would typically include stated commitments, policy documents, documents referencing undertakings, strategies etc.
- Management and performance typically looks at implementation of systems, objectives and targets, monitoring and measurement, etc.
- The reporting indicators refer to content that must be reported

As noted above, all information should be in the public domain in order for a company to meet the minimum qualification threshold.

5. Qualification thresholds

Thresholds across all four areas must be met to qualify for inclusion in the SRI Index, as follows:

Environment

- Impact classification of high / medium / low based on company activities in relation to five key issues: climate change, air and water pollution, waste, water consumption.
- Threshold based on
 - impact classification;
 - coverage of policy, systems and reporting; and
 - number of indicators met in policy, management and reporting.

	High impact	Medium impact	Low impact
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	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.

Management / performance	<p>Depending on coverage of EMS:</p> <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. <p>ISO certification or EMAS registrations are considered to meet all indicators.</p>	<p>Depending on coverage of EMS:</p> <ul style="list-style-type: none"> • <u>four</u> indicators; or • <u>six</u> indicators, including documented quantitative objectives and targets. <p>ISO certification or EMAS registrations are considered to meet all indicators.</p>	<p>Must have completed an initial / baseline review to identify significant impacts, <u>OR</u> meet either the policy or reporting requirement.</p>
Reporting	<p>The report must cover the whole group¹, and meet at least two core indicators (including text of environmental policy), plus one desirable reporting indicator.</p>	<p>The report must cover the whole group², and include text of environmental policy plus <u>one</u> other reporting indicator.</p>	<p>The report must cover the whole group², and include text of environmental policy <u>OR</u> meet either the policy or management requirement.</p>

Society

- Companies must meet the following:
 - Majority of all indicators, core and desirable (half plus one)
 - One third of indicators that are met, must be core
 - At least one core must be met in relation to BEE (only companies that have operations in South Africa)
 - At least one core must be met in relation to HIV/Aids (only companies that have operations in countries that are high risk for HIV/Aids)

Governance & related sustainability concerns

- Companies must meet the following:
 - Majority of all indicators, core and desirable (half plus one)
 - One third of indicators that are met, must be core

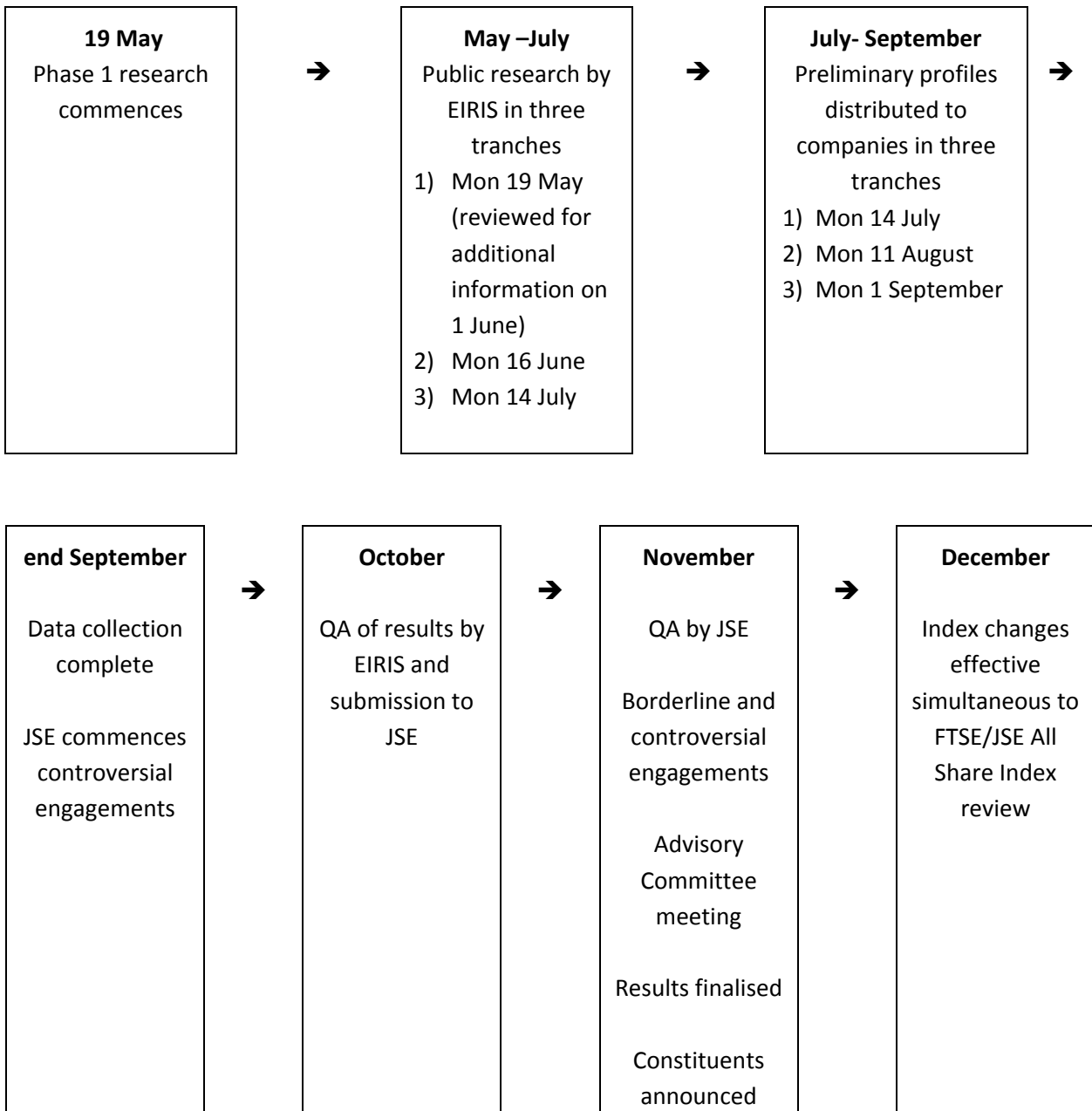
Climate change

- No impact classification initially
- Threshold based on meeting three specific indicators
 - Senior responsibility for climate change related issues
 - Commitment to climate change
 - Emissions disclosure (absolute or normalised)

Full details of the indicators and qualification thresholds for 2014 are available in the Background and Criteria document on the web site, or can be requested from the JSE at sri@jse.co.za.

¹ “Whole group” is defined as >95% of operations

6. Overview of 2014 timeline



7. Research process

7.1. Phase 1 research

The first phase of research comprises a review of public information by EIRIS, during which a company profile is compiled.

- Information sought in the public domain is the most recently available, and typically includes web sites, latest annual reports, etc.
- The profile provides a brief overview of company operations and a complete assessment (based on public information only) against the criteria.

Companies are assessed in three tranches. The scheduling of the tranches take account of financial year ends, consideration of the anticipated extent of data that can be expected to be submitted as well as incorporating the involvement of the local partner. Companies will be informed which tranche they will fall in, and this can also be confirmed with the JSE or EIRIS. **Given the tight timeline and the complexity of compiling the tranches, it is preferred that no moves of companies between tranches occur, however, we can consider requests on merit up to 16 May.**

7.2. Phase 2 research

During the second phase companies receive the preliminary profile for their company. This will afford companies the opportunity to review the profile and confirm that all the information documented has been captured in the public domain and there is no seepage of confidential information from previous reviews. Should there be information the company knows to be available publically which has not been captured in the profile, the company will be able to indicate where in the public domain the information is to be sourced. Any new information will be incorporated into the profile by EIRIS.

The distribution dates of preliminary profiles to companies are as follows:

- Tranche 1 – 14 July 2014
- Tranche 2 – 11 August 2014
- Tranche 3 – 1 September 2014

Companies are not required to submit information in the survey format, comments / feedback can also be provided under separate cover or directly on the profile.

The company will have **two weeks** in which to provide comment to its public profile. Extensions will be considered by EIRIS on merit and only in extreme cases. Responses and submissions should go directly to the researcher who sent the preliminary profile.

Final profiles will be distributed shortly before the final results are announced in November.

8. Salient matters

8.1. Borderline companies

A borderline company is a company that is highlighted by EIRIS to the JSE as being marginally close to qualifying for inclusion in the Index, but falling short e.g. on one indicator. Please refer to the Ground Rules available from our web site for the process for dealing with borderline cases. In summary, during late October/early November the JSE will engage with each borderline company regarding the borderline indicator, and may request additional evidence relating to that issue only. The company has **three working days** to respond. Based on this and after consultation with a subcommittee of the Advisory Committee, the JSE will determine whether the company should be included in the Index or not. A company that is borderline for two successive annual reviews will be asked to meet additional criteria relating to the borderline issue, and will not be included in the Index if it is borderline for a third time and is not showing clear steps to improve.

8.2. Best performers (BP)

Best performers will be those companies that have met all of the following:

- The BP environmental threshold relevant to the company's impact and the extent of coverage of its environmental policy, systems and reporting (see further details in the background and criteria document);
- all core indicators in relation to the social themes;
- all core indicators in relation to governance & related sustainability concerns;
- having an independent chairman; and
- all indicators in relation to climate change, *excluding* "trend data".

8.3. Controversial events and negative news stories

EIRIS conducts comprehensive news searches flagging major issues pertaining to environmental contraventions, health and safety, human rights violations, competition issues, etc. Please refer to the Ground Rules available from our web site for the process for dealing with controversial issues. In summary, from August the JSE will engage with companies identified as having controversial stories which the JSE deems to be significant enough so as to potentially affect inclusion of the relevant company in the Index. The company has **seven working days** to respond. The JSE will also consult EIRIS and a sub-committee of Advisory Committee members in this regard before making a final decision. Incidents are considered on their severity and potential impact, with local impact being considered more severely.

EIRIS delivers a comprehensive report to the JSE by the end of July to allow for engagement and consultation during the review process. A subsequent spot search will take place by the end of September to pick up on any new issues that warrant consideration.

8.4. Investment holding companies

Some holding companies do not have employees and/or reporting by the holding company is limited and does not reflect the activities and policies of principal subsidiaries. Where this is the case, EIRIS will conduct a full assessment of the subsidiary generating the largest proportion of the holding company's revenue, which is then attributed to the holding company's assessment. Where the subsidiary contributing the largest amount of revenue discloses little information, the second largest subsidiary may be considered as part of the assessment. The data provider will also consider all policies and practices that exist at holding company level, and specifically will consider evidence from the listed holding company in relation to Board practice for those criteria.

9. Contact details

For any further information, the JSE can be contacted on 011 520 7022 (Makhiba Mollo) or sri@jse.co.za. The project leader at EIRIS is Valeh Tehranchi who can be contacted on jse@eiris.org.