

Inspiring global alignment through value creation The IIRC's Global Conference 2019

The Sustainability Governance Scorecard©



Gizem Argüden
Board Member
Argüden Governance Academy



Fatma Öğücü Şen
Research Director
Argüden Governance Academy



Kübra Koldemir
Sustainability Researcher
Argüden Governance Academy

INTEGRATED REPORTING <IR>

Argüden Governance Academy

A Foundation Dedicated to Improve Quality of Governance



**ARGÜDEN
GOVERNANCE
ACADEMY**

Good Governance for
Quality of Life

Inspiring global alignment through value creation
The IIRC's Global Conference 2019

Sustainability Governance Scorecard

To help improve the state of world by speeding up learning from peers



SUSTAINABILITY GOVERNANCE SCORECARD

A thought leader for Quality of Life and a Sustainable Future

MISSION

Improving **trust to the organizations** for **quality of life** and a **sustainable future**

AIMS

- **Improve awareness of the role of good governance** for sustainable and inclusive development by research, dissemination of successful examples, and awards
- **Create a knowledge platform** to enable representatives of government, civil society, and business to be informed about the recent global developments on governance through training programs, seminars, and peer to peer learning
- **Conduct impact research** in cooperation with international organizations, universities, public agencies, and non-governmental organizations on various governance related subject areas
- Cooperate with similar initiatives both locally and globally through joint projects to **raise the understanding of the key role of good governance to improve quality of life and sustainability of the planet**

VISION

Being a **center of excellence** and a **reference point** for good governance both locally and globally



Argüden Governance Academy's Integrated Thinking Journey

Recommendation to G20: Integrated Reporting

ARGE was selected as the **B20 Governance** and **Sustainability Knowledge Partner** where we were invited as a member to the C20 Governance **Working Group** during **G20 Türkiye**.

We have contributed to the inclusion of **Integrated Reporting** as one of the key recommendations to the G20 Leaders.

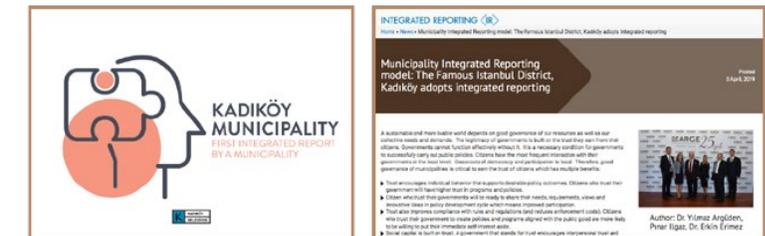
First Integrated Report of Türkiye

We are among the **Top 10 NGOs** in the world with our **Integrated Report** covering our first full year of operation.

Our Integrated Reporting experience has been shared as an **example to voluntary organizations** on the International Integrated Reporting Council (IIRC) website.

Istanbul's Kadıköy Municipality, an <IR> Pioneer

Famous Istanbul district, Kadıköy accomplishes a **global first** by adopting the Municipality Integrated Reporting Model[®] following the recommendations of the citizen centric Municipality Governance Scorecard[®] Project.



Help improve the state of the world by speeding up learning from peers

Developed a **unique Sustainability Governance Scorecard (SG Scorecard)** that;

Raises awareness on **SDGs**

Measures **Governance of Sustainability Efforts**

Based on **public disclosures** of **Global Sustainability Leaders (GSL)**

The Model enables to;

Improve **sustainability of sustainability** efforts

Identify **development opportunities** through sharing good examples of peers

Assist stakeholders in the identification of **long-term sustainable value**

Motivate learning across peers through good practices

Enhance reporting quality of sustainability governance



An improvement tool for better governance of sustainability issues

The SG Scorecard helps to determine if the public disclosures of GSL provide any evidence on;

How the board provides **proper guidance** and **oversight** about sustainability issues,

If **comprehensive sustainability initiatives** are deployed throughout the organization,

Whether the **responsible behavior** is embedded in the organization's processes and culture.



WHO & HOW ?

Industries

Automotive
Chemicals
Consumer Goods
Food Processors
Machines & Equipment
Natural Resources
Pharmaceuticals
Retail
Telecommunications
Utilities

From

Publicly available information
2017 Annual Report
2017 Sustainability Report
Official website:
Governance and
Sustainability Sections



China



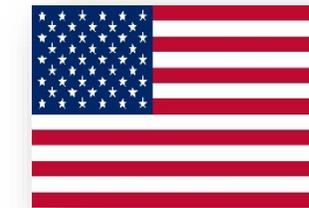
Germany



South Africa



United Kingdom

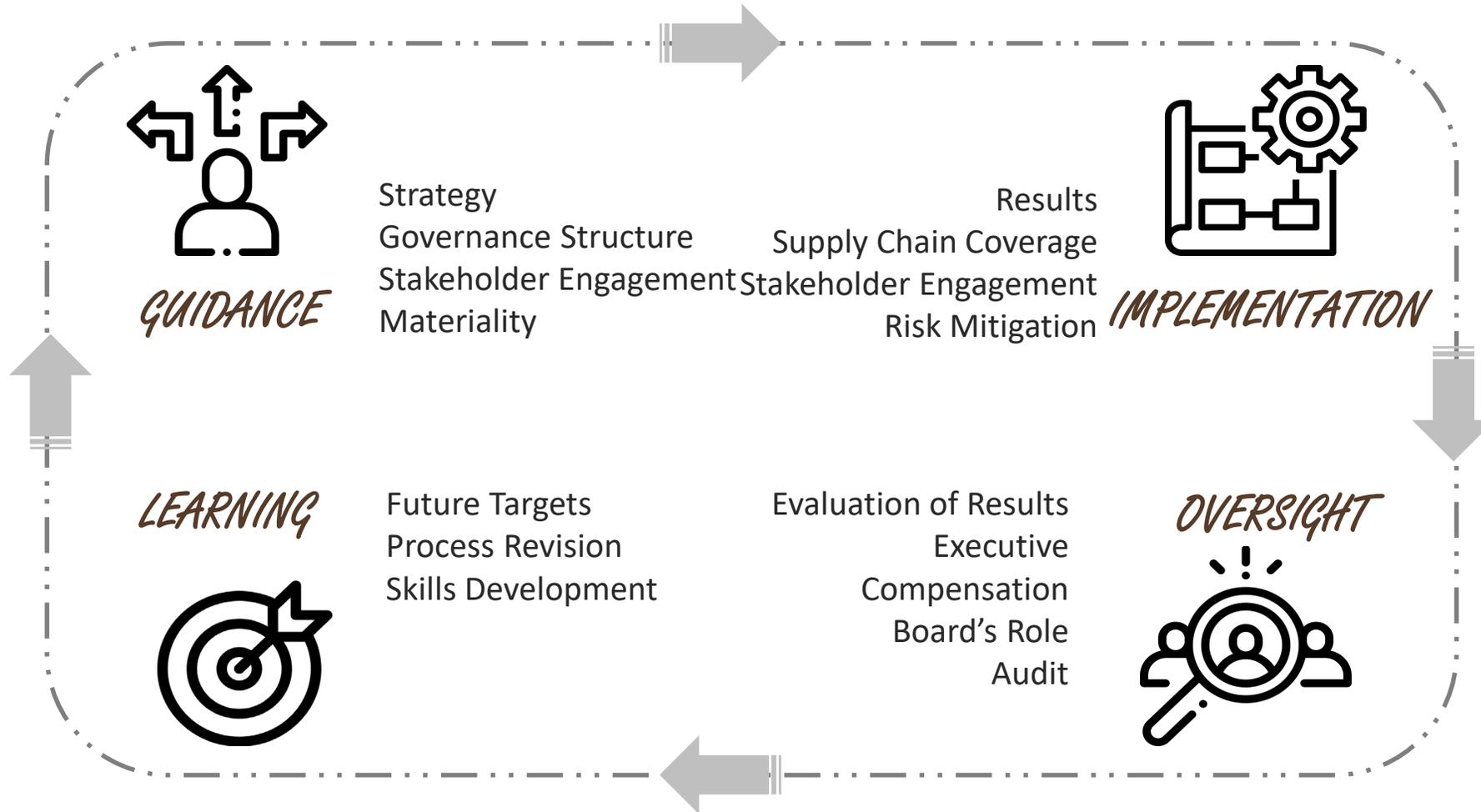


United States



Türkiye

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



Two Key Conclusions about Global Sustainability Leaders

Significant room for
improvement about the
sustainability programs

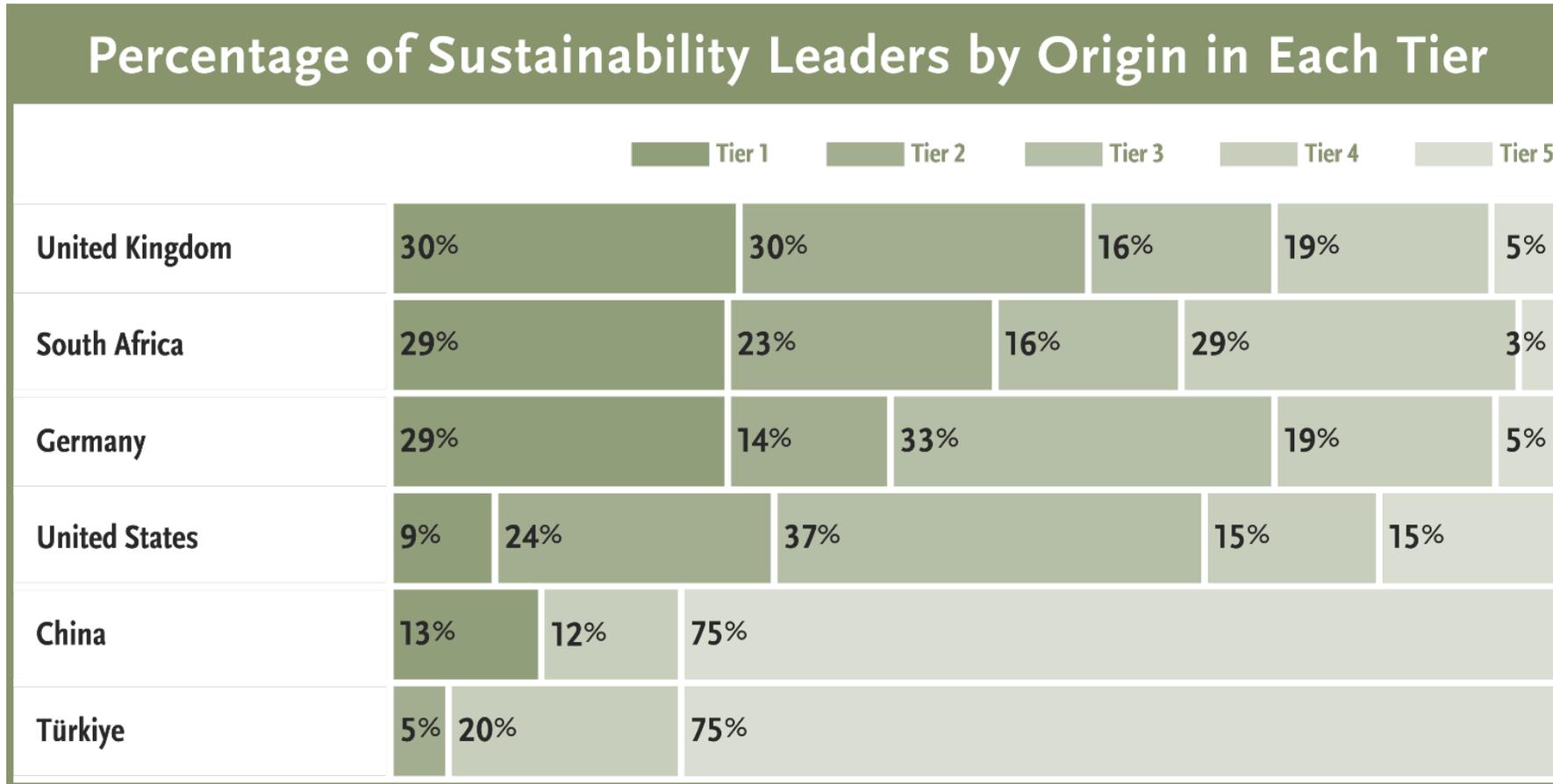
Peer-to-peer learning
opportunities based on
good practices

Among the GSLs

those who are **UN Global Compact Signatories** & adopted (<IR>) Framework
have better chances of **incorporating sustainability into their culture.**

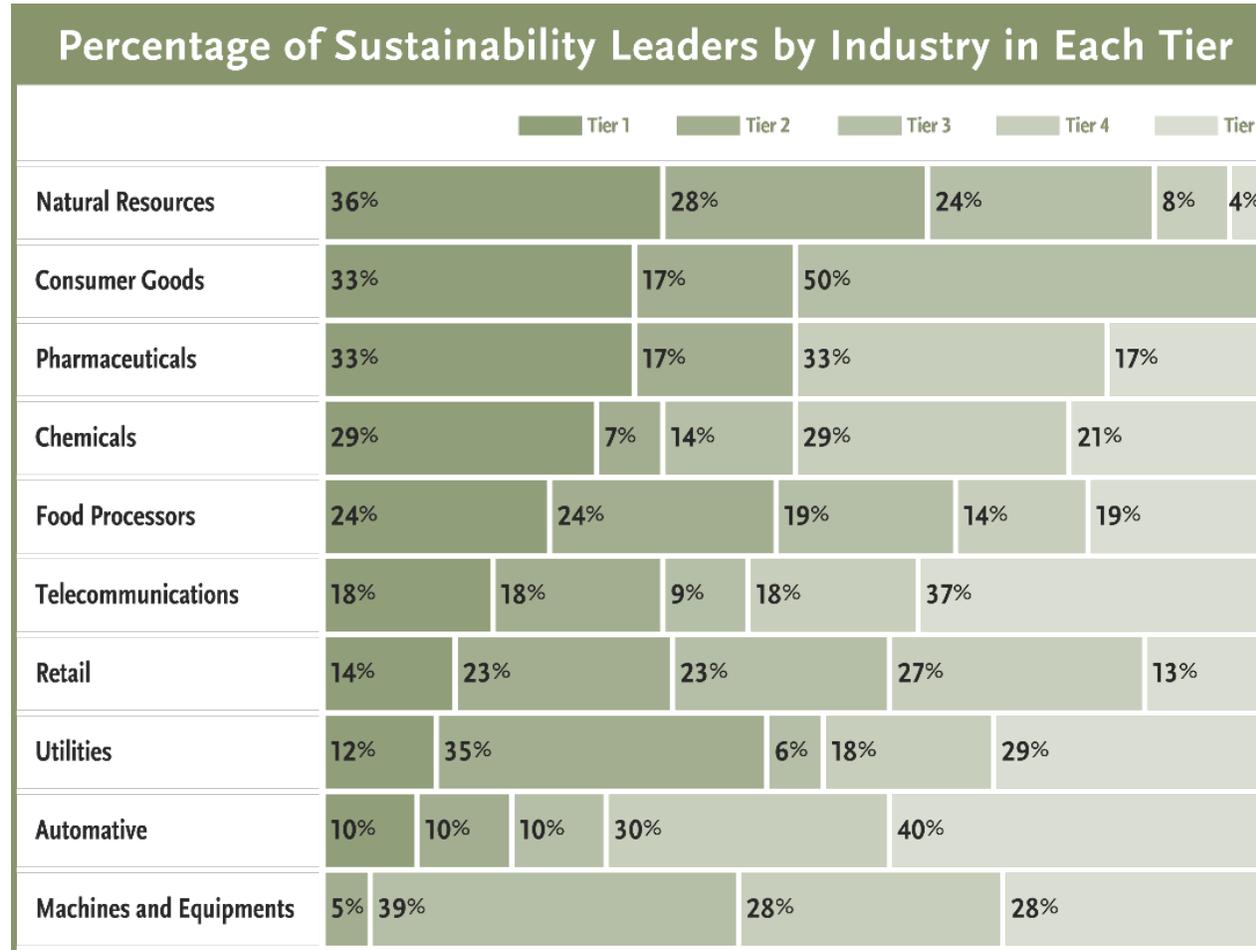


United Kingdom and South Africa GSIs have higher propensity to be in Tier 1 or Tier 2



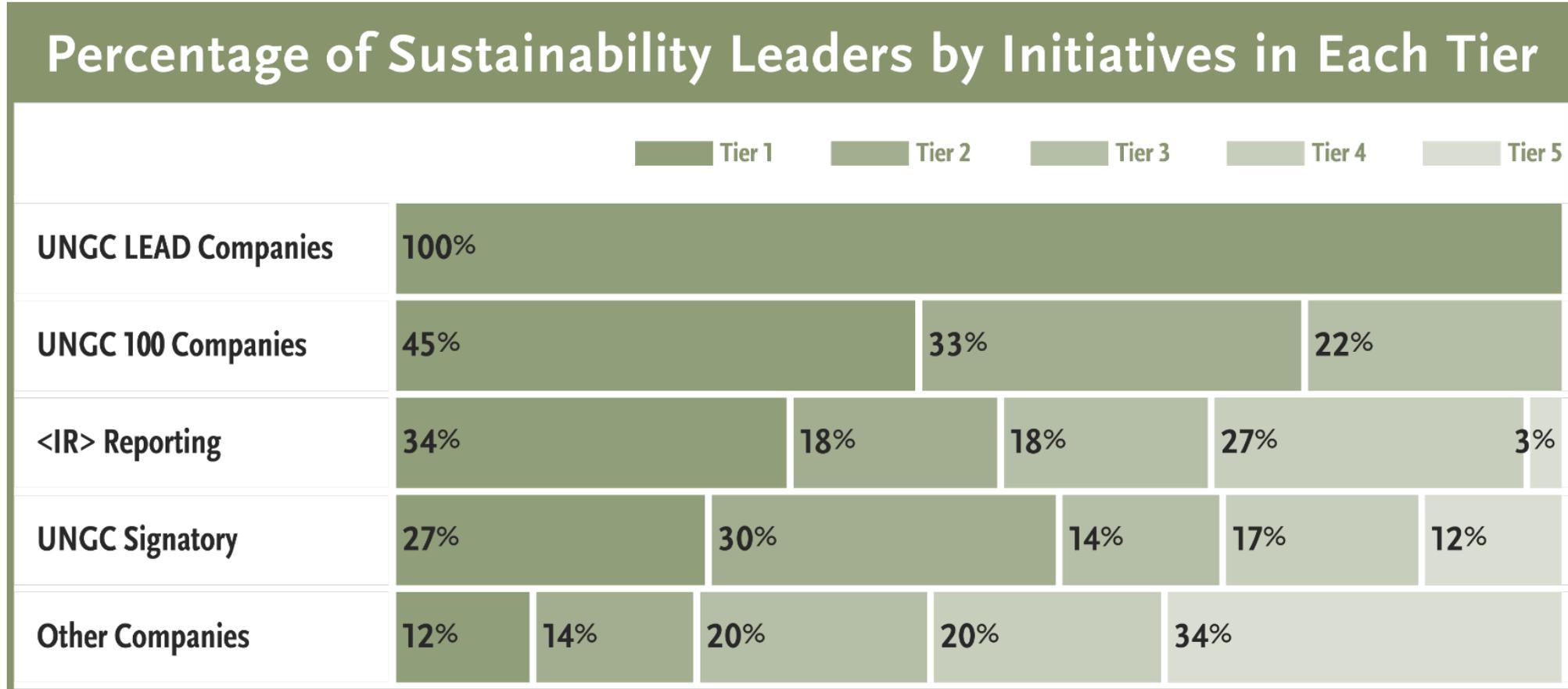
Based on Argüden Governance Academy research for Sustainability Governance Scorecard®

GSLs in Natural Resources, Consumer Goods & Pharmaceuticals have higher propensity to be in Tier 1 or Tier 2



Based on Argüden Governance Academy research for Sustainability Governance Scorecard®

Adopting <IR> and/or being a signatory of the UNGC makes a difference



Based on Argüden Governance Academy research for Sustainability Governance Scorecard®

Responsible Leadership

Showing commitment by setting & sharing future targets

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®

Comprehensive Sustainability Targets

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



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 25MI/d by 2020	Water efficiency level achieved	4.91MI/d	5MI/d	25MI/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

Responsible Leadership

Room for improvement in geographic reporting

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

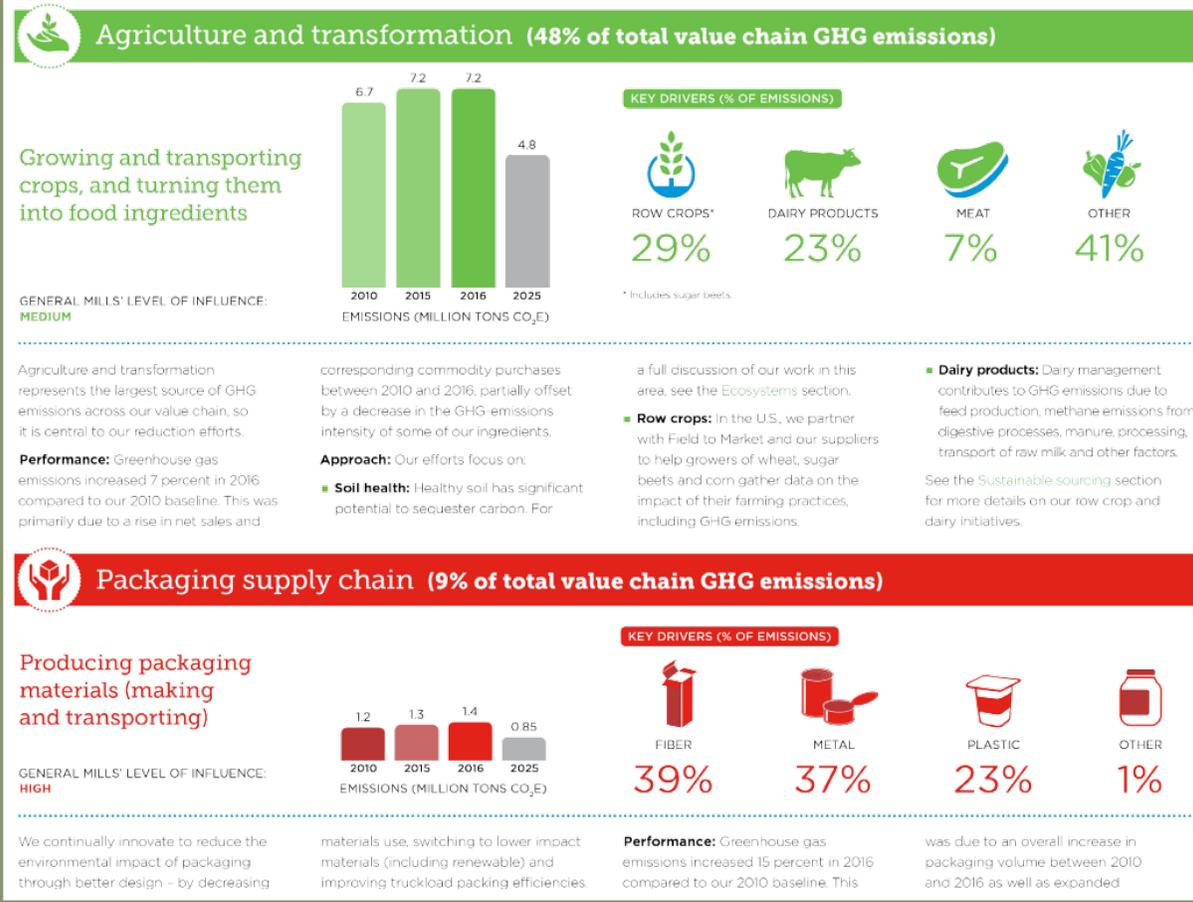
Based on Argüden Governance Academy research for Sustainability Governance Scorecard®

Sustainability Targets 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



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

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).



Workforce Representation



Our global leadership team

7 WOMEN



14 MEN



Our board of directors

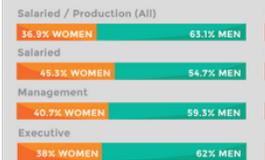
5 WOMEN



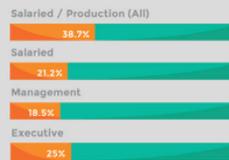
7 MEN



Global female representation



U.S. People of color



U.S. Veteran Representation



U.S. Employees Members of a B-ERG

16%

Diversity at Zalando

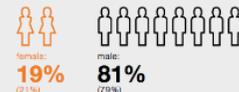
Management Board (MB)



1st level below MB



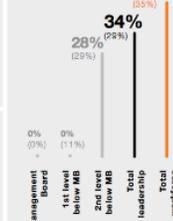
2nd level below MB



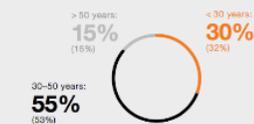
Total formal leadership positions



International



Total workforce by gender and age



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

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

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.

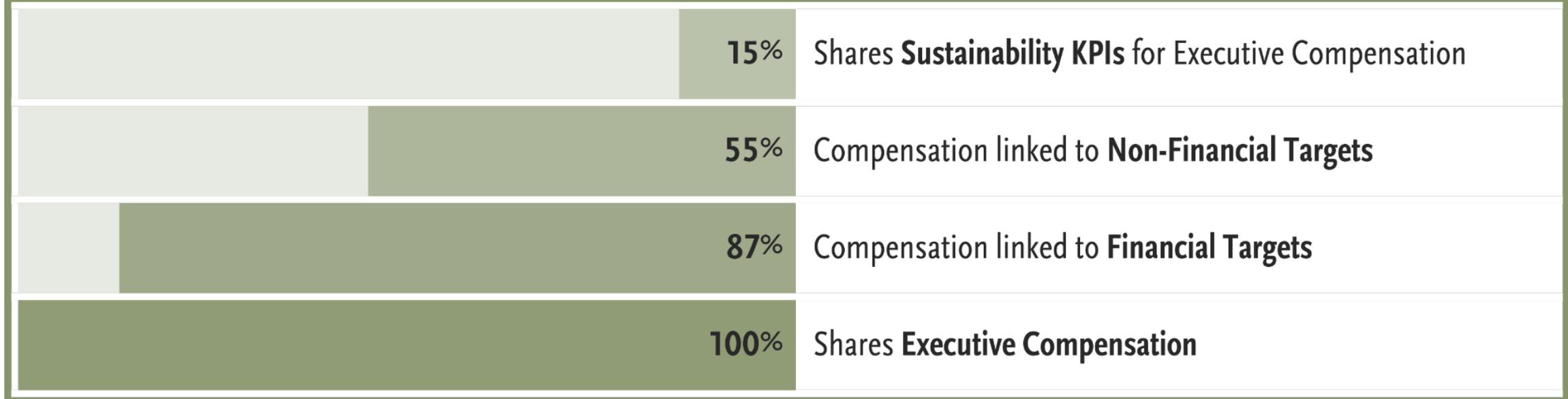
COUNTRY	YEAR	Key Performance Indicators			
		Energy Use Ratio (MJ/L)	GHG Emissions Ratio (g CO ₂ -e/L)	Water Use Ratio (L/L)	Total Waste Recycling Rate (%)
Turkey	2017	0.27*	40.43**	1.56*	96.00
	2020 Target	0.28	28.54	1.35	98
Jordan	2017	0.25	38.78	1.44	91.90
	2020 Target	0.23	50.00	1.41	94
Kazakhstan	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

Responsible Leadership

Aligning management incentives with sustainability

Executive Compensation



Based on Argüden Governance Academy research for Sustainability Governance Scorecard©

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.

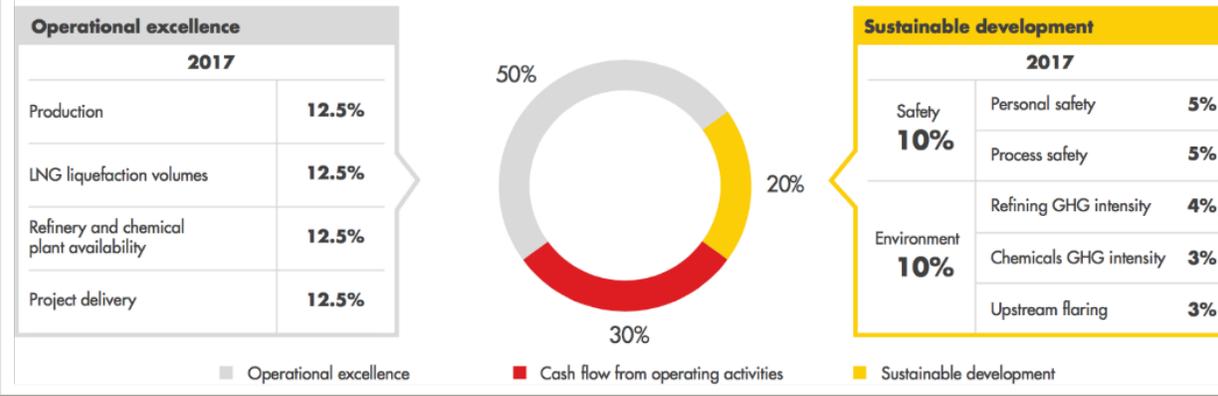
Targets are set each year by the Board's Remuneration Committee and the outcomes against these targets are reported retrospectively in the Annual Report. The same annual bonus scorecard approach applies to senior management and other employees.

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



Source: Shell Sustainability Report 2017, p. 16

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.



OUR PERFORMANCE SCORECARD

Our performance scorecard provides an overview of how we have delivered in the year and tracks and reports on how we create value on our robust foundation. It shows our progress against seven Key Performance Indicators (KPIs) that are linked to the delivery of our strategy to create superior value for our stakeholders. The KPIs are integral to our risk management process, providing a tool with which to measure our risk tolerance.

STRATEGIC OBJECTIVES

- UPSTREAM**
 - Deliver low-cost feedstock in Southern Africa
 - Grow economically attractive upstream resources in Southern Africa
- OPERATIONS**
 - Continuously improve existing asset base and maintain technological lead
 - Drive world-class safe operations to support growth
- ENERGY**
 - Optimize liquid fuels marketing channels
 - Deliver selective GTL opportunities and grow low-carbon power generation
- CHEMICALS**
 - Drive value chain optimisation
 - Drive selective growth based on feedstock, market and/or technology advantage

ROBUST FOUNDATION

- Protect our competitive advantage by ensuring that we can respond to market and regulatory changes proactively.
- Proactively manage financial risks and protect the balance sheet
- Improve efficiency and effectiveness of our operations; use digital to reduce our cost to sell

ENABLED BY
Effective allocation of capital
Values-driven, diverse and high-performing organisation

Securing our business of today
Translating into the business of tomorrow

KPIs	TARGET	2017	2016	2015
ROIC	Capital positions to deliver return on capital investment of 16.3%	9%	7%	17%
Quality-based earnings growth	1% (vs. 20% in 2016) growth on a three-year rolling average	07%	03%	05%
Net debt-to-EBITDA	Maintain a net debt-to-EBITDA ratio of less than 2.0 times	1.1x	0.5x	0.20x
Gearing	Achieve a gearing level of 20% - 40% (temporarily lifted to 44% until the end of 2018)	26.7%	14.6%	0.8%
Safety	ROF of less than 0.3 by 2020	0.20 with five fatalities	0.20 with two fatalities	0.32 with one fatality
Greenhouse gas emissions	To maintain direct GHG emissions from our South African operations within 300kt of CO ₂ e (excluding 2016 or 2017)	→	500kt direct CO ₂ e equivalent	→
Broad-Based Black Economic Empowerment	At least level 4 by 2020	Level 0 (over code)	Level 0 (over code)	Level 4 (2007 code)

REGENERATION POLICY AND PRIORITIES
 • CC - Capital under construction
 • FULFILLING AUC
 • COMPLETING
 • Two APMs reviewed since 2016 over calendar years

Sasol's remuneration policy is designed to enable the delivery of the Group's strategy in a safe, reliable and sustainable manner.

Summarised report of the Remuneration Committee is on page 54.

OUR KEY PERFORMANCE INDICATORS

KPI	Target	Performance
Return on invested capital (ROIC)	To target return for net investments of 12.2 times weighted average cost of capital (WACC) (BSE)	2017 - 9% (including AUC) and 17% (excluding AUC) All new growth-related capital projects are required to provide a return of at least 12.2 times our investment WACC. In 2017, our investment WACC is 8.25% (inclusive sustainable value expenditure). In 2017, although a marked improvement from 2016, we did not achieve our target. This was mainly due to the lower oil price environment and the impact of upstream capital investments. LCCP projects in the US and USA proved a major challenge. We expect the return on invested capital ratio to remain under pressure in the short to medium term.
Quality-based earnings growth	1% (vs. 20% in 2016) growth on a three-year rolling average	2017 - 07% The strong drop in global oil prices since 2015 negatively impacted earnings. This resulted in us not delivering on our target. The impact of the macro-economic environment was, however, partially mitigated by our Business Performance Enhancement Programme and Resource Plan initiatives. Sasol's collaborative Foundation Business and growth prospects should enable us to achieve sustainable compound US dollar earnings growth of 1% per annum.
Net debt-to-EBITDA	Maintain a net debt-to-EBITDA ratio of below 2.0 times	Net debt-to-EBITDA remains healthy at 1.1x times. Our target is to maintain our capital improvement programme as well as not to increase our external market factors such as crude oil prices, commodity derivative price and exchange rates. We expect our net debt-to-EBITDA to reduce substantially two years post the completion of the LCCP.
Gearing	To maintain a gearing level of 20% - 40% (temporarily lifted to 44% until the end of 2018)	Our gearing level increased to 26.7% mainly due to our capital investment programme. This is a discretionary action on our self-imposed target of 40%. We expect our leverage level to decrease two years post the completion of the LCCP.
Safety	To achieve a sustainable loss rate (ROF) of 0.20, covering the high severity of incidents causing a concern. Repeatedly, five fatalities occurred.	Our Safety Recordable Case Rate (RCR), excluding illnesses, improved to 0.20. However, the high severity of incidents remains a concern.
Greenhouse gas emissions	To maintain direct GHG emissions from our South African operations within 300kt of CO ₂ e over calendar years 2016 - 2020	Sasol's operational footprint in the core phases of the South African carbon budget remains, in total, our budget encompasses a limit of 300kt carbon credits equivalent over the period 2016 to 2020, making provision for growth. For calendar year 2017, Sasol South Africa's emissions are approximately 500kt of direct CO ₂ e equivalent emissions of our total budget, taking project delivery into account. From 2017 onwards, emissions budgets will be set in line with government requirements. We are engaged with government on the proposed methodology and will provide our emissions data upon receipt of appropriate limits. Refer to www.sasol.com for further information.
Broad-Based Black Economic Empowerment	To achieve at least level 4 contributor status in terms of the revised Codes of Practice by 2020	Our most recent certification issued in April 2017 represents a key milestone in our transformation efforts, with year-on-year improvements over significant related assets. In 2017, we received our Broad-Based Black Economic Empowerment (BBBEE) Contributor status. We are committed to our BBBEE strategy and will continue to work with government on the proposed methodology and will provide our emissions data upon receipt of appropriate limits. Refer to www.sasol.com for further information.

Implementation report

Here we provide an overview of achievements against the STI targets set for 2017, as well as the performance over the vesting periods for LTI awards that vest with reference to 2017's performance.

Achievements against the 2017 STI targets:

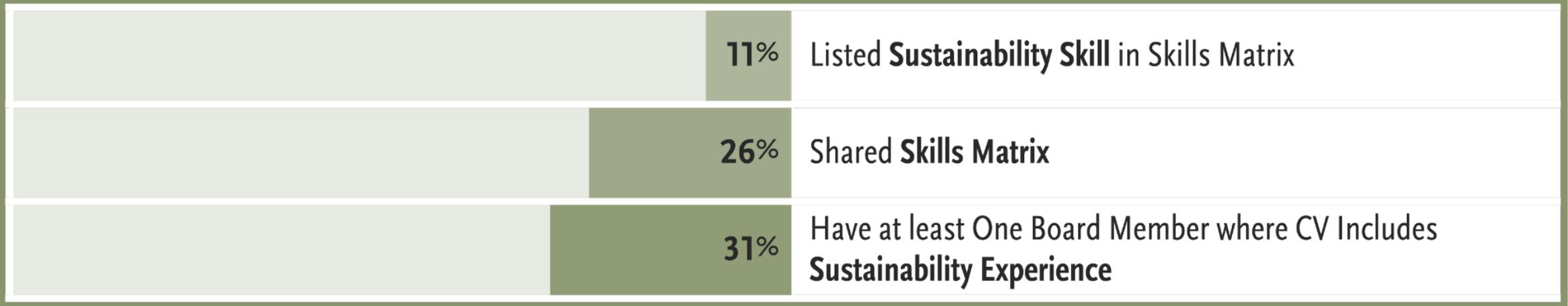
KPIs	Group targets	Weighting	Threshold (Rating = 0%)	Target (Rating = 100%)	Stretch Target (Rating = 150%)	Achievement	Weighted achievement
QUALITY-BASED EARNINGS GROWTH Target: 1% USD EBIT growth	Year-on-year growth in headline earnings	30%	2016 headline earnings + CFI (measured over the fiscal year) + 2%	2016 headline earnings + CFI (measured over the fiscal year) + 8%	2016 headline earnings + CFI (measured over the fiscal year) + 8%	Below threshold	0%
	Year-on-year growth in cash fixed costs (CFC)	20%	Approved group 2017 CFC budget including BPEP savings of R9.6bn	Approved group 2017 CFC budget including BPEP savings of R10.0bn	Approved group 2017 CFC budget including BPEP savings of R11.0bn	In-line with target	79.37%
EARNING Target: Achieve a gearing level of 20% - 40% (temporarily lifted to 44% until the end of 2018)	Year-on-year growth in production volumes (fuel-equivalent tons)	30%	2016 volumes	2016 volumes + 1%	2016 volumes + 2%	1.8% growth	28.00%
	Improvement in working capital and gross margin	10%	15% below 2017 absolute working capital and gross margin	100% of 2017 absolute working capital and gross margin budget	15% better than 2017 absolute working capital and gross margin budget	8.8% below target	4.10%
BROAD-BASED BLACK ECONOMIC EMPOWERMENT Target Level 4 by 2020	B-BBEE: Preferential procurement	5%	0% improvement on 51% Black-owned spend in South Africa of R3.2bn	51% Black-owned spend in South Africa of R4.5bn	51% Black-owned spend in South Africa of R5.0bn	Exceed stretch target	73.0%
	Employment equity (Senior African and Coloured appointments)	5%	30% of all opportunities employed in the targeted groups	60% of all opportunities established in the targeted groups	75% of all opportunities established in the targeted groups	53% of opportunities utilised	3.77%
SAFETY, HEALTH AND ENVIRONMENT Target: RCR of less than 0.30 by 2020	SHE safety leading indicator - occupational safety	3.3%	> 27 FEs	27-24 FEs	23-21 FEs	Achieved stretch	4.95%
	SHE environmental & sustainability	3.4%	Energy efficiency improvements of 0.5% in South African operations	Energy efficiency improvement of 0.933% in South African operations	Energy efficiency improvement of 1.5% in South African operations	1.87% improvement	5.10%
Total: 72.79% (2016: 81,99%)							

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

Board Leadership

Lack of focus for sustainability skills in the GSLs Boards

Board Skills Matrix



Based on Argüden Governance Academy research for Sustainability Governance Scorecard[©]

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.



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)

INDUSTRY/TECHNICAL				SUSTAINABILITY				GLOBAL		
Open pit mining	Refining	Smelting	Base metals	Safety, health, environment	Water use, rights, waste technology	Community knowledge	Government relations	Africa (other than SA)	International	
				Energy						

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.

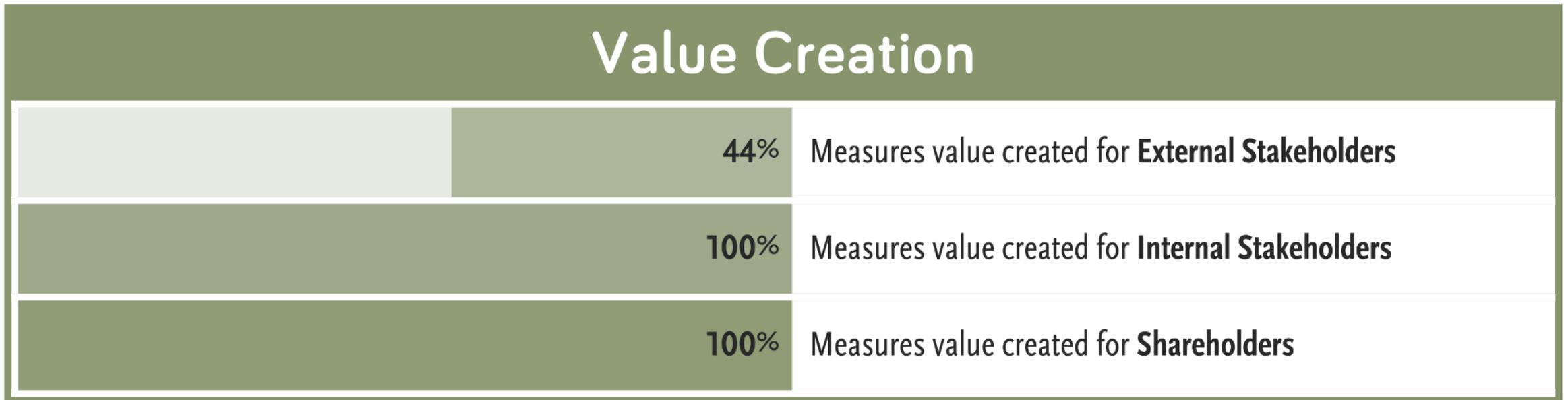


NOMINEE SKILLS MATRIX

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.	<ul style="list-style-type: none"> • PNC Financial Services Group • Marathon Petroleum Corporation • Mondelēz International, Inc. 	2014	68	●	●	●		●	●	●		
 Caroline Maury Devine <small>NEW</small> Former President and Managing Director of a Norwegian affiliate of ExxonMobil	<ul style="list-style-type: none"> • John Bean Technologies Corporation • Valeo 	2017	67	●	●	●	●	●	●	●		●
 John V. Faraci Former Chairman and CEO of International Paper Co.	<ul style="list-style-type: none"> • PPG Industries, Inc. • United Technologies Corporation 	2015	68	●	●		●		●			●
 Jody Freeman Archibald Cox Professor of Law at Harvard Law School		2012	54	●			●		●			●

Stakeholder Engagement

Integrating with stakeholders to create a sustainable value



Based on Argüden Governance Academy research for Sustainability Governance Scorecard©

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.



The resources and relationships that set us apart

What we do

Stakeholder outcomes

F Financial strength We're focused on growing our cash flow over the long term.	£2,782m normalised free cash flow generated in 2016/17
H Our people Their commitment, expertise and diversity are key to our success.	106,400 employees
M Networks and physical assets We continue to invest in these to improve the experience we offer our customers.	26.5m premises passed by our fibre footprint 5.6m BT Wi-fi hotspots
I Research and development We're one of the largest investors in research and development in the UK.	c£520m R&D spend 102 patents filed



Customers	6.4% improvement in Right First Time performance	2m BT Call Protect customers
Community	£35.6m investment in society	31% BT volunteer people
	£471m UK corporation tax	£95m raised for good causes
Employees	71% employee engagement outcome	88% maternity return rate

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.



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-



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



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



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

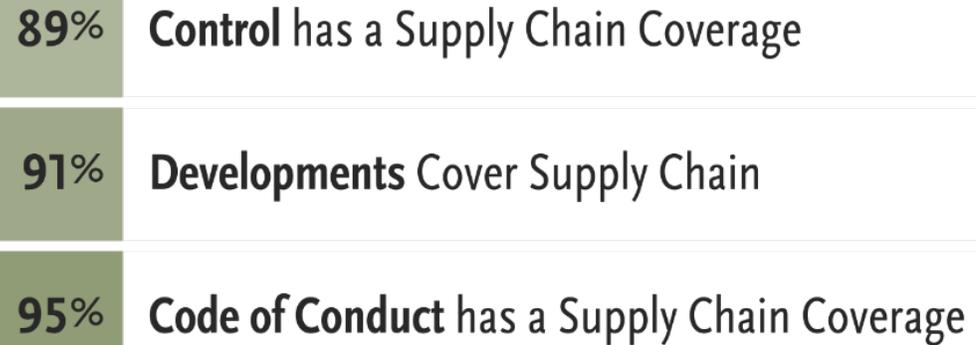
We, along with other biopharmaceutical companies, continue to work openly and transparently with policymakers and regulators to increase access and improve outcomes, and to support an environment that fosters medical and scientific innovation and value.

Outcomes for government bodies and regulators

We partner directly with governments to improve healthcare infrastructure and access to medical

Global Sustainability Leaders (GSL) take action about their supply chain

Supply Chain Coverage



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.



THE AUDIT PROCESS

OUR APPROACH TO RISK AND EVALUATING SUPPLIERS

We have developed a risk-based approach which we believe allows us to have the greatest impact in preventing and remediating human rights and labour issues in our supply chain.



All our suppliers are asked to complete a self-declaration regarding their compliance to the Mandatory Requirements of the RSP. We segment suppliers based on a risk assessment using externally available indices of business and human rights risks from expert sources.

Suppliers in the highest risk segment are required to undergo an independent third-party audit. Raw material or finished goods suppliers are required to undergo an on-site audit, while service suppliers need to undergo a remote desk-top audit.

**DURING 2015 AND 2016
2,084
SITES WERE
AUDITED**

During the course of an on-site audit, all non-conformances are recorded to indicate where a supplier's site does not align with our RSP Mandatory Requirements.

A supplier must provide a time-bound corrective action plan to address and remediate non-conformances, and the auditor must confirm the remediation has effectively addressed the non-conformance in a follow-up audit within a 90-day period for the supplier to be RSP compliant.



DUE DILIGENCE FOR RESPONSIBLE SOURCING

Country Risk Assessment



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.

Audit Sites



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	4,300
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

Global Sustainability Leaders (GSL) need to take leadership about SDGs

Only **65%** of GSLs
link their strategy to SDGs.

SDG 16 & SDG 14
have the lowest percentage of
adoption among the GSLs



Based on Argüden Governance Academy research for Sustainability Governance Scorecard®

Link to SDGs

Presents a clear process showing how to integrate SDGs into reporting by linking strategy, engaging stakeholders and fostering partnership.



PARTNERING TO MEET THE UNITED NATIONS

SUSTAINABLE DEVELOPMENT GOALS (SDGs)



Our sustainability strategy is inextricably linked to our business strategy. This infographic illustrates how sustainability is embedded in our business strategy, and how this aligns with the seven United Nations Sustainable Development Goals (SDGs) most relevant to our business. Partnership is essential in achieving the SDGs and we continue to work in close partnership with many of our key stakeholders in the implementation of this strategy.

2 ZERO HUNGER
SDG 2030 GLOBAL TARGET: NO ONE WILL GO HUNGRY ANYWHERE IN THE WORLD

WHAT WE ARE DOING TOGETHER WITH OUR PARTNERS

- We donate more than **2 000 tonnes** of surplus food to FoodForward SA per year, which is used to make **20 000 meals** every day for those in need. Page 23
- Since 2013 the PnP Ackerman Foundation has worked with communities across **62 municipalities** in the establishment of **362 community food gardens**, enabling **4 000 families** to feed themselves. Page 32

3 GOOD HEALTH AND WELL-BEING
SDG 2030 GLOBAL TARGET: REDUCE DEATHS THROUGH NON-COMMUNICABLE DISEASES SUCH AS HEART ATTACK, OBESITY AND DIABETES

WHAT WE ARE DOING TOGETHER WITH OUR PARTNERS

- Reduced salt** content in **96** private label products. Page 16
- Launched new PnP "Live Well" and "Free From" brands with specific nutrition or health attributes. Page 15
- PnP HealthyFood™ programme offers discounts to Vitality members. Page 17

4 QUALITY EDUCATION
SDG 2030 GLOBAL TARGET: ALL BOYS AND GIRLS WILL HAVE ACCESS TO QUALITY EARLY CHILDHOOD DEVELOPMENT, PRIMARY AND SECONDARY EDUCATION

WHAT WE ARE DOING TOGETHER WITH OUR PARTNERS

- The PnP Schools Club works together with HOI Youth-Marketers in the provision of educational resources to **3 025 local schools**, reaching **5.7 million learners, teachers and caregivers**
- Launched a pilot project called Sifanda Ngokushetha ("We learn by talking together") at one store, turning the store into a learning centre. Page 33
- Every year, the partnership between PnP and SANParks allows **5 000 children** the opportunity to visit National Parks through the Kids in Parks Programme

8 DECENT WORK AND ECONOMIC GROWTH
SDG 2030 GLOBAL TARGET: EVERYONE WILL HAVE A DECENT JOB

WHAT WE ARE DOING TOGETHER WITH OUR PARTNERS

- We work with **10 000 suppliers** in our supply chain with a total procurement spend of **R67.7 billion**, which provides employment to more than **400 000 people**
- We worked with ABSA, the Gauteng Department of Economic Development (GDEED), the Old Mutual Foundation and the Masizane Fund to convert **five independent township grocers** into thriving convenience stores, creating **45 jobs**. Page 10 and 11

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
SDG 2030 GLOBAL TARGET: WE'LL HALVE GLOBAL FOOD WASTE AND ACHIEVE EFFICIENT USE OF RESOURCES

WHAT WE ARE DOING TOGETHER WITH OUR PARTNERS

- We worked closely with a number of partners to launch an ambitious food waste composting project, which will process up to **4 tonnes** of food waste from PnP Stores every day. Pages 24 and 25
- BioGreen Diesel has worked closely with Pick n Play since 2010. Through this partnership, **2.3 million litres** of used cooking oil have been converted into biodiesel. Page 23
- Over the past financial year, we sold **1.35 million reusable bags** and recycled **5 000 tonnes** of waste in our reverse logistics project. Page 22

13 CLIMATE ACTION
SDG 2030 GLOBAL TARGET: WE'LL STRENGTHEN RESILIENCE AND IMPROVE AWARENESS OF CLIMATE CHANGE

WHAT WE ARE DOING TOGETHER WITH OUR PARTNERS

- Our partnership with Energy Partners has yielded a reduction in energy intensity of **34%** since 2008, generating savings of **R1.3 billion**. Page 20
- We installed **low-emission hybrid refrigeration systems** at all new and refurbished stores (60 stores to date). Page 20
- We installed **solar PV** at two distribution centres and one major store, with more to come in 2018. Page 20

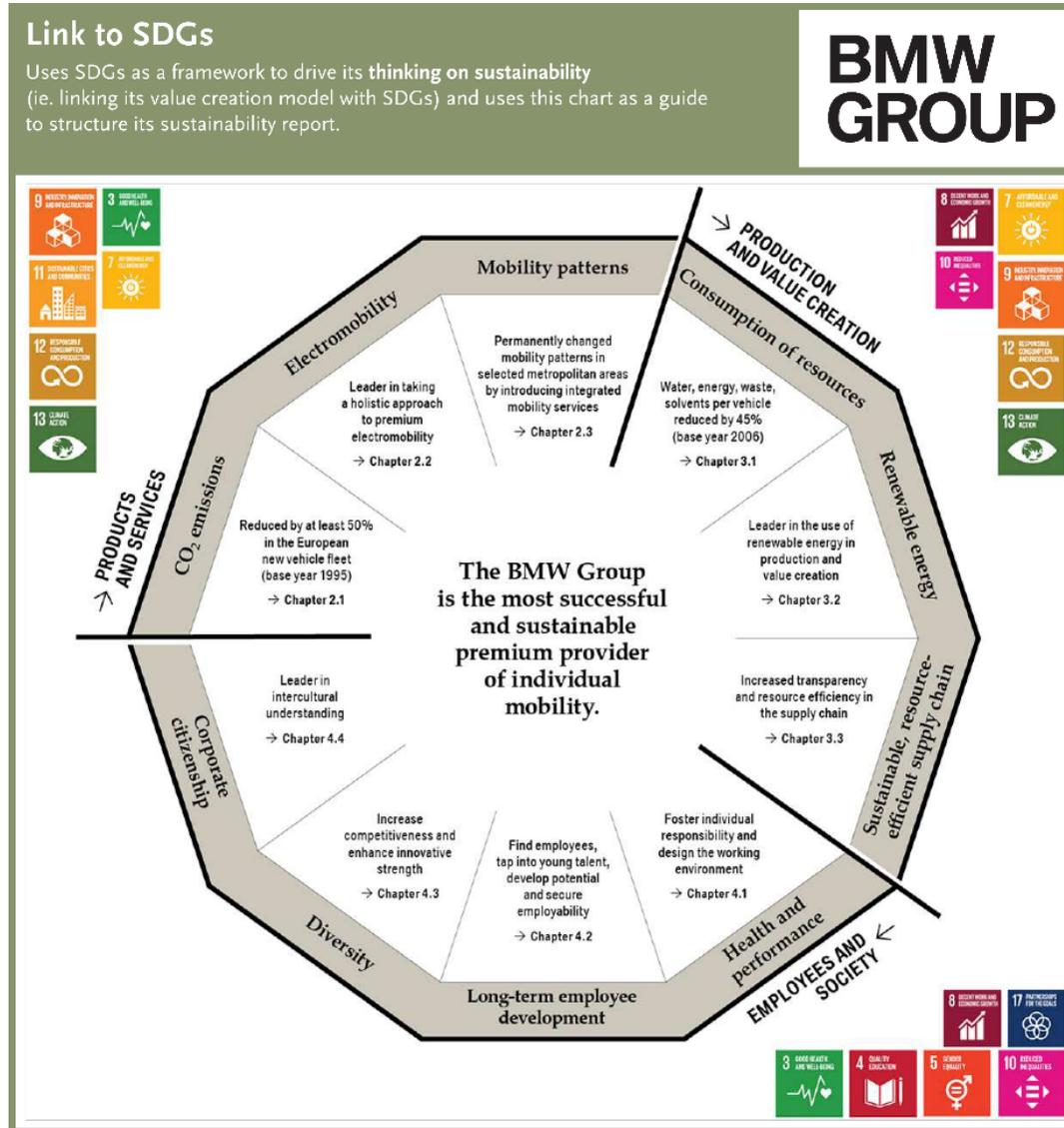
14 LIFE BELOW WATER
SDG 2030 GLOBAL TARGET: WE'LL END OVERFISHING AND DESTRUCTIVE FISHING PRACTICES

WHAT WE ARE DOING TOGETHER WITH OUR PARTNERS

- Since 2010 we have invested **R15 million** in the WWF Sustainable Fisheries Programme. Page 8
- More than **1 500 local fishers** have been trained through the Responsible Fishing Alliance
- 83%** of all of our products by sales meet our seafood sustainability targets. Page 8



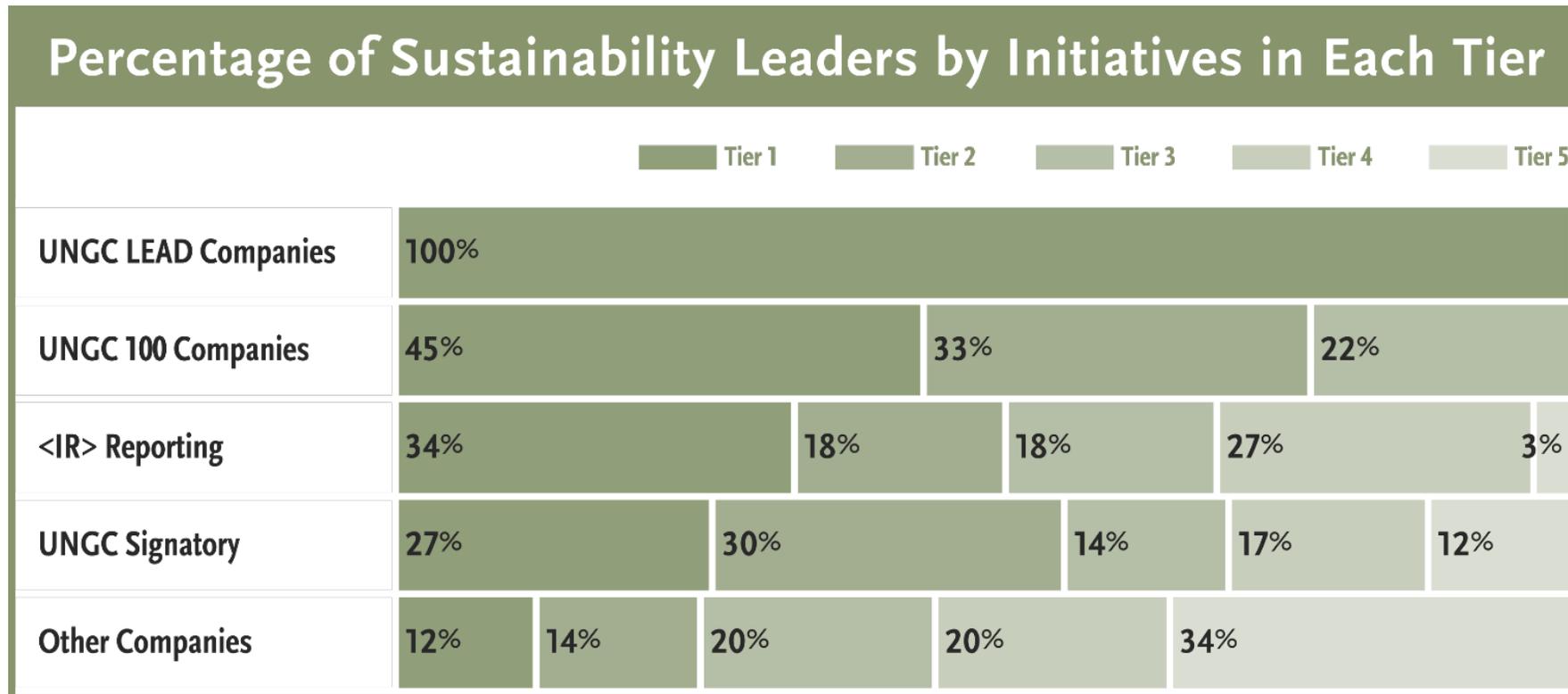
Source: Pick n Play Sustainable Living Report 2017, p. 2-3



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

<IR> & UNGC

Among the GSLs, 60% of Tier 1 companies embrace UNGC and 37% have adopted <IR>, whereas among Tier 5 companies, the numbers are 23% and 3% respectively.



Based on Argüden Governance Academy research for Sustainability Governance Scorecard®

Two Key Conclusions about Global Sustainability Leaders

Significant room for
improvement about the
sustainability programs

Peer-to-peer learning
opportunities based on
good practices

Among the GSLs

those who are **UN Global Compact Signatories** & adopted (<IR>) Framework
have better chances of **incorporating sustainability into their culture.**



How can stakeholders benefit from the SG Scorecard?



Boards & Management can;

- Have guidance about how to support supply chain and life cycle coverage
- Motivate business leaders to peer learning via good practices
- Describe and clarify how to build trust, alleviate risks, drive innovation and consequently grow faster.



Investors can;

- Motivate business world to take action about sustainability of the planet.
- Promote end to end value chain approach about Sustainable Development Goals.

Regulators can;

- Provide guidance to benchmark country good practices to improve value creation and reporting quality.
- Motivate learning from peers via promoting successful practices
- Assess the achievement of various implementation.



Civil Society Organizations can;

- Create value to long-term goals by promoting the SG Scorecard.
- Raise awareness for the SDG's on consumers and communities' level.
- Assist the organizations on how to support their goals with SDGs.





www.argudenacademy.org



ArgudenAcd



Argüden Governance Academy



ArgudenAcademy



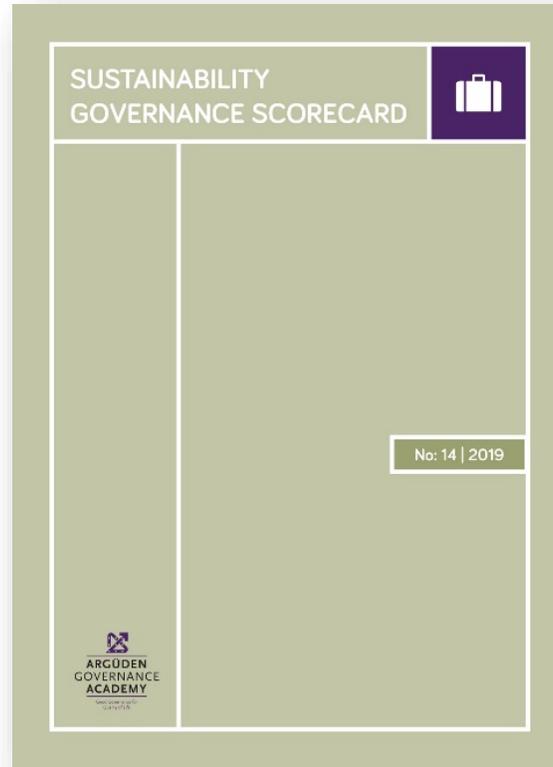
Arguden_Academy



Argüden Governance Academy

Special Thanks to Our Donors





For more information about **Sustainability Governance Scorecard**
please visit <http://sgscorecard.argudenacademy.org/>

INTEGRATED REPORTING <IR>

Argüden Governance Academy

A Foundation Dedicated to Improve Quality of Governance



**ARGÜDEN
GOVERNANCE
ACADEMY**

Good Governance for
Quality of Life

Inspiring global alignment through value creation
The IIRC's Global Conference 2019