Sustainability Reporting Standards Capacity Building Workshop for SARAS

JEROME LAVIGNE-DELVILLE

NOVEMBER 1, 2023

Agenda

- **What is ESG and Why Report – the Business Case**
  - ESG and Sustainable Finance

- **Reporting Standards**
  - Also refer to Presentation by Ralitza Germanova

- **Materiality**
  - Materiality determination
  - Example of material issues (examples)

- **Four Dimensions**
  - Strategy
  - Governance
  - Risk Management
  - Metrics and Targets

What is ESG and Why Report

What is Environment, Social and Governance

CORPORATE SUSTAINABILITY

The creation of economic value, considering the interests of various stakeholders of the firm, including workers, customers, local Affected Communities, and the environment. Includes social and environmental impacts that companies may impose, and that can affect their long-term performance

SOCIAL FACTORS

Considerations that affect the wellbeing of employees, customers, and local communities and that are under the control or influence of the company.

⇒ Includes fair treatment of workers, health and safety of workers and consumers, access to and affordability of basic services, economic impact on local communities, and conditions of relocation and livelihood restoration for resettled communities.

ENVIRONMENTAL FACTORS

Effect of the company's physical activities on the environment or natural capital the company uses to operate.

⇒ Includes harmful releases, such as greenhouse gas (GHG) emissions, air pollution, and waste, as well as the use of natural resources in production (for example, water, energy, minerals) that adversely affect other users of these resources.

ESG Issues are Business Issues

ESG issues are business issues

i.e. they influence operating and financial performance

Environmental

→ Energy efficiency
→ Carbon footprint
→ Water consumption
→ Packaging
→ Plastics
→ Waste management
→ Pollution

Social

→ Employee attraction and retention
→ Health and safety
→ Diversity and inclusion
→ Pay equity
→ Data privacy
→ Human rights
→ Wealth gap

Governance

→ Climate change
→ Cybersecurity
→ Corruption
→ Culture and ethics
→ Responsible taxes
→ Remuneration

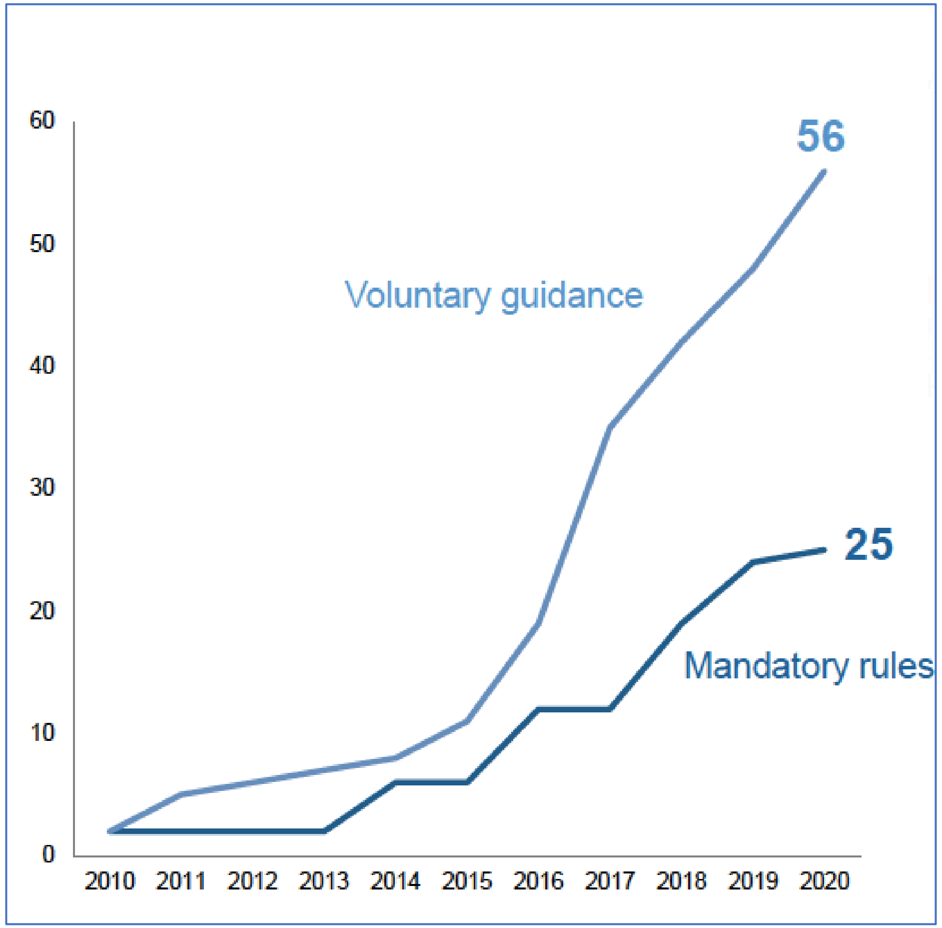
The issues that are material to a company's success are not new.
What is new is their explicit consideration in capital allocation decisions and the disclosure obligations that come with it.

Internal and External Benefits of ESG Reporting

Internal benefits	External benefits
Cost savings through identify opportunities for resource and energy efficiency	Improved access to capital
Improved strategic resilience	Improved engagement with investors
Identification of potential climate -related financial opportunities	Ensure preparedness for emerging climate regulation
Improved robustness of risk management processes	Improved reputation with customers, employees and wider stakeholders
Improved communication between board and management on climate issues	Establishing a leadership position among industry peers

Stock Exchange and Regulatory Requirements

- More than half of stock exchanges worldwide now have guidance on ESG disclosure
- A quarter of markets have mandatory disclosure
- Climate-related disclosure becoming mandatory



Source: UN Sustainable Stock Exchanges Initiative

ESG Reporting and Sustainable Finance

ESG Data Key to Managing Sustainable Investments

Global sustainable assets grew to $35.3 trillion in 2020, with a majority invested corporate equity or debt. Three most popular investment strategies :

- ESG Integration
- Best-in-class screening
- Corporate engagement

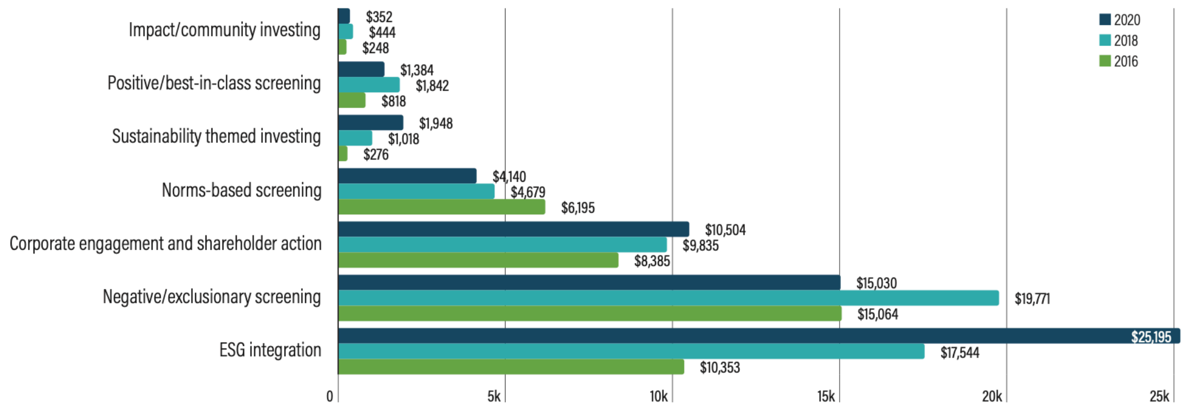
FIGURE 1 **Snapshot of global sustainable investing assets, 2016-2018-2020 (USD billions)**

REGION	2016	2018	2020
Europe*	12,040	14,075	12,017
United States	8,723	11,995	17,081
Canada	1,086	1,699	2,423
Australasia*	516	734	906
Japan	474	2,180	2,874
Total (USD billions)	**22,839**	**30,683**	**35,301**

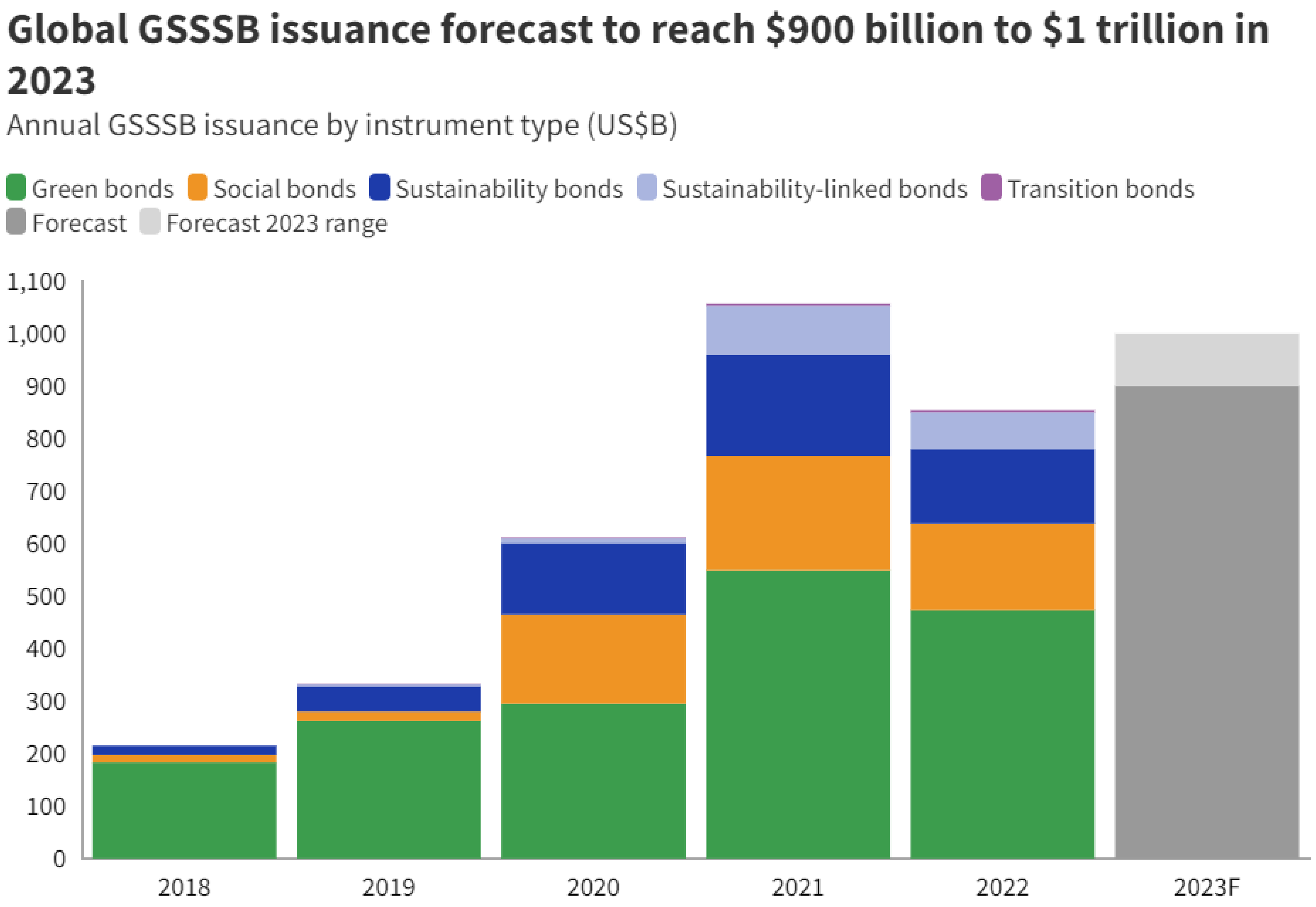
All three investment strategies **require a thorough understanding of companies' strategies, governance and performance on sustainability issues.**

Institutional **investors rely on publicly disclosed, and high quality ESG data** to properly implement these strategies.

FIGURE 7 **Global growth of sustainable investing strategies 2016-2020**



Growth of Sustainable Finance



Excludes structured finance issuance.
F = S&P Global Ratings forecast; GSSSB = green, social, sustainability and sustainability-linked bonds.
Sources: Environmental Finance Bond Database; S&P Global Ratings.
© 2023 by Standard and Poor's Financial Services LLC. All rights reserved.

Disclosure and Sustainable Finance Standards

International Capital Market Association (ICMA)

Climate Bond Initiative

CLIMATE BONDS STANDARD CERTIFIED

Loan Market Association (LMA)

Green Loan Principles
Supporting environmentally sustainable economic activity

Sustainability Linked Loan Principles
Supporting environmentally and socially sustainable economic activity

European Union (EU)

September 23, 2020 02:39 PM

European Central Bank makes sustainability bonds eligible as collateral

SOPHIE BAKER

TWEET SHARE SHARE EMAIL REPRINTS PRINT

Disclosure and Sustainable Finance Standards

Sustainability-linked finance includes a range of corporate debt instruments – bond, loans, credit – that are linked structurally to the issuer's performance on predetermined sustainability goals and targets .

It allows for general-purpose uses of proceeds and is based on an integrated management and governance of sustainability.

It broadens the scope of sustainable finance by rewarding companies' sustainability performance and outcomes.

1

Selection of Key Performance Indicators (KPIs)

The KPIs chosen should be relevant, material, follow a consistent methodology and able to be benchmarked

2

Calibration of Sustainability Performance Targets (SPTs)

SPTs should be ambitious using benchmarks and should consistent with the issuer's sustainability strategy

3

Bond characteristics

Disclose how the bond financial and/or structural characteristics are adjusted depending on the SPTs being met or not met

4

Reporting

Transparently report on the KPI performance on an annual basis

5

Verification

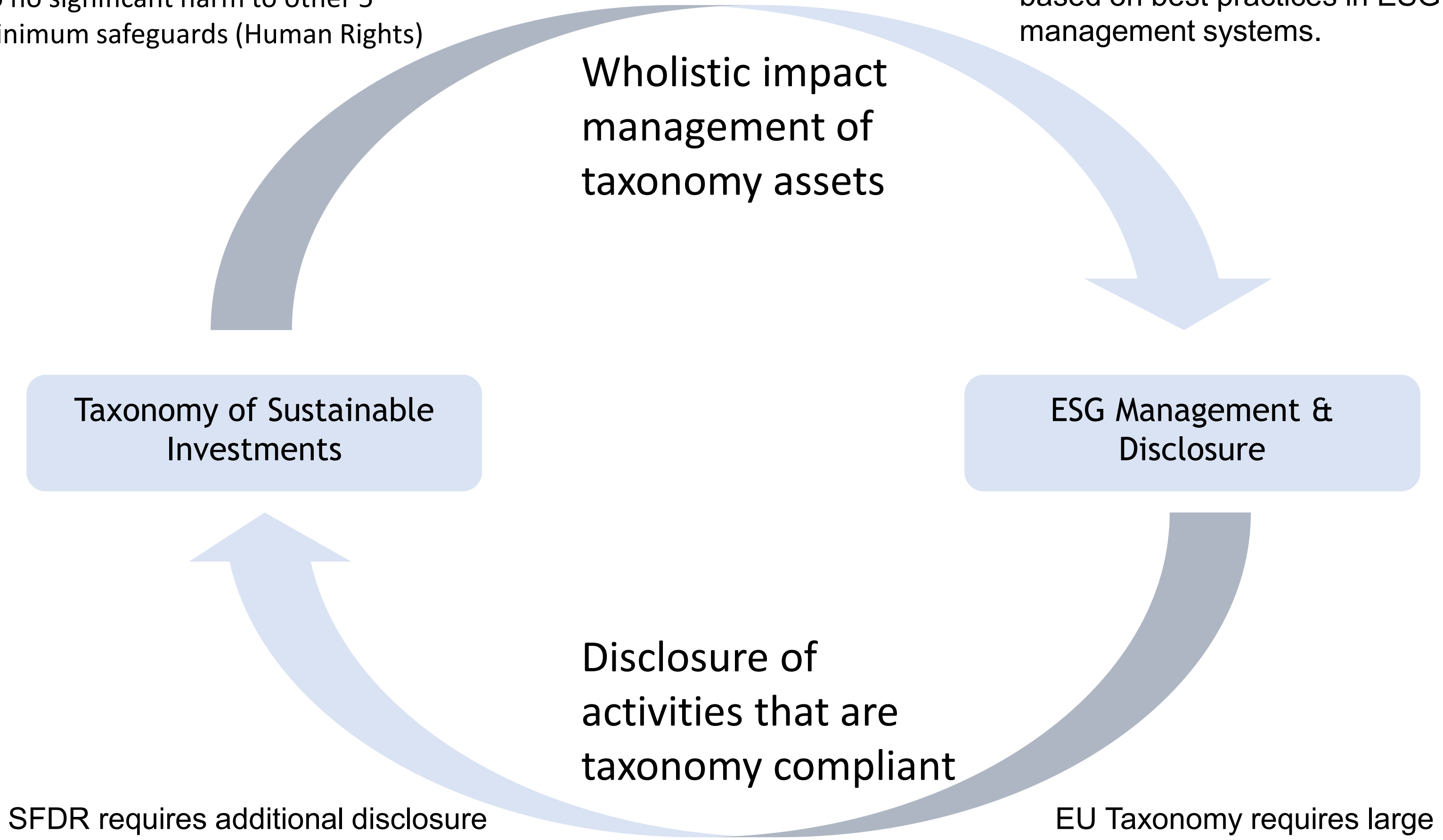
Issuer's should seek independent and external verification of the SPTs

Disclosure and Sustainable Finance Taxonomies

EU taxonomy requires:

- contribution 1/6 environmental objectives
- do no significant harm to other 5
- minimum safeguards (Human Rights)

EU taxonomy includes technical screening criteria for economic activities based on best practices in ESG management systems.



EU SFDR requires additional disclosure requirements for financial products with ESG characteristics or sustainable investment objectives.

EU Taxonomy requires large companies to disclosure turnover, CAPEX and OPEX related to environmentally sustainable activities.

Reporting Standards

Several Categories of Standards for ESG Reporting

Stakeholder-focused sustainability reporting, focused on key economic, social, and environmental impact of the private sector.

- ESRS (European Sustainability Reporting Standards)
- GRI (Global Reporting Initiative)

Investor-focused sustainability reporting, focused on process of integrating ESG in strategic and governance.

- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
- TCFD Recommendations for Climate Financial Disclosures

Aggregate sustainable finance reporting, based on sustainable finance taxonomies and product-level reporting standards (e.g., green, social and sustainability bonds and sustainability-linked bonds standards).

- Georgia Taxonomy
- EU Taxonomy

Comparison of Standards for ESG Reporting

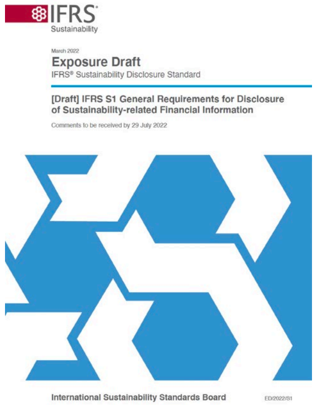
	GRI	EFRAG	IIRC	SASB	TFCD	ISSB
Type of Guidance	Standards	Standards	Framework	Standards	Guidelines	Standards
Application	Voluntary	Mandatory for large companies and listed SMEs	Voluntary	Voluntary	Voluntary	Mandatory, subject to national jurisdiction
Coverage	Global	European Union	Global	U.S., can be applicable globally	Global	Global
Topics	Economic, environmental, and social activities and impacts	Environmental, social and govermance	Six capitals: financial, manufactured, intellectual, human, social, natural	Environment, social capital, human capital, business model & innovation, leadership & governance	Climate-related risks, opportunities, financial impacts, and scenario analysis	General Sustainability; Climate
Sector Specific	No	Yes (forthcoming)	No	Yes	Yes	Yes
Target Audience	All stakeholders	All stakeholders	Providers of financial capital	Investors	Investors	Investors
Building Blocks		GRI, CDP				SASB, IIRC, TCFD, CDP
Materiality type	Double-materiality	Double-materiality	Single materiality	Single materiality	Single materiality	Single materiality
Materiality definition	Aspects that reflect the organization's significant economic, environmental, and social impacts; or that substantively influence the assessments and decisions of stakeholders	**Impact** on people or the environment and financial effects on undertaking over the short-, medium- and long-term time horizons.	Matter that could substantively affect the organization's ability to create value in the short, medium, or long term	A fact is material if there is a substantial likelihood that a reasonable investor would view its omission or misstatement as having significantly altered the total mix of information.	Public companies' legal obligation to disclose information in their financial filings—including material climate-related information	Information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general purpose financial reporting ...

Recent Standards for ESG Reporting

TCFD

ESRS

IFRS


IFRS Sustainability

March 2022

Exposure Draft

IFRS® Sustainability Disclosure Standard

[Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

Comments to be received by 29 July 2022

International Sustainability Standards Board

SASB Standards

Management and Governance of ESG

Governance

- A company's governance processes, controls and procedures used to monitor and manage significant sustainability-related risks and opportunities.

Strategy

- A company's strategy for addressing significant sustainability-related risks and opportunities;
- Whether these risks and opportunities are incorporated into its strategic planning, including financial planning;
- Whether these risks and opportunities are core to the company's strategy.

Risk management

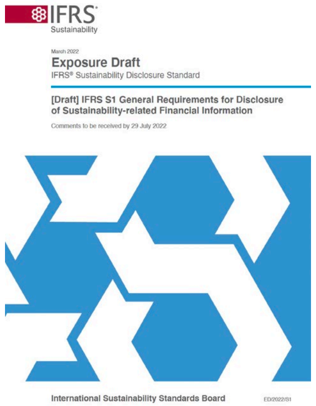
- The process by which a company identifies, assesses and manages current and anticipated sustainability-related risks and opportunities;
- Whether that process is integrated into its overall risk management processes.

Metrics and targets

- How a company measures, monitors and manages significant sustainability-related risks and opportunities and assesses its performance, including progress towards the targets it has set.

TCFD

IFRS


IFRS Sustainability

March 2022

Exposure Draft

IFRS® Sustainability Disclosure Standard

[Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

Comments to be received by 29 July 2022

International Sustainability Standards Board

ED/2022/S1

Materiality

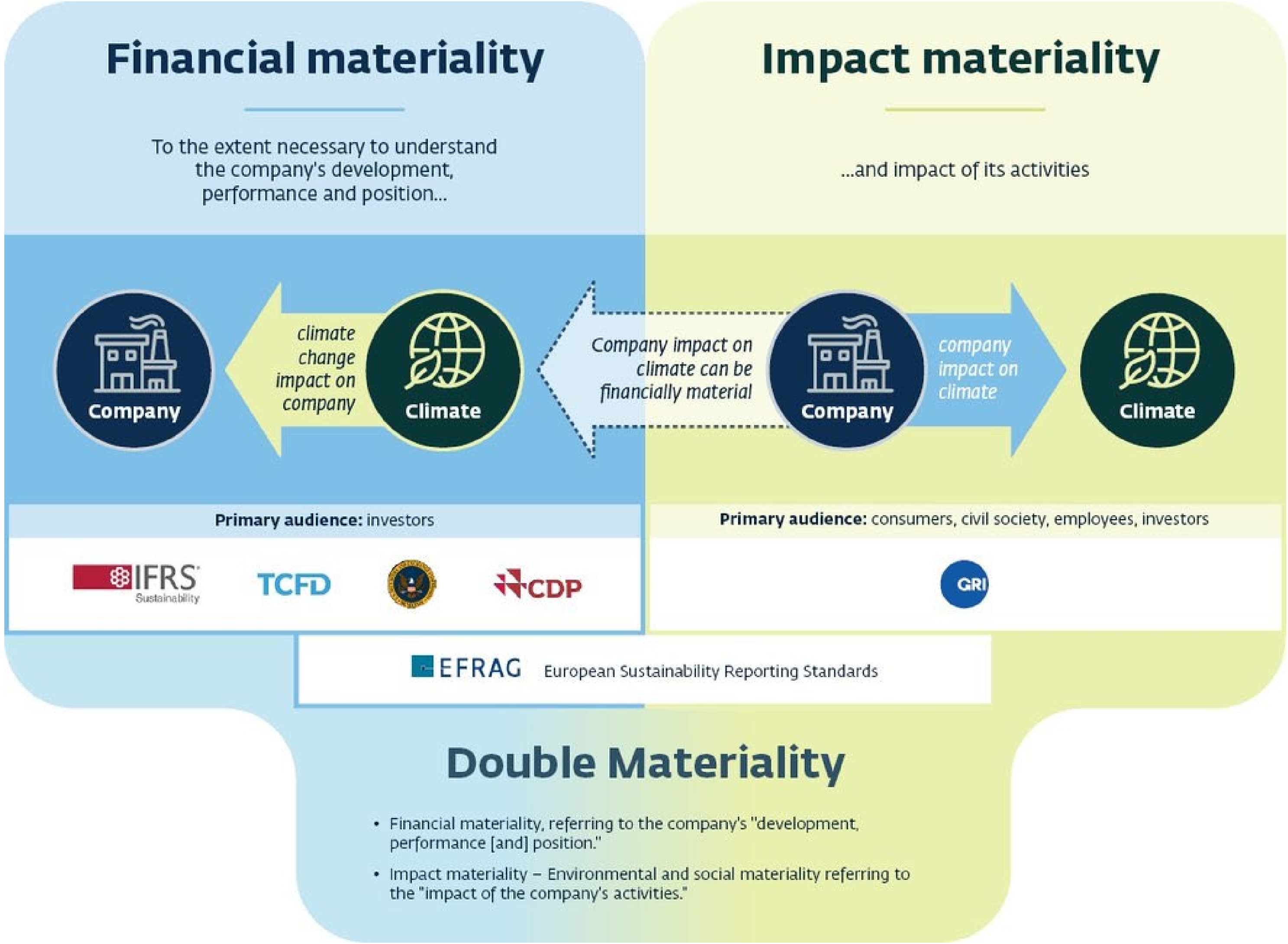
Environment, Social and Governance Issues

- Climate change
- Pollution and contamination of land, air and water
- Eco-efficiency and Resource efficiency
- Waste management
- Natural resource scarcity
- Biodiversity

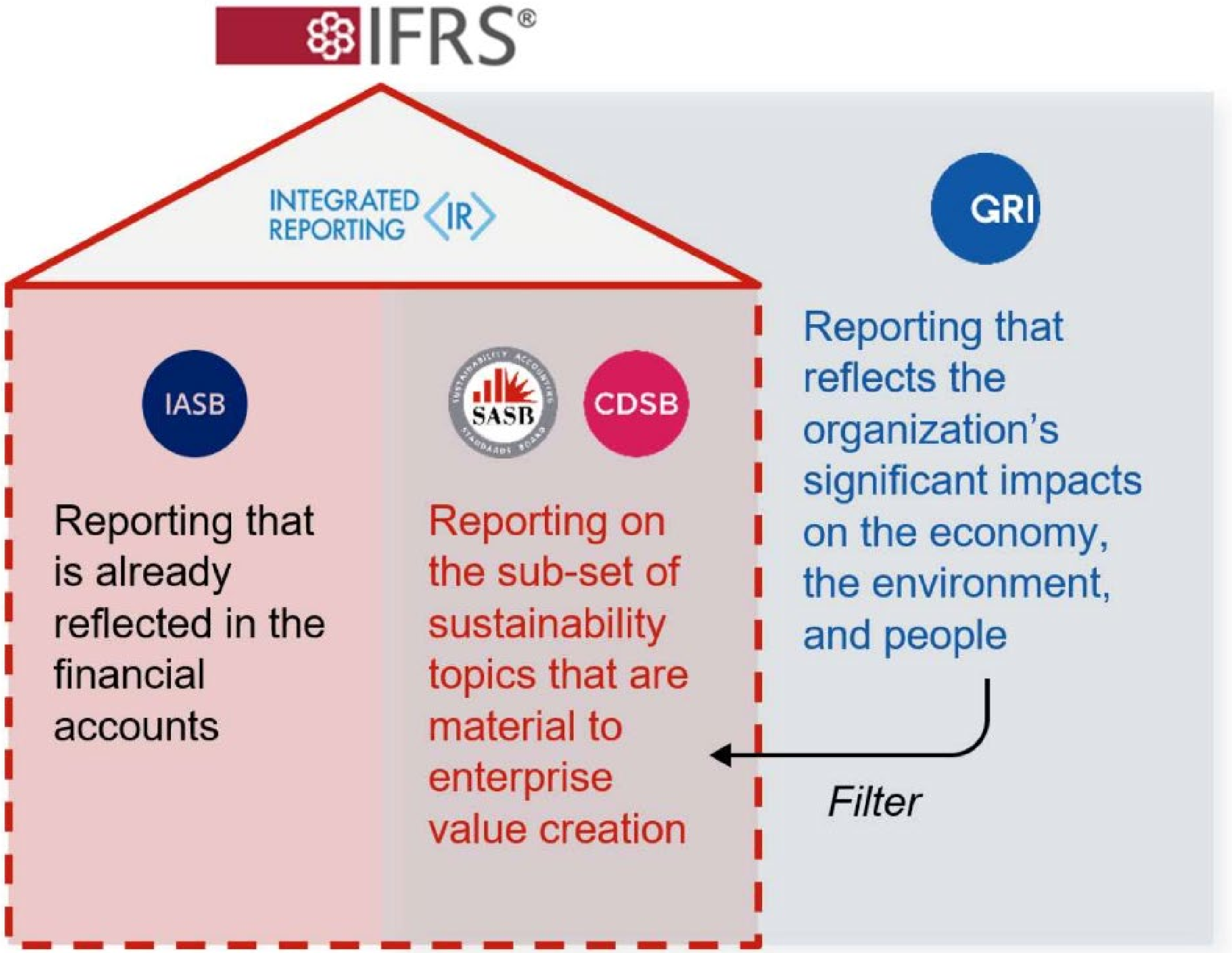
- Labour rights and labour conditions
- Health and safety
- Treatment of customers and communities
- Human rights
- Supply chain management
- Data privacy

- Regulation
- Anti-bribery and corruption measures
- Business ethics
- Transparency and accountability
- Board composition and independence
- Shareholder rights

Double Materiality



Dynamic Materiality

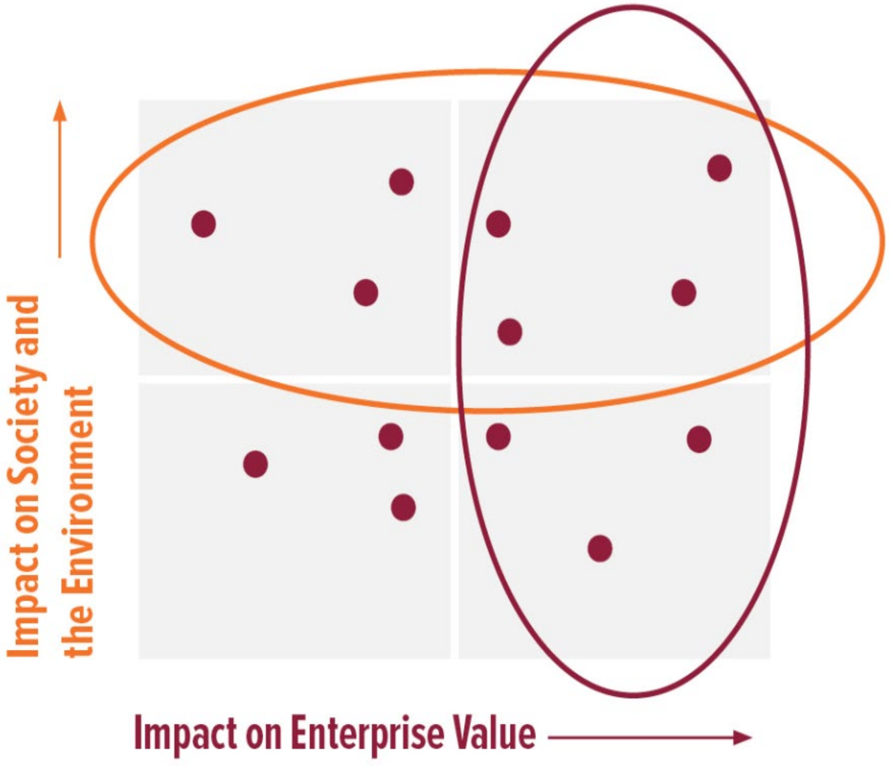


Materiality

ESG Factors	Impact	Examples
Examples • Health and Safety • Customer satisfaction • Environmental performance • Governance • Social license to operate • And more!	**Impact on enterprise value creation** *Inward impact of sustainability on the company*	• Cost reductions • Brand value • New Markets • Top-line growth • And more!
	Contributions to sustainable development *Outward impact of the company on sustainability*	

Methods for Assessing Materiality

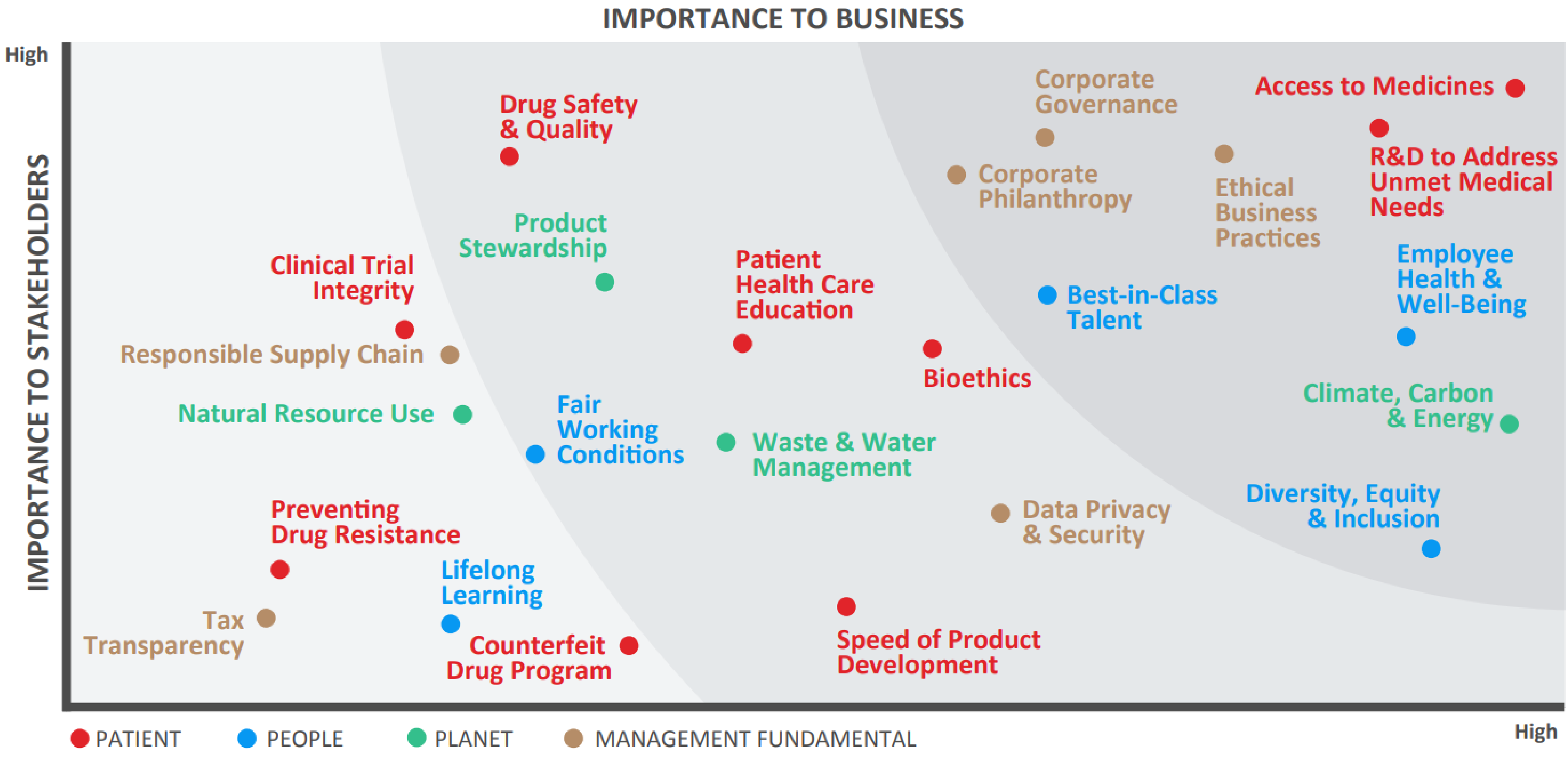
A common method for disclosing prioritization of material issues is to create a ***materiality matrix*** that ranks the importance of sustainability issues to the company against the perception of its key stakeholders.



- Considers the company's impacts outwards;
- Uses the GRI definition: "topics that reflect its most significant impacts on the economy, environment and people, including impacts on human rights." (draft)
- Presented in the sustainability report
- For multiple stakeholders

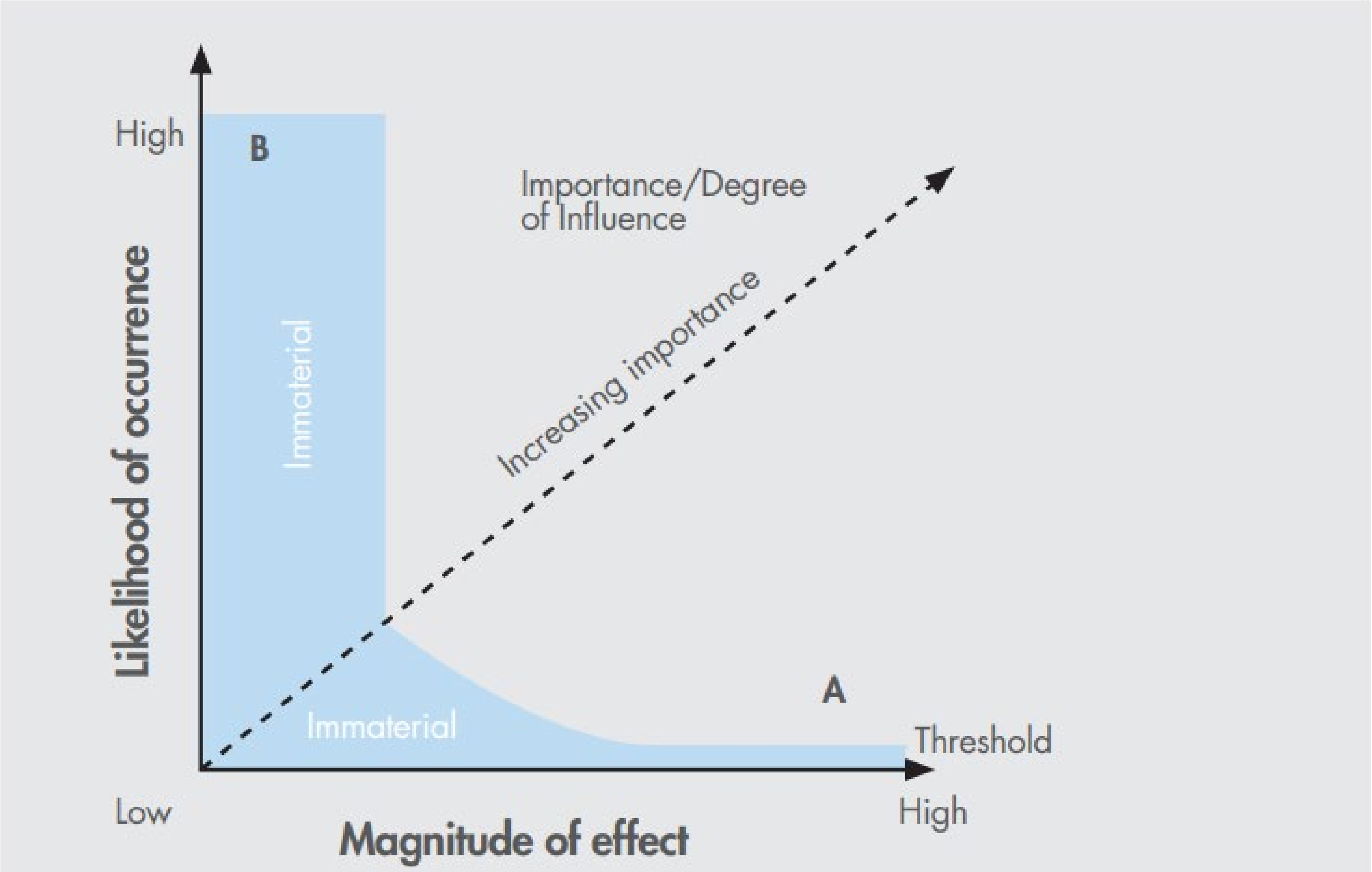
- Considers the company's impacts inwards;
- Uses the SASB definition: "expected to influence investment or lending decisions that users make on the basis of their assessments of short-medium-,and long-term financial performance and enterprise value." (draft)
- Presented in the annual report
- For investors, lenders and other creditors

Source: BSR.



Source: Takeda Materiality Matrix.

Methods for Assessing Materiality



Source: IIRC.

"*Materiality is determined by balancing the probability that an event will happen against the potential magnitude of the event in light of the totality of the company activity*"

US Supreme Court, Basic Inc. versus Levinson, 485 U.S. 224, 1988

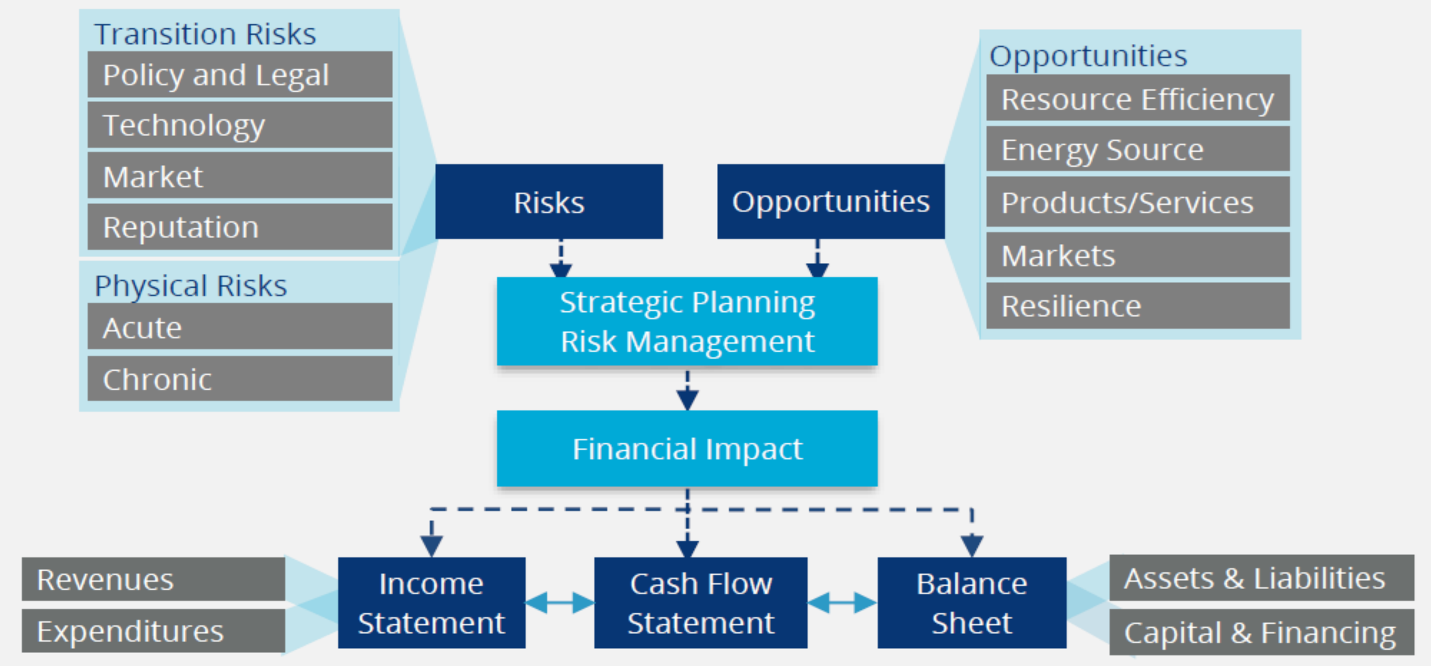
Material Issues

Climate

As part of their strategy, companies should address the compatibility of their business model with emerging climate regulations as well as changing consumer preferences and market expectations.

Figure 1

Climate-Related Risks, Opportunities, and Financial Impact



The climate transition: examples of risks and opportunities for Olam

Risk type[1]	Risk	Opportunity
Policy/ Legal Risk	Increased pricing of greenhouse gas emissions and other costs to comply with regulation (e.g. taxes on waste) leads to increase in operating costs, capital investment etc.	• Diverse landscapes in Olam farming, supply chain and forestry operations offer business opportunities for low-carbon/carbon neutral products and climate insetting (new engine for growth).
	Requirements to provide detailed environmental information at product level (e.g. Scope 3 emissions or sequestered carbon) in different jurisdictions.	• Integrated Impact Statement (IIS) enables Olam to identify Natural Capital stocks and flows (pages 110 - 116). • AtSource enables Olam to provide customers with Scope 3 emissions, which leads to preferred supplier status.
	Regulations that promote biomass-based energy production and green building materials. Regulations to drive reforestation and afforestation of degraded areas.	• Processing facilities using husks and other biomass waste, which reduces emissions and energy costs. Olam Palm Gabon enabling government to partially replace fossil fuels through biofuel. • Reforestation supports ecosystem services which benefit pollination etc. – improved crop quality, and reduction of bought-in services.
Physical Risk	Increased incidence and severity of extreme weather events, such as cyclones and floods, impact crop volume and quality as well as assets e.g. warehousing.	• Local, national and sector initiatives open up new partnerships to share/increase resources and develop new tools e.g. partnerships to deliver sustainability programmes; supporting the development of Terrascope and a Climate Action Playbook participating in the Sustainable Rice Landscapes Initiative.
	Failure of farmers to adapt to climate change and build physical resilience to extreme weather events exacerbates poverty cycle and future ability to grow required volumes for Olam and a growing population.	• Training and support for farmers secures volumes and quality, increases loyalty versus competitors. • Focus on economic inclusion even for those farmers beyond our physical reach through Olam Direct, Jiva and other digital apps and plaforms.
	Rising mean temperatures and changes in precipitation patterns causing water scarcity, which in turn impacts crop quality and operational costs e.g. irrigation.	• AtSource enables Olam's customers to track their water, as well as carbon footprint.
Product Risk	Consumer preference towards products that are better for the environment – risk that customers de-list suppliers who cannot supply traceable and sustainable volumes.	• Strategies and value propositions of **ofi**, Olam Agri and the Remaining Businesses of Olam Group are built on responsible and sustainable sourcing. • AtSource developed to support customers; individual product sustainability strategies e.g. Cocoa Compass, Coffee LENS and Cashew Trail; Re~ Purpose brand; and Adva footprinting app for consumers. • Up-cycling of waste into desired new products, as well as reducing energy costs through turning waste into biomass.

[Olam Group Limited Strategy Report 2021](#).

Impacts of Products and Services

Sustainability issues for products and services typically include consumption-related environmental and social impacts, such as:

- Product safety
- Energy efficiency
- Pollution and health impact during use

They also include issues arising from the impact of products at the end of their useful life. Together, these issues are sometimes referred to as use-phase, life-cycle, or end-of-life impact.

Contribution to Sustainable Development

The private sector is an important contributor to economic and social progress, especially when companies manage their environmental and social impact.

Including a company's contribution to economic and social development in the annual report can provide context for E&S impact and reinforce public confidence in the company and its social license to operate.

The following SDGs lend themselves naturally to private-sector contributions:

- SDG 3: Good health and well-being
- SDG 5: Gender Equality
- SDG 7: Affordable and clean energy
- SDG 8: Decent work & economic growth
- SDG 12: Responsible consumption and production

Key Principal Indicators (KPIs) Under Each Adopted SDG Goal

SDG	KPI
No Poverty	• Increase in the total number of MSMEs we lend to. • Rise in the total value of loans extended to groups commonly referred to as "chamas". • Growth in the number of groups / chama accounts. • Accelerate training on financial literacy. • Increase in the number of beneficiaries and amount disbursed through the Inua Jamii programme.
Decent Work and Economic Growth	• Through our channels, increase the value and volume of transactions facilitated by KCB. • Increase in the registration of mobile banking users. • Growth in mobile banking transactions. • Increase in the number of Mobi and KCB M-PESA loans disbursed. • Training of youth and Persons with Disabilities under the 2jiajri programme. • Supporting youth in entrepreneurship through incubations.
Industry, Innovation and Infrastructure	• Increase in the number of agri-business loans issued. • Registration of new mobile banking and KCB M-PESA users. • Capacity building for MSMEs and women customers.
Reduced Inequalities	• Increase in the value of loans disbursed under Women Value Proposition. • Grow the number of beneficiaries in the Women In Leadership Network (WILN) programme. • Achieve a balance in the number of male and female staff. • Equal representation of women in the KCB Boards (Group and Country). • Increase the number of scholarships issued under the KCB Foundation Scholarship Programme.
Sustainable Cities and Communities	• Rise in the number of bancassurance policies and growth in the value of bancassurance premiums. • Growth in the mortgages issued under the affordable housing programme. • Increase in the number of commercial mortgages. • A rise in the number of retail mortgages. • Achieve an increase in the number of loans under the affordable housing scheme.

SDG	KPI
Responsible Consumption and Production	• Reduction in internal resource consumption. • Successfully signing up all our suppliers to the code of ethics. • Transition KCB Branch Network and others to use LED lighting. • Increase procurement spend on special interest groups. • Increase spend on local suppliers and subsequently reduce spend on international suppliers. • Growth in the number of corporate clients with Social and Environmental policies in place.
Climate Action	• Growth in the number of green loans disbursed. • Increase in the number and value of loans screened through Environment and Social Due Diligence (ESDD). • Measurement, tracking and reduction of Group's carbon emissions.
Peace, Justice and Strong Institutions	• Preventing theft and fraud by investing in robust cyber-security systems. • Providing anti-fraud training to staff. • Providing employees with continuous exposure to e-learning courses on ethics. • Enhancing anti-money laundering awareness across the Group. • Increasing employee engagement (leadership, mental health awareness, ethical awareness, career development) through forums such as town halls and feedback surveys.
Partnerships for the Goals	• Sign up to partnerships through initiatives such as KCB 2jiajiri programme and Mifugo Ni Mali, among others. • Strengthening partnerships with schools that are operating accounts with KCB. • Growth in the number of active local suppliers

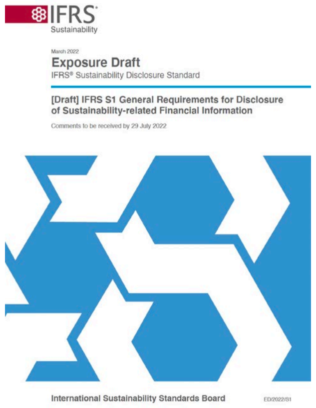
Four Pillars

Management and Governance of ESG

Governance	Strategy
• A company's governance processes, controls and procedures used to monitor and manage significant sustainability-related risks and opportunities.	• A company's strategy for addressing significant sustainability-related risks and opportunities; • Whether these risks and opportunities are incorporated into its strategic planning, including financial planning; • Whether these risks and opportunities are core to the company's strategy.
Risk management	**Metrics and targets**
• The process by which a company identifies, assesses and manages current and anticipated sustainability-related risks and opportunities; • Whether that process is integrated into its overall risk management processes.	• How a company measures, monitors and manages significant sustainability-related risks and opportunities and assesses its performance, including progress towards the targets it has set.

TCFD

IFRS


IFRS Sustainability

March 2022

Exposure Draft

IFRS® Sustainability Disclosure Standard

[Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

Comments to be received by 29 July 2022

International Sustainability Standards Board

ED/2022/S1

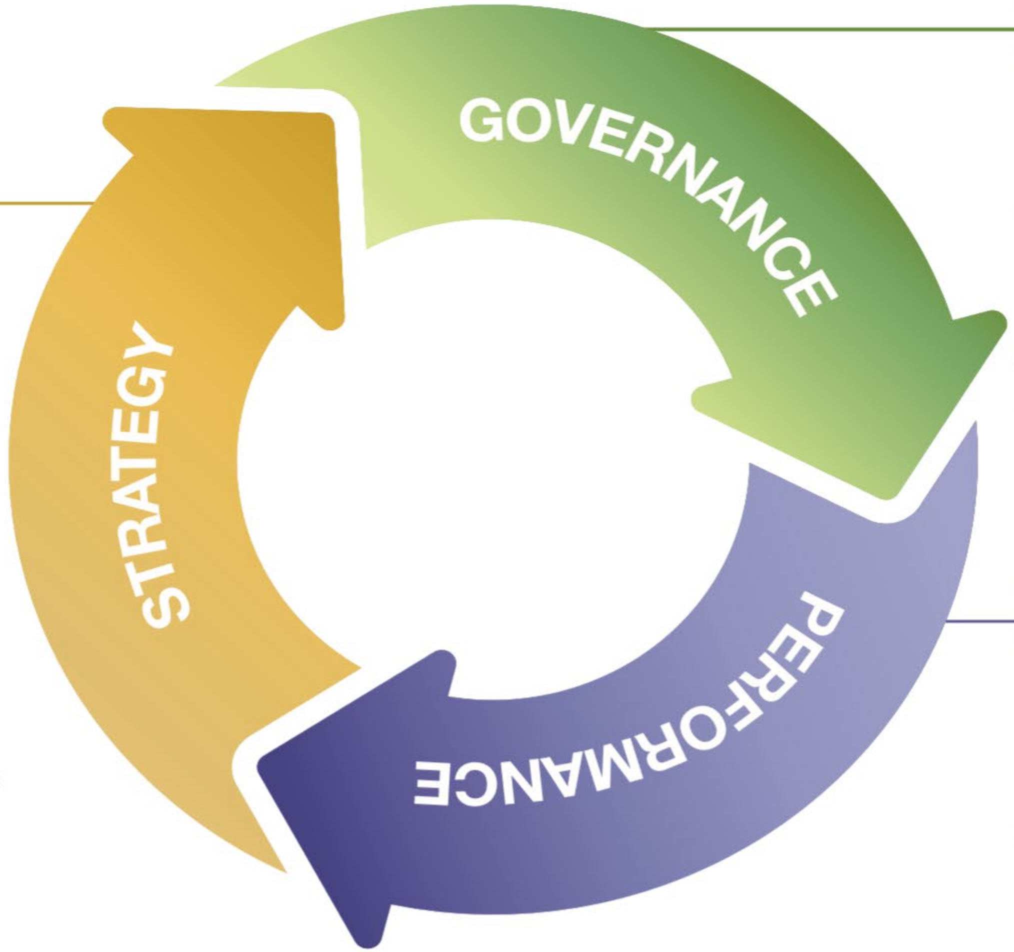
IFC Disclosure Framework

Identify Material E&S Issues

- Assess impact of **core E&S issues** based on the IFC Performance Standards and other frameworks
- Identify **industry- or context-specific E&S issues** based on industry or location (e.g., climate change, product footprint)

Create an E&S Strategy

- Develop/modify strategy and risk management based on material issues (**entity-specific E&S issues**)
- Develop key performance indicators (KPIs)



Governance Structure

- Integrate E&S in corporate culture and commitment
- Governance structure to manage E&S issues
- Control environment for E&S issues (risk management, compliance, reporting)

Stakeholder Engagement

- Identify key stakeholders and oversee engagement process

Performance Report

- Management discussion and analysis of performance on key E&S opportunities and risks, including KPIs

Sustainability Statements

- Performance measures (or metrics) for key E&S issues, including core issues, industry- or context-specific issues and entity-specific issues

Strategy

Integrating Sustainability in Strategy

Companies should integrate sustainability in their business model, strategy development, targets setting, and financial planning. Best practices include:

- Analysis of the long-term viability of the organization's **strategy** and **business model** under various climate, nature and other sustainability-related challenges, including scenario analyses.
- Analysis of the effects of those sustainability-related risks and opportunities on the entity's **strategy and decision-making.**
- Analysis of the effects of those sustainability-related risks and opportunities on the entity's **financial position, financial performance and cash flows,** and on financial planning.
- Integration of sustainability – including **stakeholder concerns and expectations** -- in strategy development and strategic planning.
- Establish **metrics and targets** to manage and monitor sustainability-related risks and opportunities.

Business Model

WHY DISCLOSE

A business model describes how a company draws on various resources as inputs and, through its business activities, converts them to outputs (products, services and waste). It provides a view of how the organization's activities, and its outputs lead to outcomes, including the creation of value for different stakeholders.

RECOMMENDED DISCLOSURE

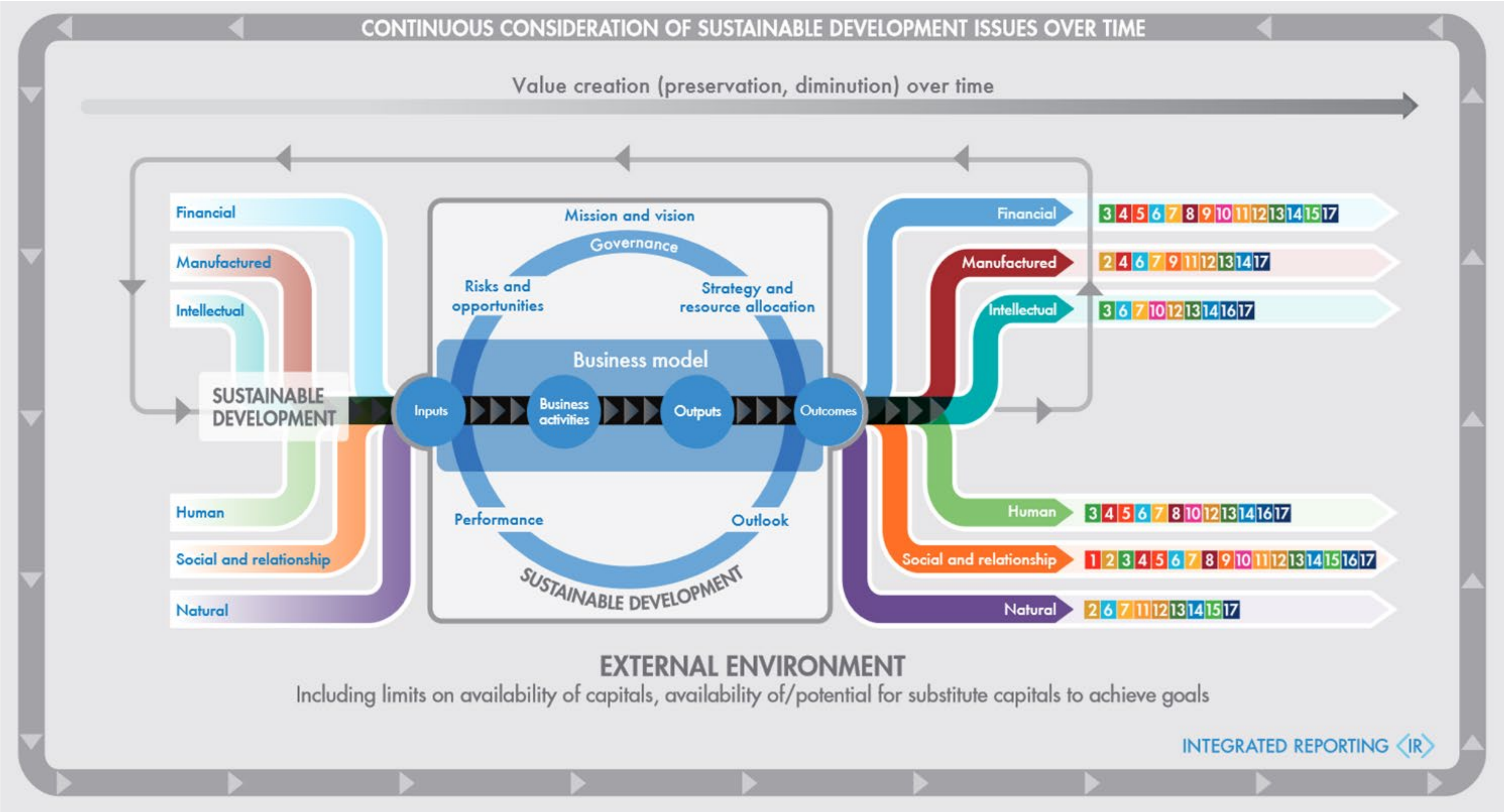
Resources and Input
Describe the relationships, resources, and inputs that are key for the business to succeed.

Business Process
Describe the business processes that are most important to the creation of value.

Products & Services
Describe the company's main products and services, its customers, and where it fits in the value chain for the industry.

Structure and Relationships
Describe how the company is structured, the markets it operates in, and how it engages with those markets.

Business Model



How We Create Value

The overview provides examples of how we create value for our shareholders, our company, the environment and society. It is modeled on the framework of the International Integrated Reporting Council (IIRC).[1]

INPUTS

We use a wide range of resources to implement our customer-focused strategy.

Financial
Our aim is to ensure solvency, limit financial risks and optimize the cost of capital.
€80.3 billion Total assets
42.8% Equity ratio

Innovation
We develop innovative solutions for and with our customers to expand our leading position.
~10,000 R&D employees
€2.1 billion R&D expenses

Operations
Safety, quality, and reliability are key to excellence in our production and plant operations.
€2.9 billion Capex
55.0 million MWh Electricity and steam demand

Environment
We use natural resources to manufacture products and solutions with high value added for our customers.
1.2 MMT Renewable raw materials purchased
1,728 million m³ Total water usage

Employees
Everything we do is based on the expertise, knowledge, motivation and conduct of our employees.
110,302 Employees around the world
€10.6 billion Personnel expenses

Partnerships
Trust-based relationships are crucial to our license to operate and our reputation.
>250 Cooperations with research institutes
>70,000 Tier 1 suppliers

BUSINESS MODEL

Our corporate purpose:
We create chemistry for a sustainable future

Strategy
Innovation
Sustainability
Operations
Digitalization
Portfolio
People

In focus: our customers
~90,000 customers from almost all sectors and countries

Segments
Chemicals
Materials
Industrial Solutions
Surface Technologies
Nutrition & Care
Agricultural Solutions

Our core values:
creative, open, responsible, entrepreneurial

Innovative products and solutions
help to use resources more efficiently and overcome global challenges

Comprehensive product portfolio with high synergies
from basic chemicals to high value-added specialty products

Efficient production
thanks to integrated value chains and our Verbund system

Eleven divisions organized into six segments
aligned with value chains, customer needs and market requirements

Global, customer-focused presence
with around 250 production sites worldwide, including six Verbund sites

Differentiated business strategies
from cost leadership to custom system solutions

Effective corporate governance
ensures responsible conduct along the value chain

Source: BASF Annual Report 2020

OUTPUTS

We focus on material sustainability topics and evaluate the opportunities and risks of our actions.

Financial
€59.1 billion
Sales

€3.6 billion
EBIT before special items

Innovation
~950
New patents worldwide

€16.7 billion
Sales from Accelerator products

Operations
~45,000
Sales products

6.2 MMT CO_2
avoided by the Verbund and combined heat and power generation

Environment
43.4%
Share of our waste recycled or thermally recovered

80.7%
Cooling water recirculated

Employees
24.3%
Women in leadership positions

82%
Engagement index according to 2020 employee survey

Partnerships
678
Suppliers screened through Together for Sustainability

61
Internal audits on our compliance standards

OUTCOMES

We want to increase our positive contributions, reduce negative impacts and carefully assess conflicting goals[1]

Economic

+ We make positive contributions by
- Driving forward growth, progress and value creation
- Strengthening our customers' competitiveness and innovative strength with products and technologies
- Accelerating the digital transformation of the industry
- Offering our investors an attractive dividend yield

– Potential negative impacts
- Weaker contributions to growth and value creation due to reduced demand from our customer industries as a result of the coronavirus pandemic
- A weaker share performance on the capital market

We limit negative impacts through
- The disciplined implementation of our corporate strategy
- Active portfolio management
- The acceleration of our Excellence Program
- Systematic cost management
- Reducing the cost of capital

Environmental

+ We make positive contributions by operating our plants efficiently and creating products that
- Help to use natural resources more efficiently
- Enable climate-smart mobility
- Improve the capabilities of renewable energy
- Reduce emissions and resource consumption

– Negative impacts
- The emission of CO_2 and other gases that damage the climate
- The consumption of raw materials and the creation of non-recyclable waste in our production
- The potential misuse of our products

We limit negative impacts through
- Our carbon management
- Our Circular Economy Program
- Sustainable water and energy management
- Our Responsible Care management
- Product stewardship and training

Social

+ We make positive contributions because we
- Offer products that improve people's quality of life
- Provide attractive jobs, train young people and promote lifelong learning, health and diversity
- Pay taxes and competitive wages and salaries
- Help to solve challenges (for example, COVID-19)

– Potential negative impacts
- The risk of our suppliers violating labor, environmental and social standards in the production of raw materials
- Lower demand for employees in some areas as a result of digitalization and efficiency gains

We limit negative impacts through
- Our sustainability-oriented supply chain management
- Projects to improve sustainability in the supply chain
- Our compliance program and our Code of Conduct
- Our training programs for employees

IMPACT

We achieve long-term business success by creating value for our shareholders, our company, the environment and society (see page 43).

Source: BASF Annual Report 2020

Strategic Objectives and KPIs

WHY DISCLOSE

Strategic objectives help investors and other stakeholders understand where the company is heading, and how it plans to get there, and by when. Targets and KPIs are important for accountability and give investors and other stakeholders the ability to assess strategy implementation and progress against strategic objectives.

RECOMMENDED DISCLOSURE

Strategic Objectives

Companies should describe objectives which are most relevant for the realization of their strategy.

=> Strategic objectives can be ***primary objectives***, which often include profitability, market position or innovation, or ***enabling objectives***, which are necessary to achieve the primary objectives.

Targets and KPIs

The report should introduce financial and nonfinancial targets and KPIs with links to the high-level priorities and long-term strategy.

⇒ Strategic objectives should be translated into specific and measurable targets or goals.

⇒ Companies can use KPIs to evaluate performance and provide accountability to investors and stakeholders

Strategic Objectives and KPIs

USING *SMART Goals*

Companies can translate strategic objectives into specific and measurable targets or goals, using the “SMART” goal approach:

- ***Specific:*** Target a specific area for improvement.
- ***Measurable:*** Quantify, or at least suggest, an indicator of progress.
- ***Assignable:*** Specify who will do it.
- ***Realistic:*** State what results can realistically be achieved given available resources.
- ***Time-related:*** Specify when the result can be achieved.

Disclosing Internal KPIs

The greatest transparency and accountability can be achieved by disclosing the same KPIs that are used internally to strategic management, board oversight and executive performance assessment and remuneration.

DEFINITION:

KPIs are “are quantified measurements that reflect the critical success factors of an entity and disclose progress towards achieving a particular objective or objectives.”

AXIS	KEY INITIATIVES	TARGET 2022	STATUS 2019	SDG
Leading the energy transition ✓	RENEWABLE INSTALLED CAPACITY	78%	74%	7
	SOLAR INSTALLED CAPACITY (CENTRALISED AND DISTRIBUTED)	>1,000MW	242MW	7
	CO_2eq SPECIFIC EMISSIONS VARIATION VS. 2005	-65%	-66%	9; 13
	INTERNALISE THE TCFD RECOMMENDATIONS	100%	33%	13
	CUSTOMERS WITH VALUE-ADDED SERVICES	30%	26%	11; 12
	CUSTOMERS WITH ELECTRIC MOBILITY SOLUTIONS	100k	10.1k	7; 11
	SAVED ENERGY BY COSTUMERS (SINCE 2015)	5TWh	3.1TWh	7; 12
	SMART METERS	>70%	48%	7; 9
	CUSTOMERS' SATISFACTION INDEX	>75%	77%	11
	ELECTRIFICATION OF EDP'S LIGHT DUTY FLEET	>20%	9%	7; 11
	CARBON NEUTRALITY IN EDP´S OFFICE BUILDINGS	100%	37%	7; 13
	CLIMATE CHANGE ADAPTATION PLANS	100%	20%	13
	INVESTMENT IN ACCESS TO ELECTRIFICATION	20M€	4.9M€	7; 17

Stakeholder Engagement

WHY DISCLOSE

Disclosures on stakeholder engagement help assess whether stakeholders' concerns and interests are factored in the strategy, and how much they contribute to the company's success. Understanding the perspectives of key stakeholders can highlight market trends and provide valuable insight to assess the organization's risks and opportunities, including material sustainability issues.

.

RECOMMENDED DISCLOSURE

STAKEHOLDER IDENTIFICATION AND RELATIONS

The report should define key stakeholder groups and provide insights into the company's stakeholder relations.

PROCESS AND OUTCOME

The company should report on the process of stakeholder engagement and its outcomes. What insights has the company received from stakeholders?

INTEGRATION IN STRATEGY

The report should describe how the key issues raised by stakeholders have influenced the strategy and strategic objectives.

Our stakeholders – their needs and expectations continued

2019 2020 2021

Shareholders

Quality of relationship:
Falling short — Excelling

The quality of the relationship with the investment community was assessed in 2021 by taking into account, among other things, the benefits to shareholders of a significantly improved financial performance and a balance sheet that is stronger than before the Covid-19 pandemic, relative share price outperformance versus the South African Bank Index, resuming dividend payments, independent reporting and financial communication awards and top-tier ESG ratings.

Their needs and expectations

- Share price appreciation and an attractive dividend stream.
- Sustainable growth in earnings and NAV, financial returns, with ROE exceeding COE.
- Attractive and sustainable-growth strategy.
- Sound balance sheet to protect against downside risk.
- Strong and experienced management.
- Transparent reporting and disclosure.
- Sound ESG practices.

Key objectives and metrics we track

- NAV per share.
- ROE and cost-to-income ratios.
- Price-to-book ratios.
- Dividends paid and dividend cover.
- Relative share price performance.
- AGM voting outcomes.
- ESG ratings and shareholder feedback.

Relevant material matters

- The economy.
- Demands on governance.
- Increased competition.
- Environmental constraints.
- Disruptive technologies.
- Evolving world of work.

Capitals impacted

Financial, Intellectual, Social and relationship, Natural

Regulators

Quality of relationship:
Falling short — Excelling

The quality of the relationship with our regulators was assessed in 2021 taking into account, among other things, our alignment with regulatory requirements and remedial action where required, offset by fines that were paid.

Their needs and expectations

- Compliance with all legal and regulatory requirements.
- Being a responsible taxpayer in the countries where we do business.
- Active participation and contribution to industry and regulatory working groups.

Key objectives and metrics we track

- Effective delivery of compliance with regulatory change (meeting minimum regulatory requirements).
- Basel III capital ratios, as well as liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) compliance [exceeding the minimum South African Reserve Bank (SARB) requirements with suitable buffers].
- CLR [within our 60 bps to 100 bps through-the-cycle (TTC) target range].
- Direct and indirect tax contributions.
- BBBEE contributor status (Amended FSC).

Relevant material matters

- The economy.
- Demands on governance.

Capitals impacted

Financial, Intellectual, Social and relationship

Society

Quality of relationship:
Falling short — Excelling

During 2021 we maintained strong relationships with the communities that we serve and key civil society organisations. The quality of our relationship is informed by, among other things, our contributions towards a thriving society and healthy environment, as well as independent metrics such as Salesforce Social Studio banking industry social-media sentiment, where Nedbank ranked as second in the industry.

Their needs and expectations

- Providing access to expert financial advice, products and solutions that help to create positive impacts for individuals, their families, their businesses and their communities.
- Partnering on common social and environmental issues.
- Using our resources to promote social and environmental issues as well as other common agendas to build a thriving society.
- Embracing transformation through (among other things) delivery, in line with BBBEE legislation.

Key objectives and metrics we track

- Financing of sustainable development to meet the SDGs, thereby promoting socioeconomic transformation through enabling economic inclusion, job creation and poverty alleviation.
- Our impact on the environment.

Relevant material matters

- The economy.
- Environmental constraints.
- Evolving world of work.
- Disruptive technologies.
- Demands on governance.

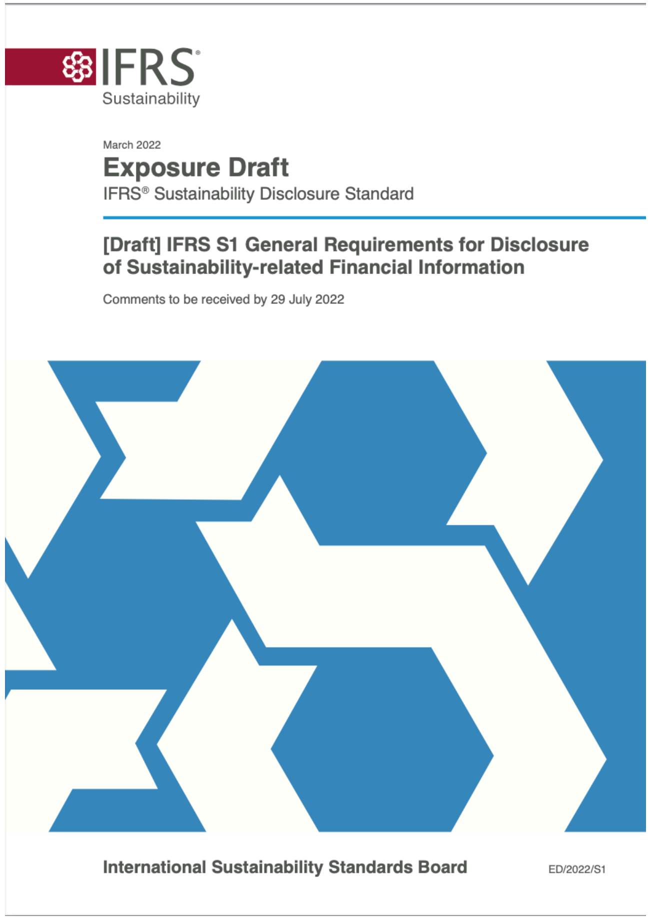
Capitals impacted

Intellectual, Human, Social and relationship, Natural

* The quality of the relationship with our stakeholders are assessed based on the value we created, preserved or eroded, including the performance against specific key performance indicators shown on pages 81 to 92.

ESG and Financial Value

Impact of Sustainability on Financial Performance



Financial position, financial performance and cash flows

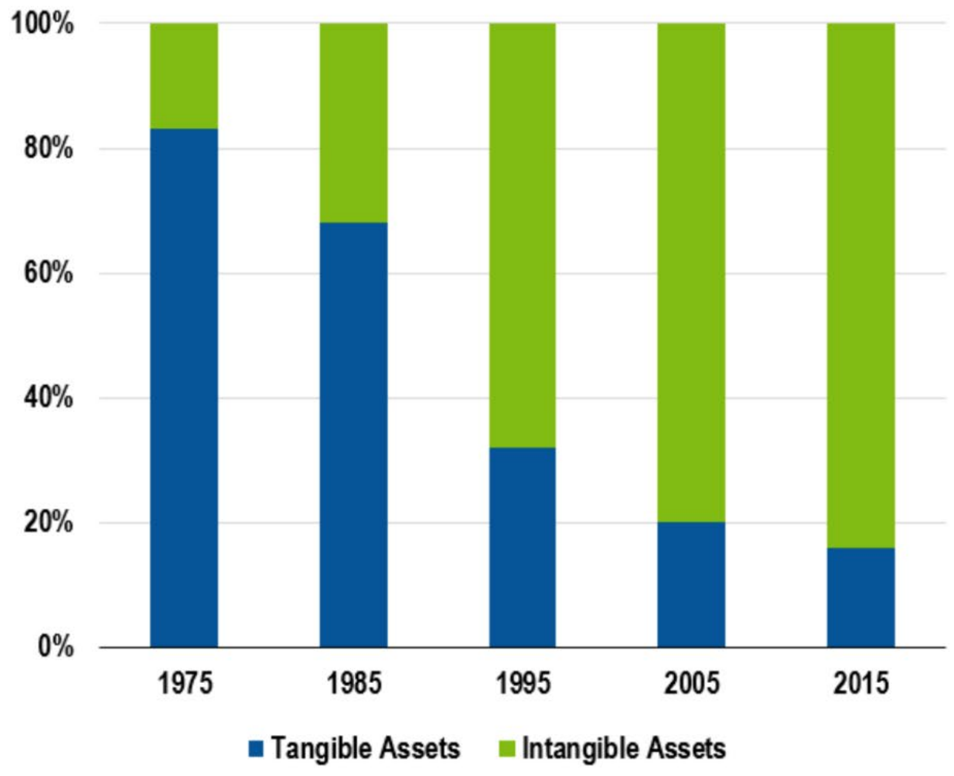
…

22 An entity shall disclose information that enables users of general-purpose financial reporting to understand the **effects of significant sustainability- related risks and opportunities on its financial position, financial performance and cash flows** for the reporting period, and the anticipated effects over the short, medium and long term—including how sustainability-related risks and opportunities are **included in the entity's financial planning**.

Impact of Sustainability on Financial Performance

Intangible Assets Drive Market Value Today

FRANKLIN TEMPLETON



- Brand value (price premium, brand awareness)
- Reputation (social media profile, opinion research)
- R&D pipelines (# patents)
- Customer satisfaction (retention, loyalty programs, boycotts)
- Health and safety record (incidents, accidents, near misses)
- Environmental performance (pollution, penalties, fines)
- Social licence to operate (production delays, cost overruns, labour protests)
- Governance (board composition, bribery, ethics charges)

Source: Ocean Tomo, "Ocean Tomo's Intangible Asset market Value Study," 2015. Most recent data available.

Impact of Sustainability on Enterprise Value Creation

Impact of Sustainability on Enterprise Value Creation

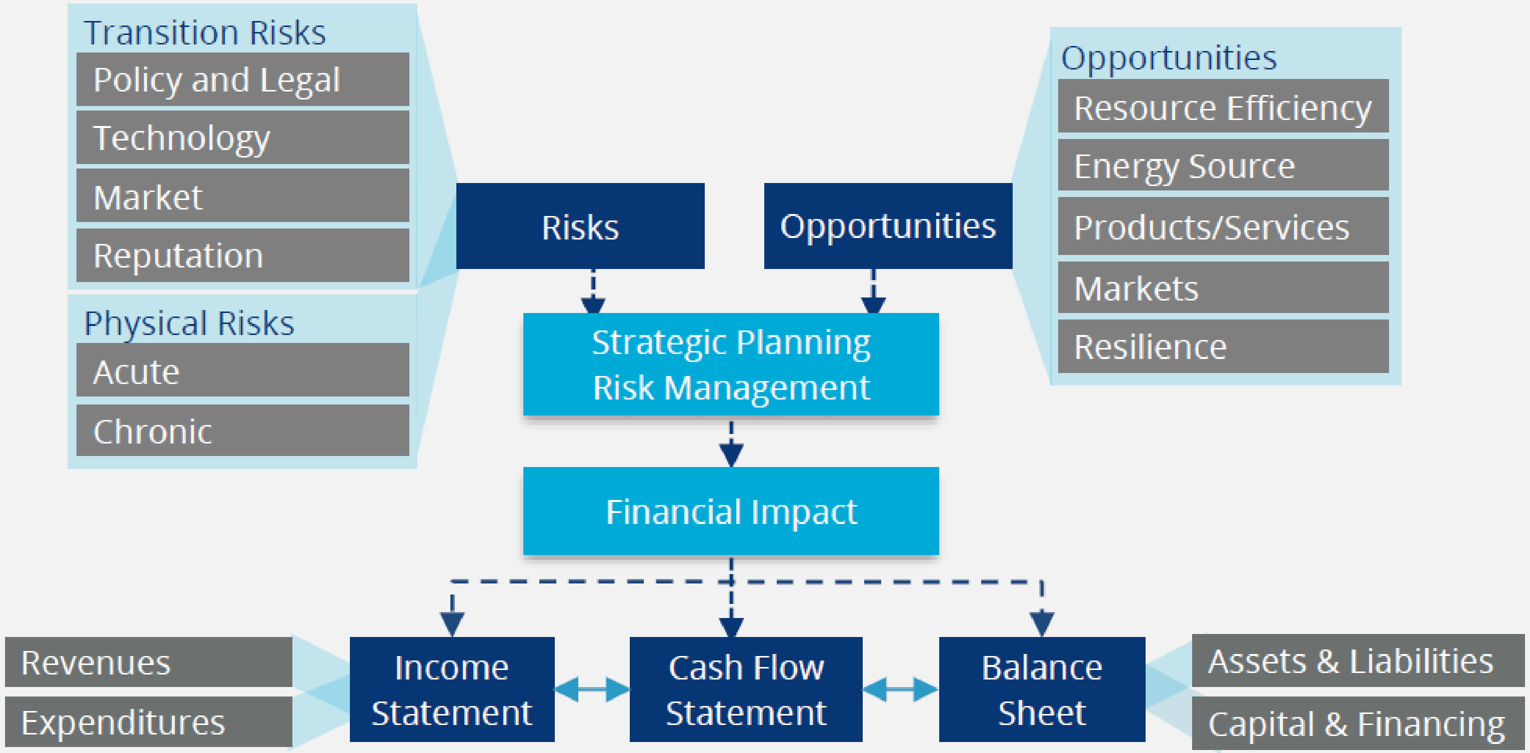
	Strong ESG proposition (examples)	**Weak ESG proposition** (examples)
Top-line growth	Attract B2B and B2C customers with more sustainable products Achieve better access to resources through stronger community and government relations	Lose customers through poor sustainability practices (eg, human rights, supply chain) or a perception of unsustainable/unsafe products Lose access to resources (including from operational shutdowns) as a result of poor community and labor relations
Cost reductions	Lower energy consumption Reduce water intake	Generate unnecessary waste and pay correspondingly higher waste-disposal costs Expend more in packaging costs
Regulatory and legal interventions	Achieve greater strategic freedom through deregulation Earn subsidies and government support	Suffer restrictions on advertising and point of sale Incur fines, penalties, and enforcement actions
Productivity uplift	Boost employee motivation Attract talent through greater social credibility	Deal with "social stigma," which restricts talent pool Lose talent as a result of weak purpose
Investment and asset optimization	Enhance investment returns by better allocating capital for the long term (eg, more sustainable plant and equipment) Avoid investments that may not pay off because of longer-term environmental issues	Suffer stranded assets as a result of premature write-downs Fall behind competitors that have invested to be less "energy hungry"

Source: McKinsey & Company

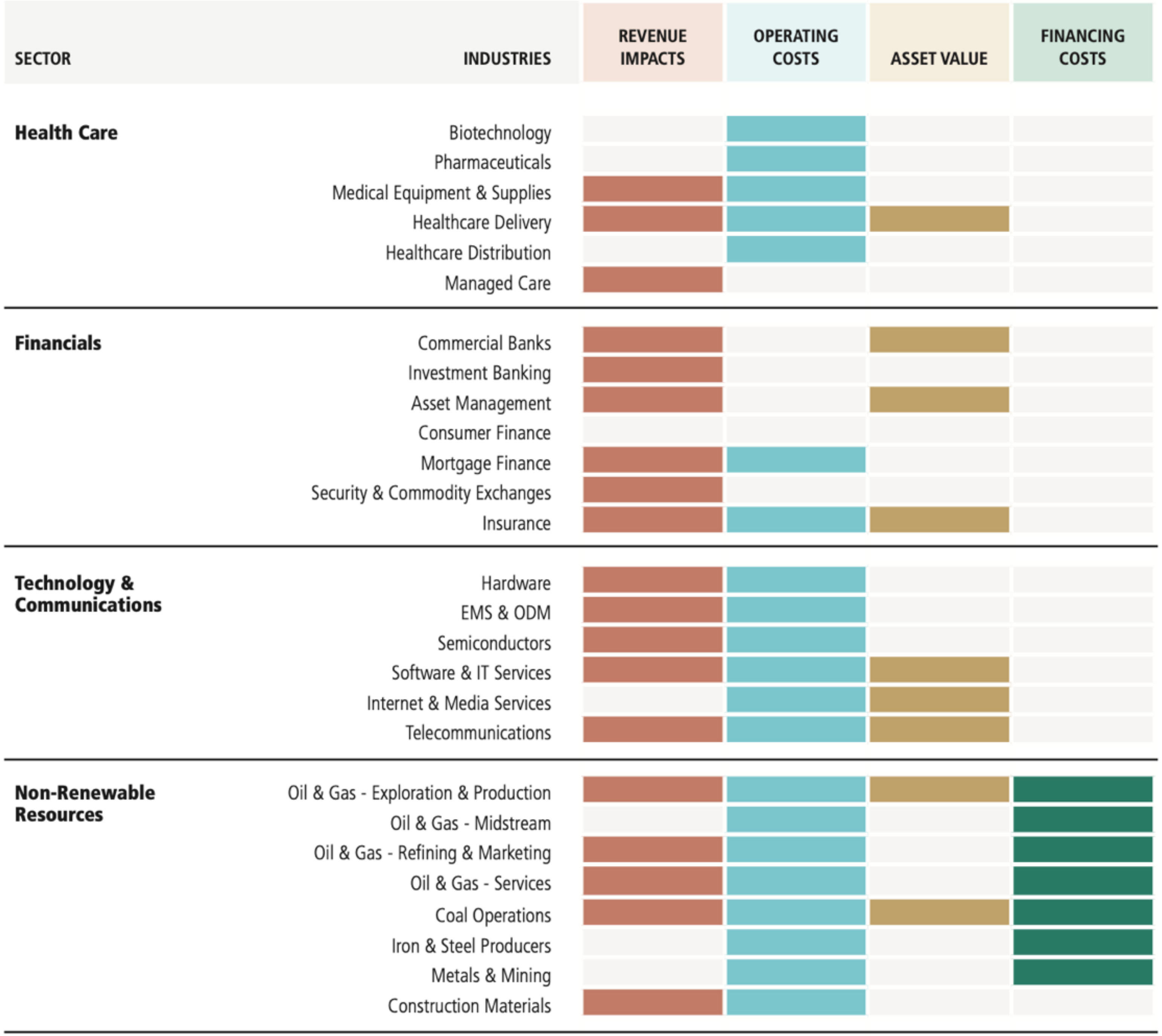
Financial Impact of Climate Change

Figure 1

Climate-Related Risks, Opportunities, and Financial Impact



Financial Impact of Climate Change



Risk

Integrating Sustainability in Risk Management

Companies should integrate sustainability in their overall risk management process. Best practices include:

- **Identifying, assessing, monitoring and managing** sustainability-related risks that could materially impair the company's financial condition.
- Determining the **magnitude and probability** of sustainability risks, and ranking sustainability risk relative to other risks.
- **Integrating** climate-, nature and other sustainability-related risks in the company's ove**rall risk management and control framework**, including **risk appetite and tolerance**, and applied across its the **three-line-of-defense model** (client facing, risk function and internal audit)
- **Decision-making process** to mitigate (reduce), transfer, or accept and manage sustainability risks; Establishing **responsibilities** for sustainability-related risk management throughout organization.
- Accurate **data monitoring and internal reporting** of material sustainability risks to ensure effective board oversight and senior management decision-making.
- Assessment of sustainability risks should include definitions and **thresholds for materiality, and key risk indicators**. It should also consider how risks can materialize over different time horizon.

Risk Analysis and Response

WHY DISCLOSE

Good management requires an ongoing process for identifying and assessing risks in terms of likelihood and magnitude of impact. It also includes a risk response strategy and ongoing monitoring. Disclosure on risk management help investors assess the risk-return profile of companies. It can lower the risk premium in markets with information asymmetry and high perceived risks, including emerging markets. .

RECOMMENDED DISCLOSURE

Risk Assessment

Risk assessment involves analyzing the likelihood and magnitude of inherent and residual risks—those that cannot be avoided—as a basis for determining how the company should manage and mitigate them.

The report should describe:

- *Risk events*: significant risk factors that have the potential to significantly affect the company and its operations and how they might be triggered
- *Risk analysis*: likelihood and magnitude of the impact of significant risk events on operational and financial performance.

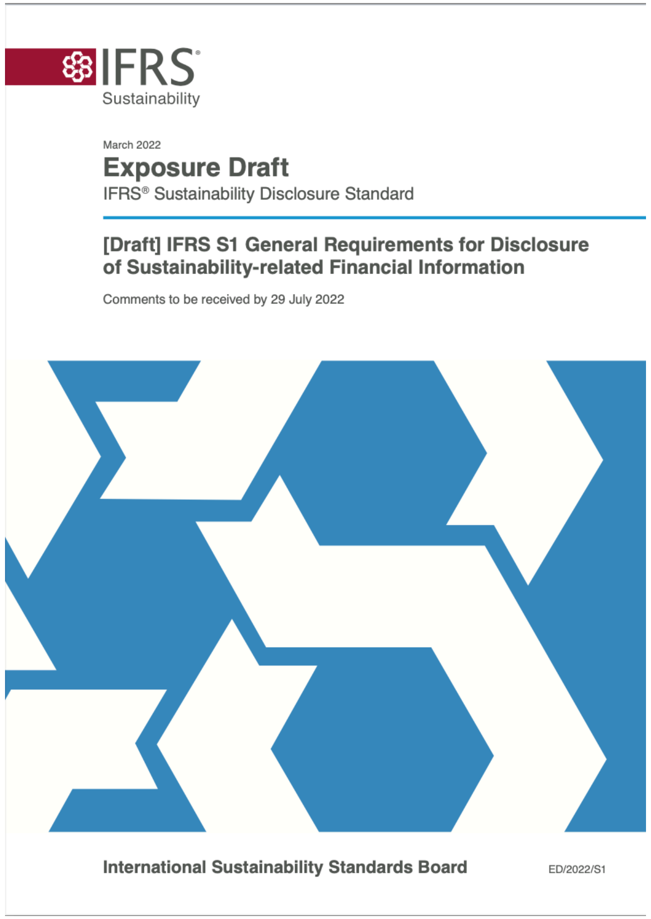
Risk Response and Mitigation

Risk response is the course of action a company chooses to take when a risk event occurs. It should be aligned with the company's risk appetite and tolerance levels. Risk responses include *accept*, *avoid*, *limit/mitigate*, and *transfer*.

The report should address:

- Risk mitigation for each significant risk;
- Disaster-recovery and business-continuity plans.

Risk Analysis and Response


IFRS Sustainability

March 2022

Exposure Draft

IFRS® Sustainability Disclosure Standard

[Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

Comments to be received by 29 July 2022

International Sustainability Standards Board

ED/2022/S1

Risk management

43. The objective of sustainability-related financial disclosures on risk management is to enable users of general-purpose financial reports:

(a) to understand an entity's **processes to identify, assess, prioritise and monitor sustainability-related risks and opportunities**, including whether and how those processes are **integrated** into and inform the entity's **overall risk management process**; and

(b) to assess the **entity's overall risk profile** and its overall **risk management process**."

OUR TOP 10 RESIDUAL RISKS

The following heat map shows the residual rating for the top 10 material risks facing Kumba in 2019. A residual risk refers to the remaining risk exposure after all identified mitigation measures have been applied. The impact of external factors beyond management's control are key contributors to the current high residual risk ratings.

RESIDUAL RISK RATINGS

Consequence type

Likelihood	Insignificant	Minor	Moderate	High	Major
Almost certain			8, 9	4, 5, 1, 2, 3	
Likely				6, 7	
Possible				10	
Unlikely					
Rare					

RISK

1	Commodity markets and exchange rate fluctuations	↑
2	Safety and health	↑
3	Third-party infrastructure (IOEC operating office efficiency)	↓
4	Operational performance (current year)	New
5	Managing change (transformation of the business)	↑
6	Socio-economic challenges	↓
7	Cyber risk	↓
8	Current South African governance and political challenges	↓
9	Legislation and regulatory compliance	↓
10	Resource depletion and securing growth	→

Kumba Iron Ore Limited

Possible changes in legislation and regulatory requirements

Unexpected changes in regulation, for example relating to spectrum (the lifeblood of the mobile industry), may negatively impact revenue growth and financial stability. Possible non-compliance with laws and regulations could damage Telkom's reputation and incur penalties. The government relations and regulatory affairs unit has regular engagement with internal and key government stakeholders to prepare comprehensive submissions and defences to mitigate regulatory risks.

Risk mitigation activities

- Enhancing risk and compliance governance across all business units
- Regular engagements with internal and key government and regulatory stakeholders including ICASA, Department of Communications and the Competition Commission
- Continuous employee training on key legislation
- Monitoring proposed changes in legislation and regulations
- Ongoing regulatory risk assessments, control identification and compliance monitoring exercises

Progress and milestones in FY2019

Strengthened the culture of risk and compliance in the first line of defense through relationship building, guidance and setting the tone from the top.

Functional alignment of risk and compliance across the group ensured a coordinated ERM approach to maximise results while reducing cost. Aligned risk, compliance and business continuity management frameworks.

Continued building a competency pool of ERM specialists aligned with talent management and succession planning.

Information and cybersecurity management

Telkom has processes, controls and a robust information security governance and assurance model in place. However, there are certain malicious activities which pose a risk to the group. Ineffective management of information and cybersecurity could lead to reputational damage, loss of customers and consequently, revenue loss. We have opportunities to ensure threats are handled in an integrated and cost-effective manner to ensure information protection. We can increase customer loyalty by creating customer awareness of how Telkom handles compliance with data regulations and cybersecurity requirements.

Risk mitigation activities

- Continue to implement the information security strategy
- Deployment of the information security management system
- Continue with operational security management

Progress and milestones in FY2019

To mitigate this risk, Telkom conducted a security assessment across the group to re-examine the information security strategy and design an improvement plan.

We are in the final stages of deploying an information security management system which will enable the group to identify and respond timeously and appropriately to information security threats. The system is aligned to globally accepted standards such as the Information Security Forum and ISO 270001 security standard. This will result in robust information security governance.

The group CIO will oversee the development and implementation of a group cybersecurity strategy.

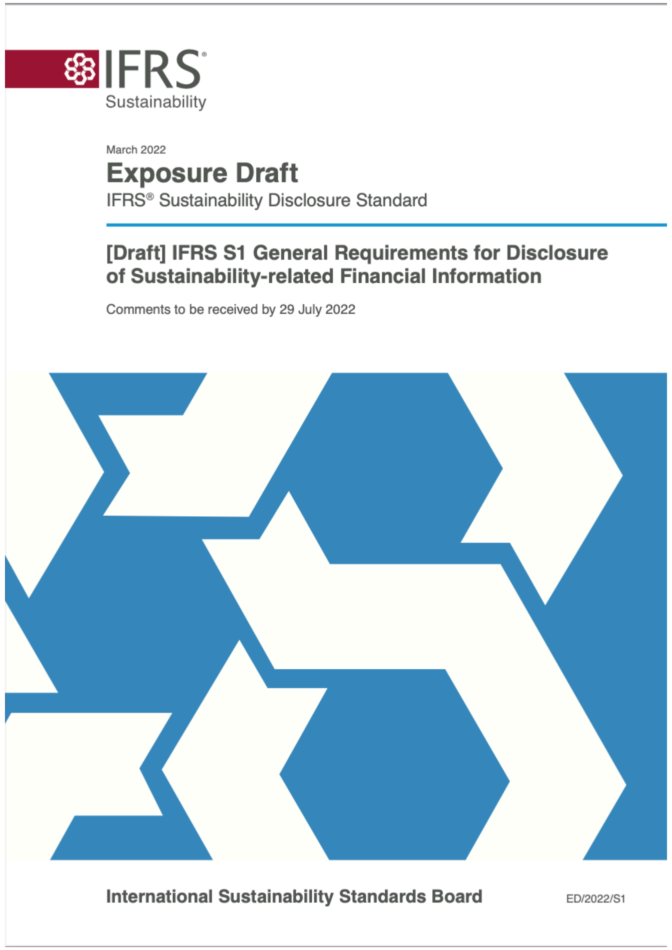
Governance

Integrating Sustainability in Governance

Companies should integrate sustainability in **traditional corporate governance structures and processes**, including board oversight and the control environment. Best practices include:

- The board of directors and its committees (e.g., risk, audit) should exercise **oversight** over the company's exposure and response to **sustainability-related risks and opportunities**, review **policies**, **strategies**, **risk management**, and **targets** set by management, and assess the **performance** of the entity against its targets.
- Sustainability should be **integrated in internal controls and compliance**, including **risk management** and ensuring the integrity of reported sustainability information
- The board and its committees should have **sufficient skills and competencies** to manage and oversee sustainability-related risks and opportunities
- The board of directors should **oversee the stakeholder engagement process** – both internal and external – and the integration of their concerns and expectation are in the company's strategy.
- The management of sustainability risks and opportunities should be factored in **executive compensation policies**.

Importance of Metrics and Targets


IFRS Sustainability

March 2022

Exposure Draft

IFRS® Sustainability Disclosure Standard

[Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

Comments to be received by 29 July 2022

International Sustainability Standards Board

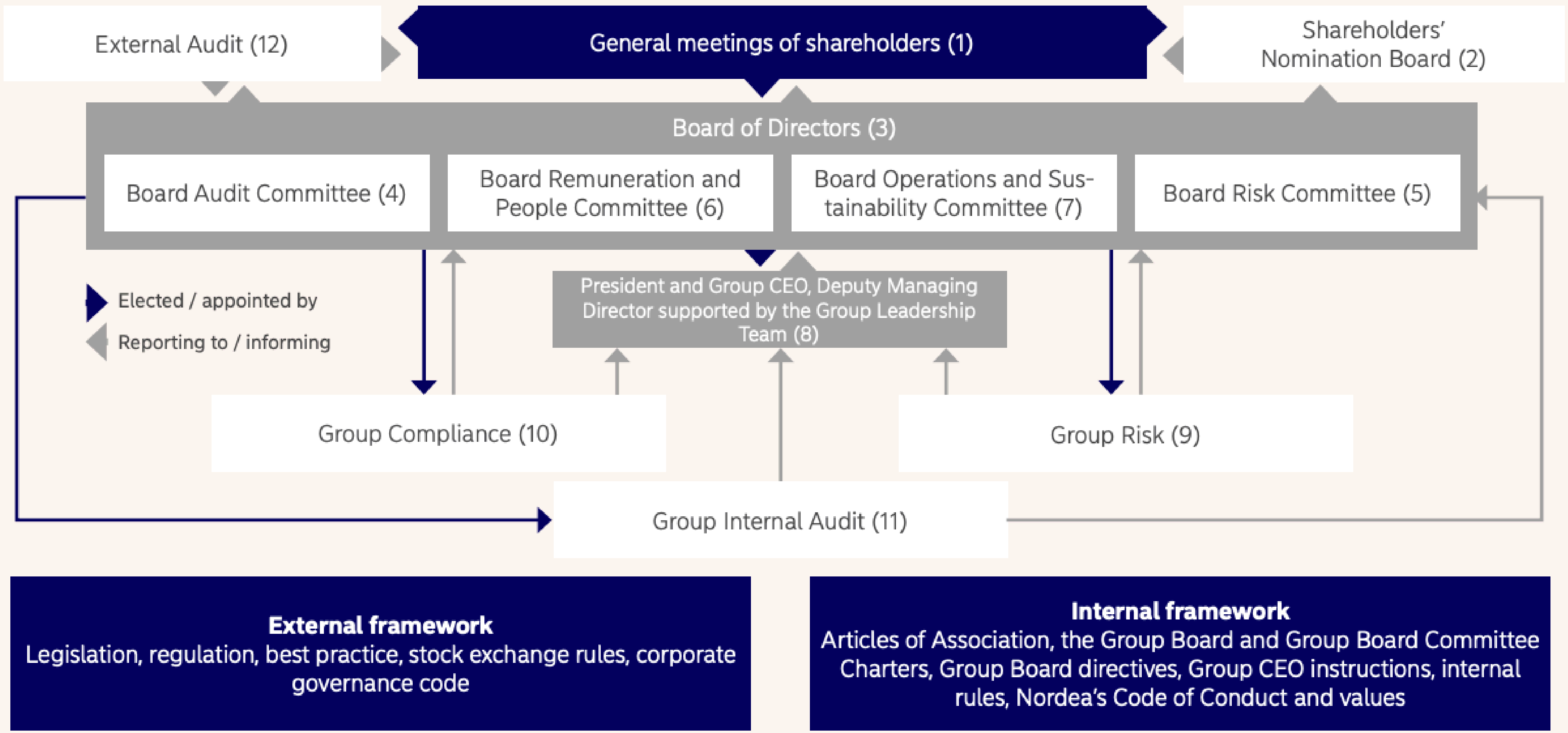
ED/2022/S1

GOVERNANCE

13. To achieve this objective, an entity shall disclose information about the **governance body or bodies** (which can include a board, committee or equivalent body charged with governance**) with oversight of sustainability-related risks and opportunities**, and information about **management's role** in those processes.

26 The objective of sustainability-related financial disclosures on governance is to enable users of general purpose financial reports to understand the **governance processes, controls and procedures an entity uses to monitor, manage and oversee sustainability-related risks and opportunities.**

Corporate governance structure

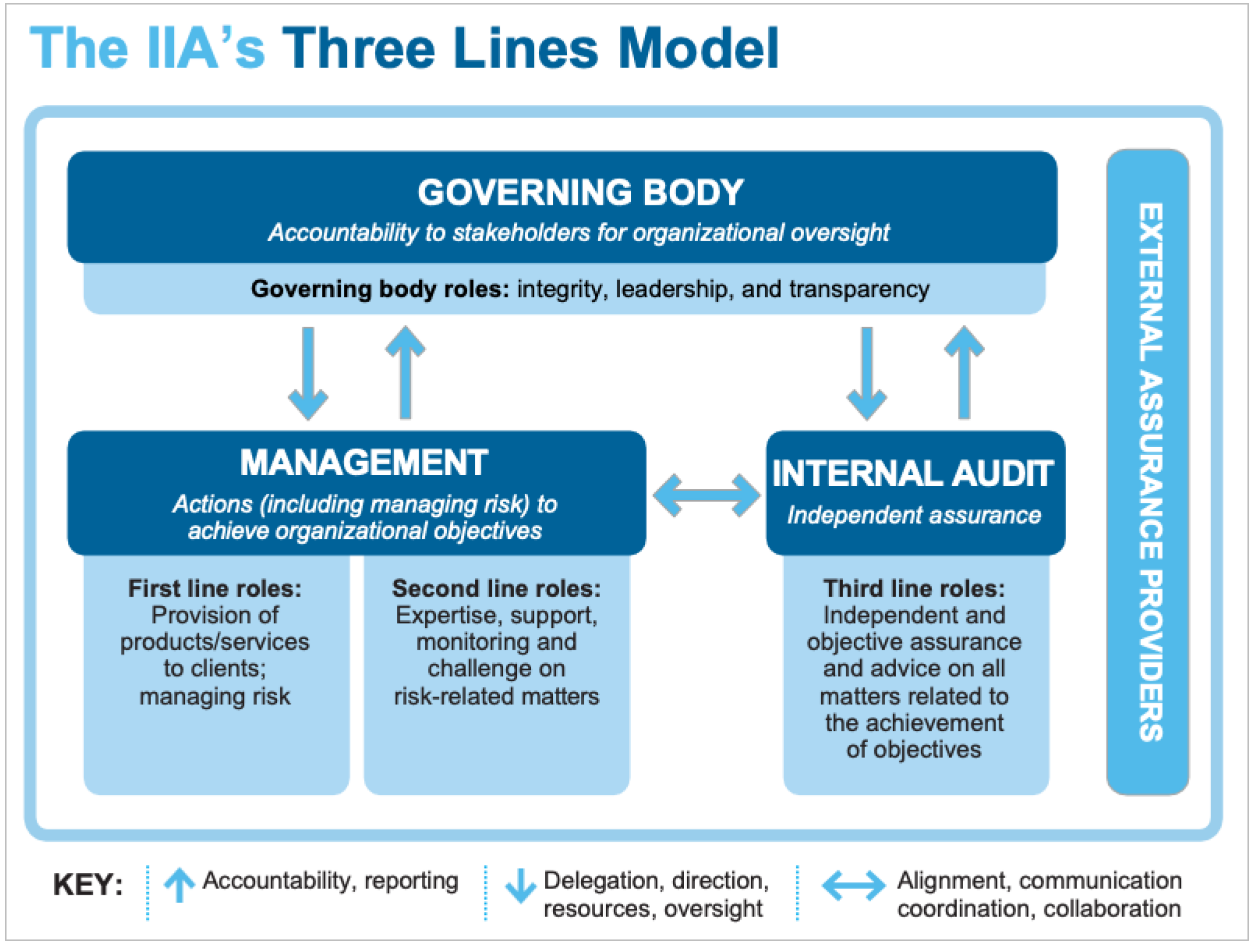


Source: [Nordea Bank Abp. Annual Report 2022](),

Governance of Risk Management

Describe the board's responsibility for oversight and control of risk management either through a formal risk management committee or through the audit committee.

The Institute of Internal Auditors' **Three Lines Model** is an international standard for risk governance, emphasizing the relationships between people involved in risk management to ensure effectiveness of risk management and the control system and accountability for its oversight.



Governance of Stakeholder Engagement

Commitment, Policy, and Strategy

Describe the policy and strategy for stakeholder engagement at the board and management levels, including identification, approach for priority groups, and grievance mechanisms.

Governance and Management

Describe the board's oversight role in considering stakeholder interests when making decisions on effectiveness of stakeholder engagement, including dialogues and grievance mechanisms.

Communication and Grievance

Describe mechanisms to ensure that stakeholders receive relevant information to address their interests and concerns and to respond to stakeholders' complaints, including grievance and whistleblowing mechanisms for external and internal stakeholders.

Audit and Assurance

Assurance of Non-financial information

Companies are increasingly expected to provide assurance that sustainability information is reliable for internal management and external reporting.

This requires that the company clearly establish the scope, definition, and internal collection process for the data.

Oversight of Audit and Assurance Processes

The audit committee of the board should oversee financial and nonfinancial reporting as well as the audit and assurance processes.

ISA Standards (700), require the auditor to disclose key audit matters that arose during the audit.

ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

To: Supervisory Board and Board of Management of Akzo Nobel N.V.

Assurance report on the selected non-financial indicators in the annual report 2020

Our conclusion

We have reviewed the selected non-financial indicators in the annual report 2020 of Akzo Nobel N.V. Amsterdam ("AkzoNobel" or "the company"). Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the selected non-financial indicators in the annual report 2020 are not prepared, in all material respects, in accordance with AkzoNobel's reporting criteria.

What we have reviewed

The object of our assurance engagement concerns selected non-financial indicators for the year ended December 31, 2020. The selected indicators are marked with the symbol » (the "indicators") in the annual report 2020 of Akzo Nobel N.V. (the "annual report"), and are as follows:

- Organizational health score
- Female executives (in %)
- Fatalities employees (number)
- Fatalities contractors – temporary workers plus independent (number)
- Lost time injury rate employees/temporary workers (per 200,000 hours worked)
- Lost time injury rate contractors (per 200,000 hours worked)
- Regulatory actions – Level 4 (number)
- Total reportable injury rate employees/temporary workers (per 200,000 hours worked)
- Total reportable injury rate contractors (per 200,000 hours worked)
- Loss of primary containment – Level 1 (number)
- Loss of primary containment – Level 2 (number)
- Process safety event – Level 3 (number)
- Occupational illness rate employees (per 1,000,000 hours worked)
- Volatile organic compounds (in kilotons)
- Volatile organic compounds (kg per ton of production)
- Energy use (in 1000 TJ)
- Energy use (GJ per ton of production)
- Total waste (total kg per ton of production)
- Hazardous waste to landfill (in kilotons)
- Hazardous waste to landfill (total kg per ton of production)
- Renewable energy – own operations (in %)
- Renewable electricity – own operations (in %)
- Greenhouse gas emissions (kg CO_2(e) per ton of production)
- Greenhouse gas emissions – direct CO_2(e) emissions (Scope 1) (in million tons)
- Greenhouse gas emissions – indirect CO_2(e) emissions (Scope 2) (in million tons)
- Greenhouse gas emissions – direct CO_2(e) emissions (Scope 1) (total kg per ton of production)
- Greenhouse gas emissions – indirect CO_2(e) emissions (Scope 2) (total kg per ton of production)
- Total waste – reusable (in kilotons)
- Total waste – non-reusable (in kilotons)
- Total non-reusable waste (total kg per ton of production)
- Fresh water use (in million M3)
- Fresh water use (M3 per ton of production)
- Scope 3 upstream (million tons)
- Scope 3 downstream (million tons)
- Cradle-to-grave carbon footprint (Scope 1, 2 and 3) (million tons)
- Suppliers in sustainability program – in line with our expectation (in %)
- Suppliers in sustainability program – under development (in %)
- Suppliers participating in CSR program (in % against baseline)
- Eco-premium solutions (in % of revenue)

The basis for our conclusion

We conducted our review in accordance with Dutch law, including the Dutch Standard 3000A "Assurance engagements, other than audits or reviews of historical financial information (attestation-engagements)". This engagement is aimed to provide limited assurance. Our responsibilities under this standard are further described in the section "Our responsibilities for the review" of our report.

We believe that the assurance information we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independence and quality control

We are independent of Akzo Nobel N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

We apply the "Nadere voorschriften kwaliteitssystemen" (NVKS, Regulations for quality systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

Applicable criteria

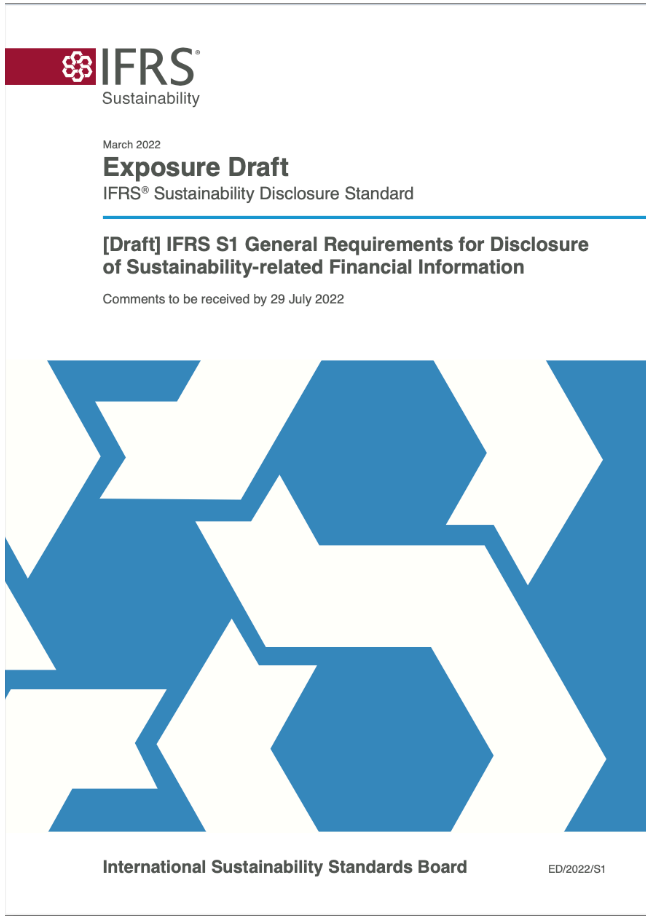
The indicators need to be read and understood in conjunction with the reporting criteria. The Board of Management of AkzoNobel is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the Indicators are AkzoNobel's reporting criteria developed by the company, as disclosed in the "Managing sustainability" paragraph of the annual report and further elaborated in The Reporting Principles 2020 which were made available online* www.akzonobel.com/en/about-us/sustainability-/reporting-principles-. The absence of a significant body of established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

* The maintenance and integrity of AkzoNobel's website is the responsibility of the Board of Management; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the Reporting Principles 2020 when presented on AkzoNobel's website after the date of this assurance report.

Source: Akzo Nobel

Remuneration



Governance

13 … Specifically, an entity shall disclose:

(f) how the body and its committees oversee the setting of targets related to significant sustainability-related risks and opportunities, and monitor progress towards them (see paragraphs 27–35), including **whether and how related performance metrics are included in remuneration policies**; and

2020 annual bonus scorecard measures and weightings

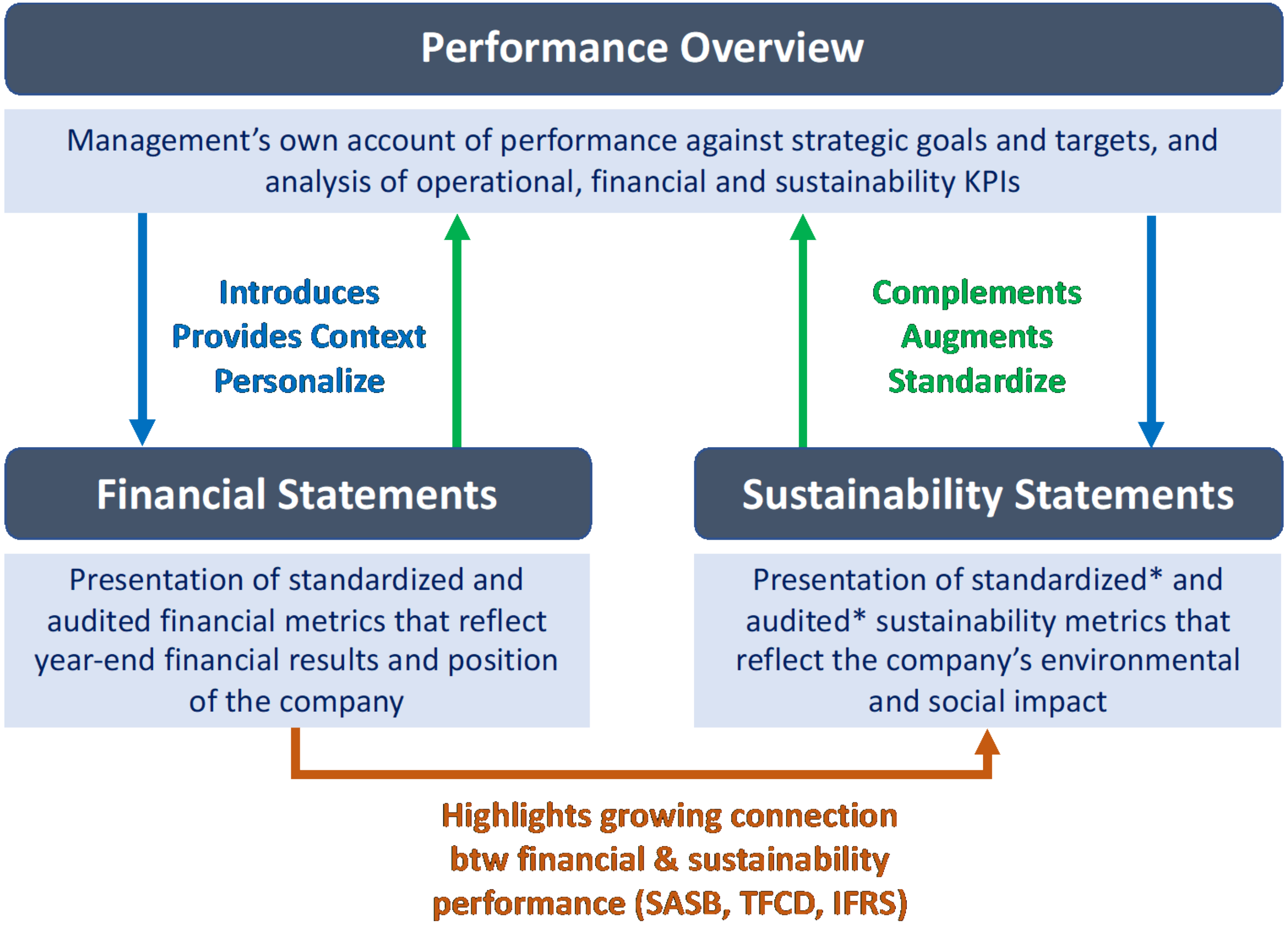
Performance measure	Weighting
Financial	**30%**
Operational excellence	**50%**
Sustainable development	**20%**

	Link to strategy
Financial ▪ Cashflow from operating activities	Aligned with our financial priorities, reflecting our ability to generate cash to service and reduce debt, pay the dividend and fund capital investment.
Operational excellence ▪ Production ▪ LNG liquefaction volumes ▪ Refinery and chemical plant availability ▪ Project delivery	Representative performance metrics from our main business lines to drive focus on the operational delivery critical to our success and inspire a shared culture and alignment with our purpose, strategy and values. These metrics measure the effectiveness with which we operate our assets and portfolio base. This operational performance underpins the successful delivery of our financial framework and ambitions to progress in the energy transition. Shell's longer-term strategic ambitions are measured in the LTIP metrics.
Sustainable development ▪ Safety ▪ Environmental performance	We must maintain focus on safety and environmental performance, as this provides assurance to shareholders, employees and society of our commitment to safety and progress in the energy transition.

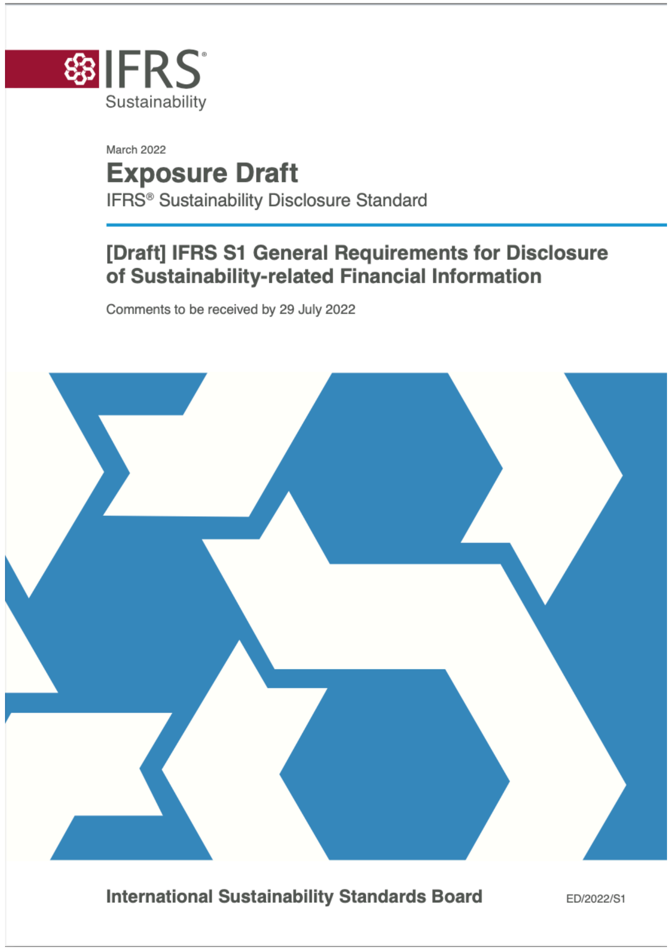
Source: Shell

Metrics and Performance

Metrics and Performance



Importance of Metrics and Targets


IFRS
Sustainability
March 2022
Exposure Draft
IFRS® Sustainability Disclosure Standard
[Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
Comments to be received by 29 July 2022
International Sustainability Standards Board
ED/2022/S1

Metrics and Targets

27 The objective of sustainability-related financial disclosures on metrics and targets is to enable users of general-purpose financial reporting to understand how an entity **measures, monitors and manages its significant sustainability-related risks and opportunities**. These disclosures shall enable users to understand how the entity assesses its **performance**, including **progress towards** the **targets** it has set.

30 An entity shall disclose the metrics it uses to manage and monitor sustainability-related risks and opportunities; and the metrics it uses to measure performance, including progress towards the targets it has set.

33 An entity shall disclose:

(a) performance against its disclosed targets and an **analysis of trends or significant changes in its performance**; and

(b) **revisions to its targets** and the explanation for those revisions.

KPIs and Targets: Link Strategy and Performance

All injury frequency rate (AIFR)

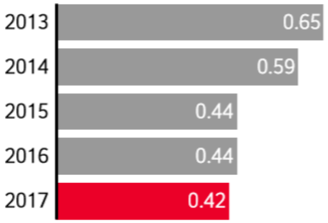
Per 200,000 hours worked

Relevance to strategy

Safety is our number one priority, one of our core values and an essential component to everything we do. Our goal is zero harm, including, above all, the elimination of fatalities.

We are committed to reinforcing our strong safety culture and key to this is improving safety leadership and simplifying the tools and systems used in operational tasks.

Performance



Our AIFR has improved 37 per cent over the last five years. At 0.42, our AIFR decreased in 2017 versus 2016. However, we did not meet our goal of zero fatalities. In 2017, one colleague died as a result of a safety incident while working at our Rio Tinto Kennecott smelter and there was a health-related death of a colleague undertaking exploration activities. Both fatalities were at Rio Tinto managed operations.

Greenhouse gas (GHG) emissions intensity

Indexed relative to 2008 (2008 being equivalent to 100)

Relevance to strategy

We are committed to reducing the energy intensity of our operations and the carbon intensity of our energy, including through the development and implementation of innovative technologies. Our GHG performance is an important indicator of this commitment and our ability to manage exposure to future climate policy and legislative costs.

Performance

(a) Number restated from that originally published to ensure comparability over time.

There was a 2 per cent reduction in GHG emissions intensity in 2017 versus 2016. This is largely a result of improvements in emissions intensities at several of our aluminium and alumina operations.
We are on track to meet our target of 24 per cent reduction in total GHG emissions intensity between 2008 and 2020.

Source: Rio Tinto

Most Common Sustainability KPIs

ENVIRONMENT		FREQ.
GHG emissions	GHG emissions: Scope 1 and 2 (t), Scope 3 if relevant, intensity (GHG/sales)	92%
Water use	Water used (m3), % recycled, % in water stress areas, intensity (water use/sales)	92%
Energy efficiency and mix	Energy consumed (GW), % grid electricity, % renewables, intensity (energy/sales)	85%
Waste (water, solid, hazardous)	Waste from operations (t), % hazardous, % recycled, intensity (waste/sales)	77%
Air pollutants	Air Pollutants (Tn): NOx (excl. N2O), SOx, volatile organic compounds, particulate matter	62%

WORKING CONDITIONS		FREQ.
Injury and fatality	Number of work-related fatalities for direct and contract employees	100%
	Lost-time incident rate for direct and contract employees.	100%
Workforce composition	Workforce composition by gender and ethnicity (#)	69%
Collective bargaining agreements	% of active workforce covered under collective bargaining agreements	62%
Turnover	Voluntary and involuntary employee turnover rate by major employee category	62%
Forced and child labor in the company	Legal actions, employee grievances, or public controversies involving forced and child labor in the company's operations (y/n)	54%

Sustainability Statements

Sustainability statements – or sustainability performance summary – are **tabulated** presentation of **quantitative metrics** reflecting a company's sustainability **performance** on material ESG issues.

It promotes the importance of having comparable, quantitative and assured sustainability data of the same quality as financial data.

Source: Westpac Group

Non-financial summary[1, 2]

	2019	2018	2017	2016	2015
Customer					
Total customers (millions)	14.2	14.2	13.9	13.4	13.2
Digitally active customers (millions)	5.8	5.6	5.3	4.9	4.9
Branches	1,143	1,204	1,251	1,310	1,429
Branches with 24/7 capability (%)	35	33	29	27	22
ATMs	2,847	3,222	3,665	3,757	3,850
Smart ATMs (%)	54	47	44	37	31
Change in consumer complaints (%) – Australia[3]	94	12	(18)	(31)	(28)
Change in consumer complaints (%) – NZ	2	(16)	(21)	(7)	(18)
Employees					
Total employees (full-time equivalent)	33,288	35,029	35,096	35,580	35,484
Employee voluntary attrition (%)	10.3	10.0	9.6	10.6	10.6
New starter retention (%)	84.5	84.1	84.7	85.5	85.3
Employee Commitment Index (%)	71	73	76	-	-
Lost Time Injury Frequency Rate (LTIFR)	0.4	0.4	0.6	0.8	0.8
Women as percentage of the total workforce (%)	58	57	58	58	59
Women in leadership (%)	50	50	50	48	46
Environment					
Total Scope 1 and 2 emissions (tonnes CO_2-e)	121,168	128,339	134,237	156,701	175,806
Total Scope 3 emissions (tonnes CO_2-e)	62,242	65,783	68,830	63,347	68,484
Paper consumption – Aust and NZ (tonnes)	1,812	2,161	2,706	3,304	4,857
Sustainable lending and investment					
Climate change solutions attributable financing – Aust and NZ ($millions)	9,263	9,113	6,979	6,193	6,054
Proportion of electricity generation financing in renewables including hydro – Aust and NZ (%)	75	71	65	59	61
Electricity generation portfolio emissions intensity (tonnes CO_2-e/MWh)	0.26	0.28	0.36	0.38	0.38
Finance assessed under the Equator Principles – Group ($millions)	454	773	891	617	1,065
Social Impact					
Community investment excluding commercial sponsorship ($millions)	130	128	164	148	149
Community investment as a percentage of pre-tax profits – Group (%)	1.33	1.09	1.42	1.39	1.30
Community investment as a percentage of pre-tax operating profit (cash earnings basis)	1.32	1.10	1.41	1.32	1.33
Financial education (participants)	619,995	133,844	112,263	59,596	65,538
Supply chain					
Number of suppliers assessed against Responsible Sourcing Code of Conduct	98	100	31	-	-
Spend with Indigenous Australian suppliers – Australia ($millions)	3.6	3.8	2.8	1.7	1.2