

BIST SUSTAINABLE INDEX RESEARCH METHODOLOGY

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INTRODUCTION

This guide provides an in-depth explanation of EIRIS' research methodology and coverage, as well as the relevance of the different research areas. This document is intended as a practical guide for companies to enhance their understanding of the assessments being undertaken for the BIST Sustainability Index, and it provides:

- a list of the indicators for each assessment area of the Index
- detailed explanations or definitions of what the indicators mean
- real examples of the type of evidence that can meet the indicator (which have been taken from actual EIRIS assessments elsewhere in its global research coverage).

BIST Sustainability Index's research only relies on information which is available in the public domain since improving corporate transparency is widely regarded as a key part of improving a company's sustainability performance. A definition of what public information means is available as an appendix at the end of this document.

This document is produced by EIRIS for the purpose of assisting companies in their understanding of the research behind the BIST Sustainability Index, and is for this purpose only. The methodology was initially produced in April 2014, with the addition of the Banking criteria in December 2015. EIRIS retains the right to modify the methodology without prior consent; forthcoming versions will be promptly shared with BIST.

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RESEARCH METHODOLOGY

ENVIRONMENT

Environment Risk

Environment's Risk exposure according to business activities

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

	Wholesale distribution
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Environmental Policy

Grading Scale:

Inadequate	Weak	Moderate	Good	Exceptional
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Guidance		
Indicators	Description of the Indicators	Examples
Key Issues (Score 1) “Some key issues”	<p>The environmental policy must contain specific reference to <u>at least one</u> sector-specific key issue relevant to the company’s primary environmental sector.</p> <p>These will be from the following:</p> <ul style="list-style-type: none"> • Energy / Climate Change • Air Emissions • Water emissions • Water Use • Waste generation / recycling 	<p>“We aim to reduce our energy reduction, water consumption and waste sent to landfill”.*</p> <p>*This example is correct when the Company’s primary sector key issues are not all present (e.g. When air emissions is a key issue, but is not included in the above evidence)</p>
Key Issues (Score 2) “All key issues”	<p>The environmental policy must contain specific reference to <u>all</u> sector-specific key issue relevant to the company’s primary environmental sector.</p> <p>These will be from the following:</p> <ul style="list-style-type: none"> • Energy / Climate Change • Air Emissions • Water emissions • Water Use • Waste generation / recycling 	<p>“We aim to reduce our energy reduction, air emissions, water emissions, water consumption and waste sent to landfill”.*</p> <p>*This example is correct when the Company’s primary sector key issues are all present.</p>
Level of Senior Responsibility – “environmental manager level” (Score 1)	<p>The manager responsible for environmental policy oversight is greater than 3 reporting levels from a board member, with no dedicated resource (e.g. sustainability committee).</p>	<p>“The person responsible for oversight is the Senior Vice President for Human Resources”*</p> <p>*In addition, the person does not have a clear reporting / communication line to a board member, relating to environmental policy</p>

		oversight.
Level of Senior Responsibility – “responsibility at board or environmental department level” (Score 2)	<p>The manager responsible for environmental policy oversight is a Board Director / senior manager with less than 3 reporting levels from the board, but with no evidence of a dedicated resource (e.g. sustainability committee).</p> <p>OR</p> <p>There <u>IS</u> a dedicated resource (e.g. sustainability committee), but the leader/head of the resource is greater than 3 reporting levels from a board member.</p>	<p>“The Company has a HSE committee which has specific oversight of environmental policy” (with no reporting levels evidence / clarity)</p> <p>OR</p> <p>“The CEO is responsible for oversight of its environmental policy” (however there is no evidence of a dedicated resource (e.g. sustainability committee) that reports to the CEO</p>
Level of Senior Responsibility - “responsibility at board level with supporting resources” (Score 3)	<p>The manager responsible for environmental policy oversight is a Board Director / senior manager with less than 3 reporting levels from the board.</p> <p>AND</p> <p>There <u>IS</u> a dedicated resource (e.g. sustainability committee).</p>	<p>“The Company has a HSE committee which directly reports to the CEO. The Company has also an Environmental Committee in charge of monitoring environmental issues at daily basis”.</p>
Commitment to use of Objectives and Targets – “commitment to continual improvement” (Score 1)	<p>Commitment to continual improvement</p>	<p>“We are committed to reduce our environmental impacts”</p>
Commitment to use of Objectives and Targets – “commitment to use objectives and targets “ (Score 2)	<p>Commitment to the use of O&Ts</p> <p>AND</p> <p>ALL Key Issues are covered</p>	<p>“We are committed to reduce our environmental impacts. We are committed to reduce our energy consumption by 5%; We are committed to continually improving CO2 performance (NO QUANT TARGET), water consumption by 2%, waste by 5% and air emissions by 7%”.</p>
Commitment to use of Objectives and Targets – “provision of quantitative objectives and targets for all key	<p>Commitment to the use of O&Ts</p> <p>AND</p> <p><u>Quantitative</u> O&Ts</p>	<p>“We are committed to reduce our environmental impacts. We are committed to reduce our energy consumption by 5%; water consumption by 2%, waste by 5% and</p>

areas "(Score 3)	AND ALL Key Issues are covered	air emissions by 7%".
Commitment to monitoring and auditing	Commitment to 'monitor' includes ANY of: The presence of an EMS (Environmental Management System) A commitment to regularly review the environmental policy, A system of regular environmental monitoring or auditing	"We are committed to regularly review our environmental policy".
Commitment to public reporting	Includes ANY of: Commitment to: - Commitment to openness / transparency about environmental performance - A commitment to report next year - Actual reporting (greater than 2 elements in the 'Environmental Reporting' section)	This could be awarded when the Company discloses environmental performance traits.
Globally applicable corporate operating standards	Commitment to operate to standards BEYOND the legal minimum Commitment to common global standards Commitment to industry best practice/ recognised sector best-practice initiatives	"We are committed to operate according to the industry best-practice. We are endorsing the ICMM principles"
Commitment to stakeholder involvement	Community Liaison specifically relating to environmental impact of operations Permanent engagement mechanism for engaging with stakeholders Regular / annual participation in environmental NGO round-table / dialogue	"The Company has a stakeholder liaison officer who engages with stakeholders on an annual basis regarding environmental issues associated with Company operations".

Commitment to address product or service impact	A detailed discussion of product / service stewardship impact (i) OR Demonstration of commitment through sustainable products (ii) OR Membership of WCBSD	“We are committed to build environmental friendly products which includes fully-integrate and published LCA”.
Strategic Moves Towards Sustainability	A Company will need to implement all or most of the practices relative to its sector. Further information available via contacting EIRIS.	N/A
ICC membership	ICC membership	Self-explanatory
CERES membership	CERES membership	Self-explanatory
Responsible Care	Responsible Care membership	Self-explanatory
WBCSD membership	WBCSD membership	Self-explanatory
UNEP Fin / Ins membership	UNEP membership	Self-explanatory

Environmental Management Systems

Grading Scale:

Inadequate	Weak	Moderate	Good	Exceptional
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Guidance		
Indicators	Description of the Indicators	Examples
Environmental Policy	Has an Environmental Policy	Self-explanatory
Identification of significant impacts	Identification of all key impacts: (i) Baseline review for all key impacts or (ii) Provides quantitative data for all key issues	“In the CSR report, the Company has identified energy use, water use, waste, water emissions and air emissions as significant impacts”.
Setting of objectives and targets – “documented objectives and targets in all key areas” (Score Y)	Objectives and targets for all key issues	“In the CSR report, the Company has provided objectives and targets for energy use, water use, waste, water emissions and air emissions as significant impacts”.
Setting of objectives and targets – “quantitative objectives and targets in all key areas “ (Score Q)	Objectives and targets for all key issues AND All targets are quantitative	“In the CSR report, the Company has provided objectives and targets energy use, water use, waste, water emissions and air emissions as significant impacts. In addition, all targets are quantitative”.
Outline of processes and responsibilities, manuals, action plans, procedures	Procedures and structure of responsibilities: (i) Has procedures and structure of responsibilities for implementing EMS or (ii) Has Environmental manual specifying procedures and responsibilities	“The Company’s Environmental Manual states that Divisional Heads put into effect the Environmental Policy, using Environmental sub-units at each business location. These sub-units facilitate communication of the policy, training schedules, internal auditing, and performance monitoring and setting environmental targets”.
Internal system audits	Internal audits that assess the effectiveness of the EMS	“The Company’s Sustainability Committee conducts annual audits of the efficacy of the Company’s EMS using input from site managers at each business location”.
Internal reporting and management review	Management review of the effectiveness of the EMS	“The Company states in its Environmental Policy that the Environmental Manager gathers audit

		data on the efficacy of the EMS and reports to the Board of Directors on a quarterly basis.”
Commitment to obtain ISO 14001 or EMAS	Commitment to obtain ISO 14001 or EMAS	“We are committed to have all our operations ISO 14001 certified by 2015”.
EIA undertaken for all projects	EIA undertaken for all projects	“Our Company regularly carries out Environmental Impact Assessment for prior to the creation of new sites of operation”.
Supplier Audits	Supplier Audits	“Our company carefully chooses suppliers according to their environmental performance”
ISO 14001 certification	The Company has operations certified against ISO 14001 standards.	“18 plants out of 24 plants are ISO 14001 certified”.
EMAS certification	The Company has operations certified against EMAS standards.	“18 plants out of 24 plants are EMAS certified”.

Environmental Reporting

Grading Scale:

Inadequate	Weak	Moderate	Good	Exceptional
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Guidance		
Indicators	Description of the Indicators	Examples
Text of environmental policy	A public policy	The Company has a public policy available through their website.
Description of main impacts	Description of main impacts in key areas. Some explanation of why they are issues or the particular relevance they have for that company or industry. This could for instance be a section of text or some diagrammatic expression of the life-cycle of their business and where the issues/impacts occur. In other words it requires more than just table/graphs of data but an explanation of why it is being	A public description of environmental impacts.

	measured.	
Quantitative data	Provides quantitative data (including year-on-year data) in all key areas as tables or graphs (including data). Data must be within three previous reporting year periods (year-on-year)	Public environmental performance data, e.g. Climate change, Waste, Air emissions, Water emissions and Water consumption”.
Performance measured against targets	Data reported in the context of an existing Quantitative target, covering at least ONE key issue	The Company has reported CO2 data
Outline of environment management system	The report contains an outline (brief description) of environmental management systems in place	In the public domain, the Company explains the coverage of the EMS and the procedures for monitoring
Details of non-compliance, prosecutions, fines, accidents, etc.	Provision of details of non-compliance, prosecutions, fines or accidents OR statement that it has none of the above. NB these must be related to environment (not H&S etc.)	“The Company has reported in the Annual Report that In 2013, no breaches of environmental regulations were recorded”.
Financial dimensions	Inclusion of financial dimensions - e.g.: <ul style="list-style-type: none"> • capital investment / expenditure • savings and/or additional income achieved • environmental provisions, liabilities or assessment of risk 	“In 2013, our company spent GBP 13m on environmental initiatives”.
Stakeholder dialogue	Stakeholder relations or involvement: details of initiatives undertaken beyond regulatory requirements and liaison with authorities. Also for invitations to comment and easy ways to make views known to company. E.g. comments/ feedback cards in reports.	“In 2012, our Company has engaged with WWF on the biodiversity issues”.
Coverage of sustainability issues	General discussion of environmental sustainability and what it means for the company.	Self-explanatory

<p>External verification</p>	<p>Company environmental data is independently verified by an external company (with publicly-published assurance statement)</p> <p>AND</p> <p>All key issues are covered in the external verification</p>	<p>“Bureaus Veritas certifies that the environmental data for all key issues in the 2013 reporting has been independently verified”</p>
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BIODIVERSITY

Biodiversity Risk

High impact	Companies whose operations directly impact upon biodiversity. The net impact is likely to be negative.
Medium impact	Companies which may not have a direct impact on biodiversity, but are in a position, either through supply chain management or controlling large landholdings, to exert an influence. Influencing biodiversity through product stewardship is not covered here.

High risk business activities for Biodiversity

High risk	<ul style="list-style-type: none"> Building materials & quarrying Construction Power generators Energy & fuel distribution Food, beverages & tobacco Forestry & paper Mining & metals Oil & gas Ports Road distribution & shipping Water Airports
Medium risk	<ul style="list-style-type: none"> Air transport Chemicals & pharmaceuticals DIY & building supplies Fast food chains Public transport Supermarkets Property developers

Companies classified as having a low risk exposure to biodiversity are not assessed.

Biodiversity Policy

Grading Scale:

No policy or inadequate	Basic	Moderate	Good
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Guidance		
Indicators	Description of the Indicators	Examples
Existence of a group-wide or site-level Biodiversity Action Plan (BAP)	This can be defined through various elements which include biodiversity assessment of impacts, monitoring impacts, setting of targets, use of performance indicators, review of impacts and reporting of results. Implementing a BAP may involve incorporating biodiversity into the Company’s EMS – thus biodiversity is recognised as a significant aspect and appropriate monitoring systems are put in place as for other aspects.	“In 2012 CSR report the Company stated that protection of local wildlife, flora and fauna, on or close to development sites is a priority and the Company uses a combination of internal and external specialists to carry out environmental assessments to ensure all biodiversity issues are identified and appropriate conservation measures taken. The Company will protect, conserve and enhance any wildlife, ecology, flora, fauna, watercourses, woodland or historic features”.
Involvement of NGOs or other conservation organisations in developing BAPs or other biodiversity initiatives/some actions or sponsorship undertaken to enhance local ecosystems for part of the Company operations	The Company commits to collaborate with organisations to educate and train local people in collecting and screening skills.	“The Company states that it will consult all the bodies to comply with the requirements of the wildlife and Countryside Act and the Habitats Directive. In its 2012 CSR report, the Company indicated that it works in partnership with a wide range of housing associations, Environment Agency (EA), Construction Industry Research and Information Association (CIRIA), councils and other public sector agencies on a number of schemes. In its 2013 CSR report the Company also indicated that 'if following public consultation, concerned is raised over any environmental or design issues, often we may revise and review our proposals to take account of, and act on, the public's view”.

Existence of a policy in	This pact among the vast majority of	“The international agreements and
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<p>line with the Convention on Biological Diversity (CBD) - key principles include protection of biological diversity within protected areas, and the sustainable use of biological resources</p>	<p>the world's governments sets out commitments for maintaining the world's ecological underpinnings as we go about the business of economic development. The Convention establishes three main goals: the conservation of biological diversity, the sustainable use of its components, and the fair and equitable sharing of the benefits from the use of genetic resources. Although companies do not sign up to the pact, companies increasingly include a statement of support for its aims as part of their biodiversity policy. A statement is particularly relevant for companies extracting minerals in sensitive ecosystems, and for the pharmaceutical sector involved in extracting genetic resources.</p>	<p>conventions of relevance to the 1243 Project to which the Company A is involved. This includes UN (Rio) Convention on Biological Diversity (ratified by Parliamentary Resolution)".</p>
<p>Impacts/potential for enhancement assessed</p>	<p>The company must disclose evidence that biodiversity impacts and/or potential for enhancement are regularly assessed as part of the Company's environmental management systems</p>	<p>"Monitoring the effects of subsidence due to gas production in the Wadden Sea region) in a Company A operated joint venture that produces gas in the Netherlands, including in protected areas around the coast in the Wadden Sea and on Ameland island. In these areas gas production is causing subsidence.</p> <p>The Company has been working with the Ameland subsidence monitoring supervisory committee since 1986. They provide financial support to the monitoring and associated biodiversity research programme. This is the longest integrated ecological research project on the impact of subsidence worldwide. This research has provided more insight into the ecological response to a local, accelerated rising of sea levels (up to a rate of 1.5 metres every 100 years)".</p>
<p>Details of biodiversity improvements are</p>	<p>The company must disclose quantitative data on biodiversity improvements as result of initiatives</p>	<p>"The Company reports that 2010 saw the launch of their new five year project to support wildlife on some of</p>

<p>reported</p>	<p>undertaken by the Company.</p>	<p>Wessex Waters best sites. This work focuses on two key habitats and the associated species, namely, grasslands for invertebrates (including butterflies, bees and other insects), and woods and fields for birds and bats”.</p>
<p>Implementation of a policy to source natural resources from suppliers operating a certification scheme, e.g. FSC, MSC</p>	<p>The company must state that it sources raw materials from suppliers operating a certification scheme, e.g. FSC, MSC.</p>	<p>“the Company states in its wood procurement policy that it works to ensure that the Company and its sources comply with the law and do not cause or encourage destruction of forest areas at risk of loss from unsustainable practices. The Company also states that it will not harvest or buy wood, wood fibre or products for distribution from natural forest in biodiversity hot spots or major tropical wilderness areas. The Company has set out guidelines that limit or prohibit it from harvesting or purchasing wood, wood fibre or products for distribution that originate from or old-growth forests in the US, or illegal logging”.</p>

CLIMATE CHANGE

Climate Change Risk

Climate change's Risk exposure according to business activities

Very High	Agriculture/ Air transport/ Cement production/ Coal mining/ Electricity generation from fossil fuel/ Metals/ Mining/ Oil & gas
High	Aircraft manufacture/ Automobile manufacture/ Commercial buildings/ Commodity chemicals/ Delivery services/ Food producers/ Other building materials/ Other construction/ Residential buildings/ Road distribution & shipping/ Specialty chemicals/ Supermarkets/ Waste/ Water
Medium	Beverages/ Consumer electrical/ Defense/ Forestry/ Other vehicle manufacture/ Paper/ Pharmaceuticals/ Property developers/ Public transport/ Tobacco

Companies classified as having a low risk exposure to climate change are not assessed.

Climate change management response

Grading Scale:

No evidence	Limited	Intermediate	Good	Advanced
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Guidance		
Indicators	Description of the Indicators	Examples
Senior responsibility for climate change related issues	Board level (individual or committee) or senior responsibility (direct or 1 reporting level from CEO) for climate change related issues	“Energy/Carbon subcommittee is responsible for this issue and it is one level from global CEO”.
Climate change commitment	<p>Publicly recognises company’s responsibility to address climate change and/or commit to minimise climate change impact.</p> <p>The commitment can also refer to energy use/ greenhouse gas emissions reductions (no explicit reference to climate change is required) at ‘intermediate’ level but must refer to climate change at ‘good’ and ‘advanced’ level.</p>	<p>“The Company remains acutely aware that it must continue to address the challenge of climate change. The Company is acting to limit greenhouse gas emissions”</p> <p>“The Company recognises the environmental, economic and social risks associated with climate change and are developing a global strategy for energy efficiency and mitigation of their climate change impacts”</p> <p>“The Company states that it has policy on energy saving”</p> <p>“The Company has committed to minimise greenhouse gas emission and maximise energy efficiency”.</p>
Product related climate change commitment*	<p>Publicly recognises company’s responsibility to address climate change impact of product and /or commit to minimise climate change impact of product.</p> <p>*Only companies with high product impact on climate change should be researched against this indicator.</p>	<p>“Buildings burn some 40 percent of global energy. Reducing this share for the future has for years been part of our business. The Company has a tradition of sustainable construction, or green building. Implementing innovative energy management and business models based on renewables, we also help prevent greenhouse gas emissions and cut project running costs”.</p> <p>“The Company aims to reduce traffic- and transport-related greenhouse gas and other emissions by producing</p>

		<p>cleaner traffic fuel solutions”</p> <p>“The Company states that it works in partnership with vehicle and equipment manufacturers to improve the overall efficiency of use of its fuel and lubricant products” .</p>
Policy reflects national or international governmental agenda	<p>Explanation of policy framework e.g. reference to international targets, regulations and accurately disclosing scientific consensus on climate change and how this relates to the Company.</p>	<p>“The Company refers to the Kyoto Agreement and the targets of the European Union as well as to the voluntary agreements of the ACEA, the European Automobile Manufacturers' Association (Association des Constructeurs Europeens d'Automobiles)”.</p> <p>“The Company refers to EU ETS, United Nations Framework Convention, the UN climate change conference in Cancun and the EU '20-20-20' target to cut greenhouse gas emissions by 20%, to increase energy efficiency by 20% and to increase the share of renewables in the energy mix to 20%. The Company signed the Durban Communique calling for actions such as the introduction of a global carbon price, increased funding for low-carbon technologies, an end to fossil fuel subsidies, reforms to the Clean Development Mechanism and action at a domestic level”.</p>
Public policy leadership	<p>Active advocacy of the necessary public policy initiatives to reduce GHG emissions to sustainable levels over the appropriate time frame, including binding national and international targets. Examples include Corporate Leaders Group on climate change and US climate action partnership.</p>	<p>“The Company participates in the World Business Council for Sustainable Development (WBCSD), in the High Level Group on the competitiveness of the European chemical industry, in the Global Round Table on Climate Change of the Earth Institute at Columbia University, and in the Community Development Carbon Fund of the World Bank. It is a member of the World Economic forum, and, in the USA, a member of the Business Environmental Leadership Council of the Centre for Climate and Energy Solutions. It is also engaged in initiatives like 'Seal the Deal' and the</p>

		'Nairobi Work Programme of the United Nations".
Remuneration linked to climate change performance	Board/senior management remuneration linked to GHG emissions reductions or other equivalent strategies	"The Environmental Management Team's appraisals are linked to GHG targets".
Long-term strategic goal linked to GHG emissions reductions (>=5years)	Public emissions reductions (or intensity improvement) targets linked to quantitative GHG/CO2 emissions reductions (including baseline)	"By 2020, we aim to reduce GHG emissions by 20% compared to 2004 baseline".
Short-term management targets linked to GHG emissions reductions (<5years)	Same as above, but short-term.	"The Company's Healthy Future 2015 goals include a 20% absolute reduction in facilities CO2 emissions, without the use of voluntary carbon offsets, by 2020 compared to 2010 baseline".
Target to reduce climate change impact of product*	Public commitment/target to reduce climate change impact of product and how the company plans to achieve this. This does not need to be quantitative. *Only companies with high product impact on climate change should be researched against this indicator.	"The Company has made a commitment to develop low-carbon sources of energy by investing USD 8bn by 2015 alternative and renewable energy technologies".
Absolute emissions	CO2 or GHG emissions (basket of six main GHG: Carbon dioxide (CO2), Methane (CH4), Nitrous Oxide (N2O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs) and Sulphur Hexafluoride (SF6)) as tonnes CO2 equivalent. <u>High</u> impact companies are required to disclose GHG/CO2 emissions in order to be credited with the indicator 'Absolute emissions'. For <u>Medium</u> impact companies only, energy use figures may be given to award 'Absolute emissions'.	"Total CO2 emissions were 1,176,000 tonnes in 2012".

Normalised emissions (or appropriate denominator)	Appropriate denominators (production volume, or turnover with the same coverage) or normalised emissions data reported.	“Emissions were 6.57 tCO ₂ -e/KRW million in 2012”.
Trend data	Company reports at least 3 years.	“The Company discloses GHG emissions from 2010 to 2012”.
*Product or service related emissions	<p>Estimated product emissions (or sector specific indicator to be determined) from supply chain, use and/or disposal. Estimated total emissions from a Company are all products worldwide.</p> <p>*Only companies with high product impact on climate change should be researched against this indicator.</p>	<p>“Estimated emissions from the use of oil & gas products sold in 2012 were 267,327,268 tonnes CO₂-equivalent”</p> <p>“The Company reports that emissions of products that release greenhouse gases during their use by our customers, such as CO₂ from the combustion of oil and gas or N₂O from the application of fertilizers, were taken into account for the first time in lifecycle reporting according to the Greenhouse Gas Protocol Scope 3 Standard for the 2010 Corporate Carbon Footprint. These scope 3 emissions are published on the website”.</p>
Reporting against targets	Reporting against own targets or where relevant European Union Emissions Trading System permits (i.e. explaining performance)	“As stated in 2012 CDP response the target for 2011 was 82 tonnes CO ₂ /kilotons equivalent. The Company reported next to this target that actual result in 2011 was 95 tonnes CO ₂ /kilotons equivalent”.
Scope of data	Scope disclosed.	<p>“The Company’s GHG emissions reduction plan covers all our operations”.</p> <p>“The Company disclosed GHG Protocol Scope 1 and 2 emissions”.</p>
Methodology applied	How companies calculate emissions	“The data has been calculated in accordance with the GHG protocol”.
Verification	Internal or external verification of data	“The GHG emissions are verified by Ernst & Young”.
Risk disclosure	Assessment and quantified disclosure of financial, regulatory or	“As part of its enterprise risk management system the company has

	physical risks and /or opportunities faced by the Company as a result of climate change	established a Group-wide process dedicated to the identification of risks and opportunities associated with climate change. It is coordinated by the Climate Protection Officer (CPO) who is accountable for it. The Company identified risks driven by changes in regulation, risks driven by changes in physical climate parameters, and risks driven by changes in other climate-related developments (changing consumer behaviour and reputation) and provides details as well as financial implications in the carbon disclosure report 2011. E.g., the Company estimates that a production reduction of one of its major production sites due to an extreme weather event such as a hurricane, flood or extreme water scarcity for two weeks could result in a loss of EBIT of about EUR 4 million”.
Operational emissions reductions	<p>2.5% (significant improvement) annual average year on year reduction over 2 years. Please use appropriate denominators for the calculation (i.e., the number of employees for office-based operations, production volume for manufacturers and turnover figures if nothing else available).</p> <p>Operational emissions include scope 1 and 2 emissions. Ideally both need to be summed before entering the summed data in access for calculation of trend. However, if, for example, only scope 1 emissions data is available this alone can be used for calculation of the trend. The same approach is if only scope 2 data is available.</p>	“The Company's total GHG emissions in 2012 were 68.2 million tonnes CO ₂ e, compared to 74.9 million tonnes CO ₂ e in 2010. This represents an average annual reduction of 15% relative to evolution of total revenues over the same period”.
Operational transformational initiatives	Strategic initiative that makes a significant contribution (directly, or through wider group/ sector initiative) to the reduction of GHG emissions or the commercialisation of renewable energy/ low carbon	“The Company reports that in 2012, it generated sales of EUR 7.2 billion with its climate protection products, which is about 9% of XXX sales. It calculated that in 2012 the use of its products for climate protection avoided 320 million

	<p>technologies. This indicator can be awarded if supporting evidence for at least one the below requirements is available:</p> <ul style="list-style-type: none"> • Any transformational initiatives resulting in reduction of 10% absolute emissions. • 100% (>95%) energy generation from renewable sources (for power generators) • Any direct involvement in Carbon Capture and Storage (not just funding) 	tonnes of carbon dioxide emissions (a reduction of 18%). This exceeds the required rate of reduction of more than 10% against total emission of carbon dioxide”.
Operational efficiency relative to sector	Top quartile of sector performance for cement and electricity companies.	“The Company has been identified by EIRIS as being in the top quartile of companies in cement production sector. It has demonstrated operational efficiency less than 666kg/tonnes of cement produced”.
Product emissions reductions*	<p>As “operational emissions reductions”, but relating to product.</p> <p>*Only companies with high product impact on climate change should be researched against this indicator.</p>	
Product transformational initiatives*	<p>As “operational transformational initiatives”, but relating to product.</p> <p>*Only companies with high product impact on climate change should be researched against this indicator.</p>	

* High product impact sectors: Oil & gas, Coal mining, Automobile manufacture, Aircraft manufacture, Residential buildings, Commercial buildings, Consumer electricals, Other vehicle manufacture, Defence, Property developers.

BOARD PRACTICE

Board Practice

Grading Scale:

None	One	Some	All
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Guidance		
Indicators	Description of the Indicators	Examples
Has a separate chair and chief executive	This criterion seeks to identify whether there is a clear separation of executive and supervisory roles and responsibilities. We do not distinguish between executive and independent chairs for the assessment but this information is added as additional information.	“The roles of the Chief Executive Officer and the Chairman are separate and both represent the Company”.
Has more than 33% of the board as independent non-executives - four out of 11 are independent non-executives	<p>This criterion, as well as the one related to the independence of the audit committee members, must be handled with extra care. EIRIS has identified specific indicators to assess directors’ independence. This means that EIRIS does not always agree with a company’s claim of independence of certain board directors. EIRIS will accept a Company's explicit designation of independence UNLESS we are aware of evidence which suggests that a director:</p> <ul style="list-style-type: none"> • has served for ten years or more • has close family relationships with executive directors of the Company • is an employee representative • is an executive of subsidiary Company of the parent Company • represents a major shareholder in the Company (3% or more shareholding in the Company) • has a major supplier, customer, 	“Biographies of directors”.

	<p>consultancy or advisory relationship or contract with the Company</p> <ul style="list-style-type: none"> • has been employed in an executive capacity within the previous three years " 	
<p>Has an audit committee, the majority of whose members are independent non-executives - all four members are independent non-executives</p>	<p>The same criteria for directors' independence apply to this question. Again, additional information must make clear how many members the audit committee has and how many of them are independent. Divergences between what the Company reports and EIRIS' assessment must also be explained. Please note that two out of four is not considered to be a majority. The number should be OVER 50%.</p>	<p>"Biographies of directors".</p>
<p>Discloses the remuneration of company directors</p>	<p>Additional information details whether remuneration is disclosed on an individual basis or not, and what elements of remuneration are disclosed (cash, shares and other benefits).</p>	<p>"The table below indicates the remuneration paid to Directors, Statutory Auditors, and Chief Operating Officers and, at an aggregate level, other Managers with strategic responsibilities, indicating the recipients' names. Information on compensation received from subsidiaries and/or associated companies are provided separately. All parties who filled these roles during the period are included, even if they only held office for a fraction of the year".</p>

COUNTERING BRIBERY

Countering Bribery Risk

High	
A company operates in:	a high risk business activity and
	one or more high risk countries and
	with government contracts or licensing

Medium	
A company operates in:	a high risk business activity OR
	one or more high risk countries OR
	in a high risk business activity and in one or more high risk countries without government contracts

Low	
A company does not operate in:	a high risk business activity and/or
	one or more high risk countries

High risk business activities for Bribery

High risk sector/activity:	Exceptions to these sectors/activity
Public works/construction and associated engineering	N/A
Defence producers and contractors	Subcontractors and dual use companies
Oil and Gas	Oil equipment and services companies
Mining	N/A
Energy and Utilities	N/A
Property Development	Companies not involved in property development

Global hotel chains and major gaming operators	Companies with no gambling activity, or not involved property development
Telecommunications	Producers of phone equipment, instruments and switching equipment, small retail outlets, etc.
IT and related activities	N/A
Pharmaceuticals	Companies involved in R&D and Biotechnology only
Steel	Companies involved in steel stockholding only
Chemicals	N/A

Countries of Concern for Bribery

Afghanistan, Albania, Algeria, Angola, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Belize, Benin, Bolivia, Bosnia-Herzegovina, Brazil, Bulgaria, Burkina Faso, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Chad, China, Colombia, Comoros, Congo (Brazzaville), Congo D.R. (formerly Zaire), Cook Islands, Cote D'Ivoire, Djibouti, Dominican Republic, Ecuador, Egypt, El Salvador, Equatorial Guinea, Eritrea, Ethiopia, Fiji, Gabon, Gambia, Georgia, Ghana, Greece, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, India, Indonesia, Iran, Iraq, Jamaica, Kazakhstan, Kenya, Kiribati, Kosovo, Kyrgyzstan, Laos, Lebanon, Lesotho, Liberia, Libya, Macedonia, Madagascar, Malawi, Maldives, Mali, Marshall Islands, Mauritania, Mexico, Micronesia, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Nepal, New Caledonia, Nicaragua, Niger, Nigeria, Niue, North Korea, Pakistan, Palestinian Authority, Panama, Papua New Guinea, Palau, Paraguay, Peru, Philippines, Romania, Russia, Sao Tome and Principe, Saudi Arabia, Senegal, Serbia, Sierra Leone, Solomon Islands, Somalia, Sri Lanka, South Sudan, Sudan, Suriname, Swaziland, Syria, Tajikistan, Tanzania, Thailand, Timor-Leste, Togo, Tonga, Trinidad and Tobago, Tunisia, Turkmenistan, Tuvalu, Uganda, Ukraine, Uzbekistan, Vanuatu, Venezuela, Vietnam, Yemen, Zambia, Zimbabwe

Definition of government contract

This depends by the sector involvement of the Company (e.g. -Tendering for government contracts and government licensing). Memorandums of understanding and joint ventures with state-owned companies (in country of concern for bribery) would also be considered as equivalent to government contracts. Likewise, the contracts with the state owned companies, e.g. China Air or Gazprom would be also viewed as a government contract.

Countering Bribery Policy

Grading Scale:

No evidence	Limited	Intermediate	Good	Advanced
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Guidance		
Indicators	Description of the Indicators	Examples
Prohibition of giving and receiving bribes	The company needs to state that it prohibits both giving and receiving bribes.	“The Company prohibits giving and receiving bribes any forms, including cash, money, kickback, profit and benefit”.
Obeying laws and regulations	The company needs to state that it complies with laws and regulations.	“ The Company’s Code of Ethics states that employees and contractors must comply with laws and regulations”.
Restriction of facilitation payments	The company should state that the company is restricting the use of facilitation payments and how.	“Company XX and its employees in all countries must comply with the U.S. Foreign Corrupt Practices Act (FCPA)”.
Restriction of giving and receiving gifts	The company should state that it restricts giving and receiving gifts.	“The Company has a policy regulating both giving and receiving of gifts or the Company has a policy on either giving gifts or receiving gifts”.
Board level commitment	Does the Company show any evidence of formal board level commitment to the overall code of ethics? The board of directors or equivalent body should provide leadership/resources/active support for management’s implementation	“The Company’s Board is responsible for overseeing the bribery policy” or “The Board of Directors is committed to support the implementation of the Code of ethics/anti-bribery policy”.

	of the code of ethics	
Prohibition of political donations	The company should state that it prohibits giving political donations in all circumstances.	“The Company has a policy prohibiting the provision of political contributions / donations in any market in which the company operates. This includes financial and in-kind contributions made by the company”.
Transparency of political donations	Does the Company show evidence that they have a stated policy on political donations, which includes publicly disclosing them, and showing evidence that there is an authorization process in place for giving political donations? E.g. the board must approve all political donations.	“Company XX complies with all applicable laws and regulations in connection with the Company’s political and public policy activities. Any political or other public policy activity in which Company XX engages, including political expenditures, comply with all internal policies and procedures, are made solely based upon the best interests of the Corporation and its stockholders, and are not based on personal agendas of individual directors, officers, or employees. “ or ‘The Company spent /donated USD 50,000 as political contributions/donations in 2013’.
Business partners (including contractors, suppliers, agents) being covered by the policy	Does the Company show evidence that the code applies to agents/ intermediaries/suppliers/contractors	“Company XX Anti- Bribery policy is mandatory for all XX employees, agents, intermediaries, consultants, distributors, contractors, suppliers and Joint Venture partners working on the Company’s behalf anywhere in the world (“Business Partners”). Our franchise partners are also expected to conduct themselves in accordance with the standards set out in this policy”.
Prohibition of facilitation payments	The company should state that the company is prohibiting the use of facilitation payments and not just restricting it.	“The Company prohibits facilitation payments of any kinds”.

The issue of no detriment to employees for refusing to pay bribes	Does the Company have a policy clearly which clearly states that no employee should suffer demotion, penalty, or other adverse consequences for refusing to pay bribes? A stated policy needs to be seen.	“The Company has a policy of non retaliation against employees who refused to pay bribes’ or there is a policy where the Company states: ‘Employees who refused to pay bribes are not going to get penalised”.
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Countering Bribery Systems

Grading Scale:

No evidence	Limited	Intermediate	Good	Advanced
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Guidance		
Indicators	Description of the Indicators	Examples
Communication of policies to employees	The company should communicate their policy to employees. This could be through - inductions; workshops; staff handbooks; letters, internet or intranet.	“All our employees are communicated our anti-bribery policy through workshops/training. In addition, our anti-bribery policy is available via the Intranet” .
Employee training	Details of the employees trained (e.g. in high risk countries or business activities), number, training overview.	“In 2012, all our employees receive training on our anti-bribery policy on regularly basis” or ‘In 2013, the Company conducted 12 training sessions on bribery and anti-corruption”.
Compliance monitoring, including details of assurance, audits, monitoring, board reports, etc	Evidence of one of the following: <ul style="list-style-type: none"> - Description of assurance processes - Frequency of internal and/or external audits - Assessments/reviews of anti-bribery programmes - Compliance reports - Board Reports 	“The compliance field managers meet quarterly on the Corporate Compliance Committee and in addition to the internal audit also carry out annual random audits. Through function separation, our Company ensures that situations at risk of involving corruption are avoided. Compliance within the risk management system at the Company is controlled and monitored at corporate level by the Corporate Compliance Committee, which meets regularly with the

		participation of Management Board members”.
Whistleblowing procedures	The company should provide a channel or means through which employees can seek advice on, or draw attention to, what they believe are dubious activities or malpractices within the company without fear of harassment, recrimination or dismissal.	“Potential violations can be reported via the anonymous hotline. The Company also endorses a non-retaliation policy for employees reporting malpractices”.
Sanctions process	The Company should demonstrate evidence of having distinguishing or appropriate sanctions for varying violations of its policy	“Violations of our bribery policy could lead to termination of our business contracts”.
Risk based assessment	This may be a more detailed analysis focusing on analysis of specific areas which pose the greatest risks from bribery. Alternatively, this could be a risk assessment which forms part of a wider corporate risk analysis.	“The Company requires its businesses to consider bribery and corruption as part of their ongoing risk management practices. If high level risks have been identified these are required to be brought to attention with senior management of the Company. In addition the Company assesses corruption risks for employees within their roles, entrusted roles and high exposure entrusted roles. High exposure entrusted roles have additional requirements for anti-corruption training”.
Communication of policies to contractors, suppliers and agents	The company should communicate their policy to contractors, suppliers and agents. This could be through – inductions; workshops; staff handbooks; letters, internet or intranet.	“All our contractors, suppliers are agents receive a copy of our bribery policy. Our company also delivers regular workshops on our bribery policy for business partners” or ‘Anti-bribery clauses are parts of our contracts with suppliers and contractors”.

Appropriate systems for the appointment and remuneration of agents	The Company should state that it has systems in place to ensure that the remuneration of agents is appropriate and for legitimate services only.	“The Company has a policy on both appointment and remuneration of agents’. The Company will provide remuneration to agents for appropriate and legitimate services only”.
Training for contractors and suppliers	The Company should disclose that it trains contractors and suppliers on its anti-bribery policy.	“On regular basis our contractors, suppliers receive training on our bribery policy” or ‘In 2013 we conducted three workshops on bribery for our suppliers and contractors”.
Due diligence before establishing joint ventures and/or evaluating prospective contractors and suppliers	The Company conducts due diligence before entering into a joint venture and/or when prospective contractors and suppliers are evaluated.	“We conduct due diligence on corruption issues before establishing any business partnership”.
A system to identify and black-list known bribe payers	The company shows evidence of avoiding dealing with prospective contractors and suppliers known to be paying bribes.	“In coordination with public authorities, we have compiled a black-list for identifying bribe payers”.
The audit committee making independent assessment of the programme and/or disclosing its assessment in the annual report (or similar)	The company shows evidence that the Audit Committee of the board makes an independent assessment of the adequacy of anti-bribery policy and/or systems.	“As part of our corporate governance, the Company’s Audit Committee independently reports and provides feedback on our anti-bribery policy requesting changes if needed”.

Countering Bribery Reporting

Grading Scale:

No evidence	Limited	Intermediate	Good	Advanced
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Guidance		
Indicators	Description of the Indicators	Examples
Reports the extent of the communication of its bribery policy to employees and business partners	Reports extent of communication of policy to employees and business partners i.e. frequency of communication, languages policy is communicated in etc.	“Our code of conduct and related policies are communicated to all employees, business partners. They are translated in 15 different languages, including English, Chinese, Spanish, French and Russian”.

<p>Reports on training of its employees</p>	<p>Reports on training of employees i.e. how this is undertaken, frequency of training, number of staff trained etc.</p>	<p>“All employees are required to complete mandatory online training under the risk accreditation framework which includes anti-bribery. The Company’s course “preventing fraud, bribery and corruption” is mandatory for all new joiners and must be revisited by all employees, contractors and consultants every three years. In 2012, over 30,000 of the Company people completed the course”.</p>
<p>Reports on details of its monitoring and auditing systems</p>	<p>In relation to monitoring and auditing results -results e.g. disclosure of audit committee assessments, audit committee assessment is disclosed in the annual report – must be publicly available</p>	<p>“All breaches are logged in a central database. Regular updates on performance are reported quarterly to the Management Board and form part of regular risk reporting to the Operational Risk Executive Committee. Each year, the Company publicly reports on breaches through the annual report, and online”.</p>
<p>Reports on details of compliance mechanisms</p>	<p>In relation to the Companies bribery systems - e.g. assurance, board reports on compliance, ‘black listing system – must be publicly available</p>	<p>“At least quarterly, the audit committee reviews with the Company’s management material complaints or investigations arising under the Company’s ethics program. The audit committee also assists the board of directors in overseeing the Company’s compliance with ethics programs from time to time. In addition, the Working with Integrity program is overseen by the Company’s compliance committee, which is comprised of the chief legal officer, chief financial officer, and chief human resources officer. The compliance committee is responsible for ensuring that appropriate policies and procedures exist to help employees comply with expectations of ethical conduct. The Internal Audit Department reviews each report of a possible violation of the guidelines on behalf of the compliance committee and refers the report to the appropriate department for investigation. The Internal Audit</p>

		Department reports all complaints and concerns to the compliance committee”.
Discloses details of risk assessments detailing and identifying its vulnerabilities	Risk assessment of company’s vulnerability – publicly available	“The Company states that 'Corruption risk assessments are an essential aspect of the Group’s procedures. The Group’s business units and corporate functions are required to periodically conduct corruption risk assessments using an internally developed risk assessment tool. Through a series of questions, the tool assesses the internal and external risks associated with the location and nature of an operation and the internal controls in place to manage the identified risks. When a risk is determined to be unacceptably high, an action plan is developed to strengthen the internal controls to manage the risk”.
Discloses details of stakeholder dialogue/engagement	The Company reports how its stakeholder are involved in the development of its bribery policy i.e. <ul style="list-style-type: none"> • Policy making forum • Involvement or commentary of an NGO/Anti-bribery organisation e.g. Transparency International 	“Our sustainability management, including anti-corruption progresses, is reviewed by a multi-stakeholder advisory group”.
Reports on its systems for the appointment and remuneration of agents	Public reporting on the implementation of systems for the appointment and remuneration of agents i.e. reports on due diligence, approved lists, number under contract etc.	“According to our anti-bribery guidelines, our business partners are appointed using the best practices within the industry dealing with bribery. We are always engaging with our business partners to prevent any future violations associated with corruption issues. At biennial basis, we review our suppliers’ performance against corruptions and we rely on the third independent party to carry out the valuations”.

Provides details of its performance and progresses in relation to bribery	<p>Details of progress/ performance</p> <p>E.g.</p> <ul style="list-style-type: none"> • Review of policy • Rolling out of policy 	<p>“In 2013, our Company has released a new anti-bribery policy. We aim to periodically update our anti-bribery policy” or ‘In 2013, the Company reviewed its anti-bribery policy, whistleblowing procedures and training policies’.</p>
Provides details on non-compliance and breaches of the bribery policy	<p>Details on non-compliance and breaches of bribery policy</p>	<p>“In 2012, we had 1 violation associated to bribery”.</p>
Provides details of suppliers, joint ventures and agents performance in relation to bribery	<p>Details on non-compliance and breaches of bribery policy amongst business partners.</p>	<p>“In 2012, our suppliers reported that there were 2 cases of corruption” or ‘The company terminated two contracts with suppliers due to their involvement in corruption”.</p>
Provides quantitative data on its whistleblowing system in relation to bribery	<p>The company provides quantitative evidence of the effectiveness of its whistleblowing procedures in relation to bribery and corruption</p> <p>Examples of evidence:</p> <ul style="list-style-type: none"> • Number of complaints • Number of complaints which resulted in disciplinary actions 	<p>“In 2013, 12 complaints were lodged via Company’s hotline, 10 of which were related to bribery. Five employees had their contracts terminated after investigations”.</p>
Has responded publicly to any controversial allegations	<p>The Company has allegations in relation to corruption</p>	<p>“The Company has publicly responded to allegations”.</p>
Demonstrates independent verification of its report	<p>The Company reports on the input its stakeholders had in developing its reporting mechanisms and annual publications in relation to bribery.</p>	<p>“KPMG reviewed the Company's CSR report, including reported and substantiated bribery related incidents”.</p>

<p>Reports on the input stakeholders had in developing reporting mechanisms</p>	<p>The Company goes beyond standard reporting on the issue of bribery. Examples could include:</p> <p>Detailed mapping of challenges and problems in relation to bribery within public document</p> <p>Reporting on proactive engagement with bribery relevant NGO</p> <p>Please contact the area specialist for bribery if you suspect an innovation in reporting.</p>	<p>“We are working with Transparency International in order to map the risks associated with bribery throughout our operations”.</p>
<p>Demonstrates innovation/leadership in reporting</p>	<p>The Company demonstrates innovation and leading in reporting issues related to bribery.</p>	<p>“ XXX is a supporter of the Extractive Industries Initiative (EITI), in which companies declare the payments they make to governments”.</p>

HUMAN RIGHTS

Human Rights Risk

Large presence: =>1000 employees or GBP =>100m annual turnover GBP =>100m assets

Small presence: <1000 employees OR GBP <100m annual turnover OR GBP <100m assets

High Risk Countries of Concern for Human Rights†

Afghanistan, Algeria, Azerbaijan (with Nagorno-Karabakh), Bahrain, Belarus, Burma/Myanmar, Burundi, Cameroon, Central African Republic, Chad, China, Colombia, Congo (DR), Cuba, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Haiti, Iran, Iraq, Kazakhstan, Laos, Libya, Nigeria, North Korea, Pakistan (with Kashmir), Russia, Saudi Arabia, Somalia, South Sudan, Sri Lanka, Sudan, Swaziland, Syria, Tajikistan, Turkmenistan, Uganda, Uzbekistan, Vietnam, Yemen, Zimbabwe.

† For oil & gas and mining companies, involvement in any non-OECD countries.

Companies classified as having a low risk exposure to human rights are not assessed.

Human Rights Policy

Grading Scale:

No evidence	Limited	Intermediate	Good	Advanced
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Guidance		
Indicators	Description of the Indicators	Examples
At least two of the core labour areas (These are: child labour, forced labour, freedom of association, collective bargaining and non-discrimination)	A public statement containing at least two ILO labour areas. Companies must prohibit child labour and forced labour and support freedom of association, collective bargaining and non-discrimination (e.g. equal opportunities policy)	"We respect the fundamental human rights of our employees, adhering to International Labour Organisation (ILO) standards in the field of non-discrimination, child labour, forced labour, collective bargaining and freedom of association".
All of the ILO core labour areas (These are: child labour, forced labour, freedom of association, collective bargaining and non-discrimination)	A public statement containing all the ILO labour areas. Companies must prohibit child labour and forced labour and support freedom of association, collective bargaining and non-discrimination (e.g. equal opportunities policy)	We respect the fundamental human rights of our employees, adhering to International Labour Organisation (ILO) standards in the field of non-discrimination, child labour, forced labour, collective bargaining and freedom of association".

the OECD Guidelines for Multi-national Enterprises (this is a proxy for having a policy on all the ILO core labour areas)	The Company publicly supports the OECD Guidelines for Multi-national Enterprises	Self-explanatory.
the ILO's Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy (this is a proxy for having a policy on all the ILO core labour areas)	The Company publicly supports the OECD Guidelines for Multi-national Enterprises	Self-explanatory.
A statement of support for wider fundamental human rights	A public company's wider statement of support for wider human rights AND/OR a statement of support for 'human rights', including explicit support for Universal Declaration of Human Rights.	"The Group endeavours to operate in a manner consistent with the principles of the United Nations Universal Declaration of Human Rights".
An armed guards policy (only relevant to oil & gas and mining companies)	A public statement saying that the company endorses the UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials and Code of Conduct for Law Enforcement Officials	Our Company the Basic Principles on the Use of Force and Firearms by Law Enforcement Officials and Code of Conduct for Law Enforcement Officials
A statement of support for indigenous peoples rights (only relevant to oil & gas and mining companies)	A public statement saying that the company supports indigenous rights. Alternatively, the company should publicly endorse the principles of ILO Convention 169 or the U.N. Declaration on the Rights of Indigenous Peoples.	"We respect the rights of indigenous people"
The Company is a signatory to the UN Global Compact (this is a proxy for having a policy on all the ILO core labour areas)	The Company is a signatory to the UN Global Compact.	Self-explanatory

<p>The Company is a signatory to SA8000 for its owned operations (this is a proxy for having a policy on all the ILO core labour areas)</p>	<p>The Company is a signatory to SA8000 for its owned operations.</p>	<p>Self-explanatory</p>
<p>The Company is a signatory to the Voluntary Principles on Security & Human Rights (this is a proxy for having an armed guards policy) this is an oil and mining initiative</p>	<p>The Company is a signatory to the Voluntary Principles on Security & Human Rights.</p>	<p>Self-explanatory</p>
<p>Has allocated responsibility to a main board member or a senior manager who reports directly to the CEO</p>	<p>Clear responsibility has to rest with board member, CEO, or a senior manager who reports directly to the CEO. It is clear responsibility refers to the human rights policy.</p>	<p>"The Chief Legal Officer who is a member of the Group Management Committee and reports directly to the CEO".</p>
<p>Communicates its human rights policies to all employees globally</p>	<p>The Company must communicate the policy to all employees globally, which includes at least two ILO core labour areas.</p>	<p>'The Company communicates its code which contains all ILO core labour areas to all employees through annual trainings. '</p>
<p>Has a commitment to incorporate its human rights policies in contracts with its major partners or suppliers</p>	<p>The standard evidence here is the company reporting they include their human rights policy in contracts with suppliers, third parties, etc.</p>	<p>The Company states they are currently in the process of implementing a framework for their Human Rights Policy, which will include screening mechanisms for contractors and suppliers. Implementation of these mechanisms will begin in 2013/2014. Plans to report on this indicator will begin in 2013/2014. During 2009, the International & Offshore business unit developed a Contractor Code of Conduct for use in countries like Syria and Libya. The document was developed and approved for use and is being shared with contractors".</p>

<p>Has a commitment to advocate for human rights in a case where they were at risk around its operations</p>	<p>We expect companies to engage with government authorities in the countries where human rights are at risk in their operation.</p>	<p>"Following close engagement with the governments of Turkey, Georgia, and Azerbaijan over the BTC pipeline, the Company has continued to discuss security and human rights issues with senior government officials in Georgia and Azerbaijan. They reached an agreement with the government of Georgia setting out their shared commitments on security recruitment, training, monitoring and the use of force".</p>
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Human Rights Systems

Grading Scale:

No evidence	Limited	Intermediate	Good	Advanced
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Guidance		
Indicators	Description of the Indicators	Examples
<p>has identified the major human rights issues it faces</p>	<p>Automatically awarded if HR policy covers 2 ILO core labour.</p>	<p>N/A</p>
<p>Trains all employees globally on its human rights policy (must relate to policy including at least 2 core ILO areas)</p>	<p>The Company must have a HR policy covering 2 ILO core labour. Evidence should be found that training covers ALL employees. We need details of how and where the training occurs.</p>	<p>“At annual basis and at global level (translated into a multitude of local languages, e.g. Russian, Chinese, Romanian, Vietnamese, etc.) the Company has a requirement for all salaried employees (and agency/contract) to train and certify with its Standard of Conduct Handbook which includes its human rights policies “</p>

Consults with named independent local stakeholders in the countries of concern	Consultation must be about relevant human rights issues (i.e. core labour areas for own employees, impact on the local community including impacts on livelihoods". Local means located in one of the countries of concern. Independent means NGOs, community groups, indigenous communities or Trade unions.	"The Company has provided details of consultation with the fishing communities in Vietnam concerning potential economic impact on their livelihoods. NGOs include the Southern Office of the Fishing Society and the Research Institute of Marine Products".
Monitors the implementation of its human rights policy	Details of how and how frequently those responsible for implementing the HR policy monitor it and report to senior management on compliance.	"Implementation and compliance with the policy is regularly monitored by internal auditors on the basis of clear auditing instructions".
Has procedures in place to remedy non-compliance with its human rights policy (must relate to policy including at least 2 core ILO areas)	this is about what companies do in event of breach of human rights policy	"Failure to comply with the human rights policy may lead to disciplinary or criminal action being taken against individuals".
Has integrated human rights into its risk	Human Rights issues should be part of their risk assessment process	"human rights risk assessment is part of business risks assessment"
Regularly review s its human rights policy	Regular (within 2-year threshold) review of the HR policy	"The company aims to regularly review our HR policy".
Sets targets for its human rights policy/systems	The company must disclose quantitative targets related to its HR policy. A company stating that it sets a target of zero breaches of policies for human rights does not count.	"The Company states it has set a goal of 98% compliance with the Workplace Rights Policy by 2015".
Supports human rights capacity building projects in countries of concern	This has to be examples of what has been done, not a statement that company would be prepared to support such (hypothetical) initiatives In order to count for this element, such initiatives or projects have to shape the development of the HR capacity of key or top hierarchy in that country.	"Company X and the United Nations Institute for Training and Research (UNITAR) signed a multi-year agreement under which Company X agreed to finance a United Nations training program for Burmese diplomats and government officials. The participants will receive training in areas such as

		international humanitarian law, refugee law, human rights, etc."
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Human Rights Reporting

Grading Scale:

No evidence	Limited	Intermediate	Good	Advanced
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Guidance		
Indicators	Description of the Indicators	Examples
Reports on communication of its policy to employee (clear statement that is communicated to employees)	Details needed on: who, when, how the HR policy is communicated.	"The Company reports that the XXX handbook is available in ten languages and is distributed throughout the Company". Alternatively, "every two years the Company's employees sign a pledge renewing their commitment to upholding the Principles and XXX".
Reports on monitoring /auditing of human rights policy	Evidence of monitoring ILO core labour performance within its operations. Details must contain at least two of the following information: what? Where? When?	"The Company has been working with Good Corporation since 2002 to assess the implementation of their Code of Conduct, including 35 ethical assessments since 2002 ".
Reports on procedures to address non-compliances	This will usually be a statement about how and what actions the Company would take in the case of any breaches coming to light.	"If we become aware of potential issues or receive allegations, we will address them, investigate internally and if necessary, participate co-operatively with internal investigations".

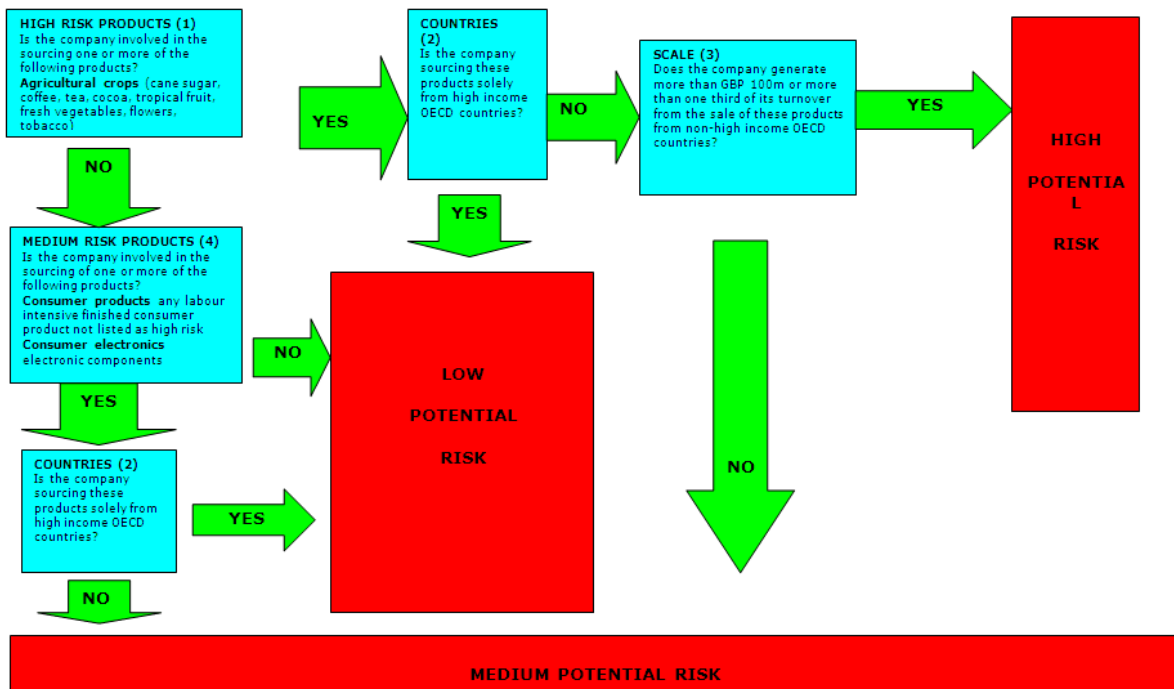
Reports on training of employees	Description of how training is given and to whom	"The Company reports that employees are required to regularly attending training on various rules, regulations and policies of the Company, including the Standards of Business Conduct".
Discloses details of risk/ impact assessments.	Description of how human rights' risk assessment related to human rights is undertaken, or case studies of human rights risks or impacts. Any case studies should be related to operations based in developing countries.	"The Company has been in dialogue with Amnesty International about human rights issues and security guards in Colombia".
Discloses details of stakeholder dialogue /engagement	<p>The Company should provide details on a specific case of engagement with HR and labour rights NGOs. The following details are needed: name of the NGOs, details of what the engagement is about. Alternatively, initiatives between companies, governments and NGOs count, and simply being signatory to NGOs' initiative would not count. Alternatively, the engagement could be local governments and local community groups on human rights issues. These could include land rights, but it cannot include local employment, environment and social development.</p> <p>1) with human rights/ labour rights NGOs; (2) through involvement in initiatives between companies and NGOs); (3) with local/ national governments or local community groups on human rights issues has to be developing world</p>	"Company XX states that it partners with key organisations, such as Partners for Democratic Change, around the world to support human rights and rule of law issues in specific communities. Partners for Democratic Change (PDC) is an NGO that aims to build institutions that facilitate change and conflict management to strengthen civil society and democracy worldwide. Company XX has been active in helping PDC focus its strategies and raise funds from governments, foundations, and business and has also helped increase efficiencies within the NGO to develop better internal management style and process".
Provides a detailed example of human rights performance in the developing world	Evidence of human rights performance in developing world. It should cover human rights in terms of core labours, security guard issues, and indigenous rights.	Since 2001 the Company has been active with ECPAT Training sessions have been organised for Company's hotel staff in Thailand with the aim of teaching them how to act and react if they come across abuse of this kind in or out the vicinity of the hotels. These

		sessions were the extended in 2003 to Indonesia, Laos and Cambodia"
Provides a statement on compliance with human rights policies /details of any breaches	This can be a simple statement that no (zero) breaches found. It can be a statement that certain number found. Equal opportunities in developing country doesn't count	"No cases of child or forced labour were identified".
Has reported on at least one of the countries of concern if it is classified by EIRIS as a large presence (all non-OECD for oil and mining)	Only relevant to oil & gas and mining companies which have large presence in A list country or countries overall. These companies must report on at least one of these countries to get beyond "intermediate grade".	"The Company releases a report on their operations in China providing a commentary of the issues and problems raised in that country".
Demonstrates independent verification of the human rights elements of its report	The letter of assurance must clearly state that the Company's human rights reporting is independently verified.	"PWC confirms that the company's reporting on human rights reporting is independently verified".
Demonstrates stakeholder verification of its report or demonstrates that stakeholder engagement has informed report writing	The Company should engage with independent stakeholders which deal with human rights' issues for improving company's performance towards human rights.	"Company XX has amongst others engaged with Amnesty International and American Rights at Work on its human rights policies and reporting".
Demonstrates innovation/leadership in reporting	The Company should publish results of impact assessments.	The Company published a summary and the full report related to Human Rights Impacts Assessment at Company's XX mine in Guatemala in May 2010 and Final Statement on Company's XX mine on the 4th of May 2011.

SUPPLY CHAIN

Supply Chain Risk

Grading



Companies are assessed as having high potential risk of supply chain labour standard problems if they retail high risk products sourced from high risk countries on a large scale.

High risk products are defined as:

Agricultural crops: cane sugar, coffee, tea, cocoa, tropical fruit, fresh vegetables, tobacco and flowers

Consumer products: clothing, footwear, accessories, toys

Consumer electronics or office electronic equipment: including TVs, computers, hi-fi's, mobiles, office printers and photocopiers, power tools

High risk countries are defined as all non-high income OECD countries. These are all countries with the exception of:

High Income OECD: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland Italy, Japan, Korean Rep, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, UK, US

Other High Income: Andorra, Aruba, Bahamas, Bahrain, Barbados, Bermuda, Brunei, Cayman Islands, Channel Islands, Cyprus, Faeroe Islands, French Polynesia, Greenland, Guam, Hong Kong, Isle of Man, Israel, Kuwait, Liechtenstein, Macao, Malta, Monaco, Netherlands Antilles, New Caledonia, Puerto Rico, Qatar, San Marino, Singapore, Slovenia, Taiwan, United Arab Emirates, Virgin Islands

Companies classified as having a low risk exposure to supply chain are not assessed.

Supply Chain Policy

Grading Scale:

No evidence	Limited	Intermediate	Good	Advanced
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Guidance		
Indicators	Description of the Indicators	Examples
Requires its suppliers and sub-contractors to meet the core ILO convention areas of freedom of association and collective bargaining, non-discrimination, and prohibition of child labour and forced labour	The Company has a supply chain policy which supports some or all of: Prohibition of child labour, prohibition of forced labour, non-discrimination and support trade union rights (freedom of association and collective bargaining).	“In our supply chain, we do not tolerate child labour, forced labour, and discrimination. We also expect our suppliers to fully support freedom of association and collective bargaining within their workforce”.
Covers other labour standards including health and safety, working hours, wages and disciplinary practices	The Company has a supply chain policy which supports some or all of: health and safety, working hours and wages, and disciplinary practices.	“We only recruit suppliers which support safe working conditions throughout their workforce. They are also expected to respect the international regulations on working hours and decent wages. We refrain from engaging with suppliers which engage in unlawful disciplinary practices against their employees”.
Is being clearly integrated into its procurement process	The policy is clearly an integral part of procurement process, for example reference is made to how buying teams take policy into account when making decisions on who to use as a supplier. For example, factories may only be approved for use if they meet the company’s policy.	“Factories may only be approved for use if they meet the company’s policy”.
Is reinforced by the Company’s membership of a relevant initiative dealing with supply	Companies that are members of the Ethical Trading Initiative (ETI), Fair Labour Association (FLA), Social Accountability International (SAI),	“Since 2011, our company is an official member of the ETI”.

chain labour standards	Fair Wear Foundation or Elimination of Child Labour in Tobacco Foundation (ECLT).	
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Supply Chain Systems

Grading Scale:

No evidence	Limited	Intermediate	Good	Advanced
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Guidance		
Indicators	Description of the Indicators	Examples
Communicates its policy to its suppliers	The Company should be communicating the policy to some suppliers. This includes such things as including the policy within supplier contracts.	<p>“We ensure that suppliers are familiar with the policy”</p> <p>“The policy is included in supplier contracts”</p>
Communicates its policy to its suppliers globally	The Company should be communicating the policy to all global suppliers. This includes such things as including the policy within all supplier contracts.	“The policy is included in all supplier contracts”.
Communicates its policy to its suppliers globally, including to its suppliers’ employees	<p>The Company should communicate the policy to all global suppliers, including to suppliers employees. This includes such things as including the policy within all supplier contracts.</p> <p>With regards to communicating to supplier employees, this indicator could be requiring poster versions of its policy to be displayed in supplier factories in local languages.</p>	“All our suppliers receive a copy of our supply chain policy when we establish a business relationship with them. As part of the contractual agreements, the Company are expected to distribute the Supply Chain policy throughout their workforce”.

<p>Monitors its suppliers for compliance with its policy</p>	<p>The Company should monitor monitoring whether are complying with the code. This could include sending self-assessment questionnaires to suppliers.</p>	<p>“Every six-month, we monitor our suppliers for compliance with our policy by sending self-assessment questionnaires”.</p>
<p>Visits/audits its suppliers for compliance with its policy</p>	<p>The company should disclose that the Company or a third party is assessing suppliers either during visits to suppliers or as part of a formal audit process.</p>	<p>“In fiscal 2010, we conducted 349 inspections in 329 factories”.</p>
<p>Demonstrates extensive auditing and monitoring of its supply chain, including through the use of external monitors</p>	<p>“The company should disclose that more than two-thirds of the company’s suppliers are being monitored/audited every year and it uses external monitors to some extent. These can be either companies or NGOs”.</p>	<p>“Once garment factories are approved, we strive to re-inspect them at least once a year. While we occasionally are unable to get to a factory in a particular year, we work with third-party auditors and independent locally-based monitors to make our best effort to meet this goal”.</p>
<p>Has procedures for addressing non-compliance</p>	<p>The Company should disclose that it tries to work with the supplier to remedy the problem and only stops working with suppliers in the worst cases.</p>	<p>“With the goal of helping them to continuously improve their performance. The Company recognises that 'compliance may not be achieved immediately, but our strong preference is to keep working with factories to help them improve over time.' 'Unfortunately, there are some instances where a factory is unable or unwilling to meet our standards. In those cases, we will take steps up to and including the severance of our business relationship”.</p>
<p>Provides training to relevant employees</p>	<p>This indicator is met if the Company trains either its own employees or supplier employees but not both.</p> <p>This indicator could be met if the Company discloses that its procurement teams received training on supply chain labour standard issues or training provided to its in-house supplier audit team is provided.</p>	<p>“our buying team is trained on our supply chain labour standards policy”</p> <p>Or</p> <p>“we conduct regular capacity building with our suppliers to ensure they understand the policy”.</p>

<p>Provides training to both its own employees and those of its suppliers</p>	<p>This indicator is met if the Company trains both its own employees and supplier employees.</p>	<p>“In-boarding meetings for new vendors and regional training for existing suppliers on our Vendor Code of Conduct and the policies outlined in our corporate vendor manual”.</p>
<p>Has a clearly-defined senior person responsible for supply chain labour standards</p>	<p>A senior person must be responsible for this issue.</p>	<p>“Our CEO is ultimate responsible for our supply chain labour standards”.</p>
<p>Demonstrates that its systems are targeted to the areas of highest risk</p>	<p>This indicator is met when there is evidence that the Company targets its monitoring and auditing systems to the areas of most risk. This might include targeting systems to countries with most risk.</p>	<p>“We target our social audits to countries including Bangladesh where there are known labour standard issues”.</p> <p>Or</p> <p>“we have identified those suppliers that present the greatest risk and ensure these are audited annually”.</p>
<p>Demonstrates comprehensive coverage of its management systems</p>	<p>This indicator is met when there is evidence that the Company audits the majority of its supply chain on a regular basis.</p> <p>If the Company meets this indicator we do not require the ‘demonstrates that its systems are targeted to the areas of highest risk’ as this can be assumed given the majority of suppliers are being audited.</p>	<p>“Once garment factories are approved, we strive to re-inspect them at least once a year. While we occasionally are unable to get to a factory in a particular year, we work with third-party auditors and independent locally-based monitors to make our best effort to meet this goal”.</p>
<p>Demonstrates clear links between its supply chain labour standards management systems and its procurement management systems</p>	<p>The Company should demonstrate that its supply chain labour standards management systems are integrated into its procurement management systems. In order to give a company credit for this it must be clear that all sourcing decisions are based on labour standard compliance.</p>	<p>“We’re also working to provide more consistent production orders and greater assurance to suppliers that we are in this for a longer-term relationship. We believe these deeper partnerships offer more speed and flexibility to get our clothes to market and the opportunity to chase trends, while providing our suppliers with greater visibility into future order volumes and the ability to better manage production schedules”.</p>

Supply Chain Reporting

Grading Scale:

No evidence	Limited	Intermediate	Good	Advanced
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Guidance		
Indicators	Description of the Indicators	Examples
Reports on communication of its policy to suppliers	Public evidence that the company reports on how it communicates its supply chain policy to suppliers.	'The contractor shall post this Code, in the language(s) of its employees, in all major workspaces'.
Reports on visiting/auditing of suppliers	The Company should disclose the number of suppliers' visits and audits.	"This year we have undertaken 1,161 audits, 80 percent of its contract factories were audited".
Reports on procedures to address non-compliances	The Company should disclose that it tries to work with the supplier to remedy the problem and only stops working with suppliers in the worst cases.	"Sourcing & Manufacturing Sustainability Index (SMSI) in order to measure factory sustainability performance. Factories are awarded Gold, Silver, Bronze, Yellow and Red scores".
Reports on training of relevant employees	The Company should disclose information on employee training. This could include the number of relevant employees trained on supply chain standards.	"A centrepiece of our work in the past few years is our HRM (human resource management) programme, which combines multi-stakeholder workshops, training for factory managers and the surveying of workers".
Reports on the number of facilities monitored/audited	The Company should disclose the number of facilities audited and monitored.	"This year we have undertaken 1,161 audits".
Reports on the proportion of its supply chain monitored/audited	The Company should disclose the coverage of suppliers audited or monitored.	"In 2010, we audited 90% of our main suppliers".

Discloses details of risk assessments	The Company should report on targeting monitoring through risk assessment. Note that auditing over 66% of	"The Risk Index identifies countries with the highest risk and most potential for low factory performance on our MI (manufacturing index)
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	suppliers would also count for this indicator.	metrics. It assesses four key areas, including political risk, social/compliance risk, economic risk and infrastructure and climate risk, weighting each one equally with 25 percent of the total score”.
Discloses details of stakeholder dialogue/engagement	The Company should report on - details of involvement in initiatives. Initiative must be multi-stakeholder, so an initiative just involving companies doesn’t count.	“The Company states that it engages, formally and informally with stakeholders to receive feedback on reporting. For these engagements, the Company has established panels of experts who provided feedback on early drafts and discussed issues such as materiality, completeness, relevance, tone, performance and the future of our reporting, among other topics”.
Has responded to any non-compliances found by external organisations	The Company should report details on how the company has responded to non-compliances identified in the last year by external bodies, such as NGOs.	“The Company has appointed an independent auditor to investigate the allegations made by the NGO”.
Provides examples of the non-compliances found	The Company should report details of the types of non-compliance found during its monitoring and auditing. This might include issues relating to health and safety or issues concerning forced overtime.	“In fiscal year 2011, 81% of the facilities it audited had non-compliances related to factory health and safety, 62% for overtime hours, and 51% for social benefits issues. We are currently investigating each case of non-compliance”.
Reports on the amount of non-compliances found with its policy	The Company should report on the number of non-compliances with its policy found.	“This year, 41 percent of overall noncompliance incidents were related to hours; wages represented 36 percent of the incidents; age-related incidents represented 1 percent; freedom of association 2 percent of incidents; and harassment represented 3 percent of noncompliance incidents”.
Provides data on supplier performance	The Company should report on the number suppliers in compliance or failing to comply with the policy.	“In 2011 approximately 53% of tier 1 suppliers were able to maintain acceptable levels of compliance, maintaining their B+ or A grades”.

<p>Demonstrates independent verification of its report</p>	<p>The Company should demonstrate that its supply chain risk management is independently verified.</p>	<p>“PricewaterhouseCoopers has certified the Annual Integrated Report 2011 of Company X. Certification comprises chapter Company X.SAFE where the Company reports on its supply chain policy, activities and performance”.</p>
<p>Demonstrates stakeholder verification of its report and/or demonstrates that stakeholder engagement has informed report writing</p>	<p>The Company should provide feedback/comment from stakeholders about its report and supply chain management systems.</p> <p>Alternatively, the Company should be able to demonstrate how input from various stakeholders has influenced the report content.</p>	<p>“Company has published on its website stakeholder comments from the Ethical Trading Initiative and Social Accountability International. Within its Social and Ethical Report the Company has published a statement from the Public Reporting Working Group, who advised the Company on compiling the report, and includes members from organisations such as As You Sow, the Center for Reflection, Education and Action, and the Interfaith Center on Corporate Responsibility”.</p>
<p>Demonstrates innovation/leadership in reporting</p>	<p>The Company should report on aspects of their supply chain that companies previously did not disclose information on. If a company follows another company’s lead this also counts.</p>	<p>“The Company publicly reports on the amount and type of non-compliances found in the same way that Company X does”.</p>

HEALTH AND SAFETY

Health and Safety

Grading Scale:

Little or no evidence	Some	Clear
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Guidance	Description of the Indicators	Examples
Provided details of awards won	The Company should provide evidence that it has received award from health organisations or it has operations OHSAS 18001 certified.	“All of our sites acquired prior to 2005 are certified to OHSAS 18001”.
Provided details of its health and safety training	The Company should provide evidence that it gives training on health and safety.	“All our staff receive annual training on health and safety”.
Indicated a senior person is responsible for overseeing health and safety	The Company should disclose evidence that it has a senior person responsible for health and safety issues.	“The Company HSE Committee is responsible for the health and safety issues throughout the Company’s operations”.
Provided quantitative data on its health and safety record	The Company discloses one health and safety’s performance data, e.g. frequency rate, number of fatalities.	“There were two workforce fatalities in the 2011”.
Provided substantial quantitative data on its health and safety record	The Company discloses at least two health and safety’s performance data, e.g. frequency rate, number of fatalities.	“There were two workforce fatalities in the 2011; the Company’s injury rate = 0.23 (2013); 0.13 (2012)”.

BANKING CRITERIA

Corporate Loans

A record will only be applied to a Company profile when it has been determined that there is sufficient evidence of involvement in line with the criteria.

We look at outright exposure to loans financing, and not at income from loan business. In order to have a record, the Company must have either:

- Total outstanding corporate loan financing exposure representing >5% of total financial assets within the previous two financial reporting periods.

Or:

- Total outstanding corporate loan financing exposure greater than EUR 20billion within the previous two financial reporting periods.

Once this condition is satisfied, the Company will be assessed based on the following grading scale and methodology criteria:

Grading Scale:	No evidence	Limited	Low Intermediate	Intermediate	Good
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Methodology - Policy

Guidance	Indicators	Description of the Indicators	Examples
	Commitment to include ESG issues into credit rating and credit risk processes, applied specifically for SOME Corporate Loans, beyond legal minimums, covering both Environmental and Social elements	This relates to where a Bank applies a sector-based approach to ESG integration of Corporate Loans, with a commitment to integrate ESG criteria for some selected high-risk sectors only., However if there is insufficient evidence of the Bank sufficiently covering all high-risk sectors, then this will not be awarded	<p>The Company states that</p> <p>“Credit policies within our Business Banking, Wealth, Corporate and Capital clusters were enhanced to include a focused approach on high-impact industries to ensure that the related social and environment risks are mitigated”, and “[The Group’s] social and environmental policies are linked to, and supported by, our Social and Environmental Management System (SEMS) and have also been integrated into the Group Credit Policy”.</p> <p>The Company does not publish sector-specific policies.</p>

	<p>Acceptable Proxies:</p> <p>Proxy 1: Commitment to assess new Project-specific corporate loans in line with expanded requirements of Equator Principles III.</p> <p>Proxy 2: Commitment to IFC Performance Standards on Environmental and Social Sustainability.</p> <p>This is due to IFC Performance Standards covering direct investments, including project and corporate finance, that has been provided through financial intermediaries.</p>	<p>The Company releases an annual Equator Principles report. The report comprehensively breaks down its commitments covering Environmental and Social aspects, in line with its Equator Principles signatory status.</p> <p>The Company commits to IFC Performance Standards on Environmental and Social Sustainability</p>
<p>Commitment to include ESG issues into credit rating and credit risk processes and processes, applied specifically for ALL Corporate Loans in high-risk sectors beyond legal minimums, covering both Environmental and Social elements</p>	<p>Commitment to include ESG issues into credit risk processes and processes, applied specifically for:</p> <ul style="list-style-type: none"> • ALL Corporate Loans in high-risk sectors (Minimum 4 sectors), • Beyond legal minimums – e.g. cluster munitions would count as compliance whereas an investment policy not to invest in, or finance, companies engaged in Mountain-top Removal does go beyond legal compliance. • Covering both Environmental and Social elements <p>EIRIS requires that a minimum of FOUR high-risk sectors to have been covered by specific policies, covering ALL LENDING in the respective sectors, and must go beyond legal minimums in applicable policies. EIRIS have identified the following six sectors/areas as being those</p>	<p>The Bank states that ‘all lending transactions are subject to its Sustainability Risk for Lending policy, stating that ‘The Policy applies to Bank and all its subsidiaries, branches, representative offices and legal entities that are under its control’. The Bank has established a set of sector-specific policies beyond Project Financing, with policies for Agriculture, Energy / Power generation, Mining/Extractive industries, Forestry and Fisheries. Policies sufficiently go beyond legal minimums and cover both environmental and social aspects. The bank is also a signatory to the Equator Principles.</p>

	<p>representing the highest sensitivity and risk (using Banktrack¹):</p> <ul style="list-style-type: none"> • Agriculture • Fisheries • Forestry • Mining • Oil and gas • Power generation <p>Acceptable Proxies:</p> <p>Proxy 1: Bank has a ‘Universal commitment’ restricting corporate finance in all high-risk sectors (at a level that goes beyond legal minimum for ALL Corporate Loans)</p> <p>This criteria covers evidence of Banks that require all loans to adhere to a bank-wide lending policy that goes beyond legal minimums and covers environmental and social elements, in order to receive financing.</p>	<p>All corporate loan activity is subject to the bank’s Ethical Policy. The Ethical Policy covers Environmental and Social aspects, goes beyond legal minimum compliance and relates to all lending that the bank offers. The Bank states that “We will only offer business banking facilities when we are confident that there are no conflicts with our Ethical Policy. The potential financial gain to our business is never a factor in the decision”.</p>
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Methodology - Systems

Guidance		
Indicators	Description of the Indicators	Examples

¹ www.banktrack.org/download/close_the_gap/close_the_gap.pdf

<p>Evidence of incomplete systems/procedures in place to integrate ESG issues into credit rating and credit risk processes</p>	<p>This relates to the Company demonstrating some evidence that it has established systems for how it applies its E&S policies over its corporate loans offerings, however the systems have been determined to be incomplete.</p> <p>This can relate to the existence of a referral process for corporate loans that breach its existing Environmental and Social policies for corporate lending, and an escalation that is managed by a specific committee/council/body.</p> <p>Incompleteness relates to a systems structure that does not refer specifically to a potential prohibition of a loan / transaction / client request, as part of its process.</p>	<p>The Company outlines the extent of its ESG integration into its risk management processes. In order to receive a higher assessment, the Company is required to disclose comprehensive escalation processes where financing potentially breaches its environmental and social risk policy guidelines, review processes and ultimately refusal to finance based on environmental and social aspects.</p>
<p>Evidence of complete systems/procedures in place to integrate ESG issues into credit rating and credit risk processes that relates to PROJECT FINANCE ONLY</p>	<p>This relates to the Company demonstrating some evidence that it has established systems for how it applies its E&S policies over its corporate loans offerings, however the systems have been determined to be incomplete.</p> <p>This can relate to the existence of a referral process for corporate loans that breach its existing Environmental and Social policies for corporate lending, and an escalation that is managed by a specific committee/council/body.</p> <p>Incompleteness relates to a systems structure that does not include details confirming that the failure to comply with explicit policies will result in a denial of funding or prohibition of a loan / transaction / client request.</p> <p>For example, a system that relates to a</p>	<p>The Bank screening approach includes ‘project-related corporate loans (as long as the total amount of the operation is equal to or greater than USD 100 million and each bank’s individual share is at least USD 50 million’. The Bank has adapted internal processes to fulfil EPIII requirements.</p> <p>The Company publishes detailed systems process details, in relation to Equator Principles, in its Annual Equator Principles report, including details of escalation due to heightened E&S risk.</p>

	<p>subsequent engagement process with no details of potential refusal to lend would be deemed incomplete.</p> <p>Other Project-based proxies:</p> <p>Bank applying NATURAL CAPITAL CALCULATOR to Corporate Loan financing requests</p> <p>Bank applying CARBON RISK CALCULATOR to Corporate Loan financing requests</p>	
<p>Evidence of complete systems/procedures in place to integrate ESG issues into credit rating and credit risk processes, BEYOND PROJECT FINANCE</p>	<p>Bank must provide evidence that potential breaches of such sector-specific ESG criteria <u>will</u> lead to an engagement process, with a recognition that a failure to satisfy ESG concerns will lead to a refusal to finance.</p> <p>The systems element does not scrutinise the extent that an adequate number of sectors have been covered, as this is covered in the Policy indicators.</p> <p>This element demonstrates the E&S integration process is not only applied to SRI or ESG Funds only, or Project Finance only, and is integrated into the Bank's main Corporate Loans / credit risk process for all applicable sector-specific Corporate Loans.</p> <p>An adequate system must demonstrate how the Bank applies Environmental and Social elements into the loan finance offering, from receipt of application through to the offering of finance.</p> <p>Alternatively, a bank can demonstrate that it actively engages with all loanees and financing partners post-financing, in order to ensure that it (i) continues to improve, and (ii) adheres to the policies.</p>	<p>The Bank has an umbrella Sustainability Risk Policy, implemented via its Sustainability Risk Management Framework (SRMF), with a specific subsection of the policy relating to Lending. The SRMF operates on a 'three lines of defence' principle, with the Company Central Sustainability Department being responsible for initiating, developing, reviewing and updating its SRMF. The Bank provides comprehensive details relating to its loan escalation procedures.</p> <p>The bank confirms that all loans in highlighted sectors are at a minimum referred for additional due diligence, with high/sensitive cases referred further to its Reputational Risk Committee. The Bank outlines its comprehensive systems structure in its 2013 Sustainability Report, and specifies a definitive, end-of-process element with final decision/prohibition stage</p>

Methodology - Reporting

Guidance		
Indicators	Description of the Indicators	Examples
ANY quantitative reporting on the level of ESG screening against Corporate Financing that goes beyond Project Finance	Self-explanatory, publicly available data required	The Company reports in the 2013 Annual Report that it extended EUR 21.39 billion in Sustainable Financing in 2013
Company reports the absolute amount (USD, GBP) and/or percentage of all corporate lending (beyond Project Finance) that has been subjected to its Corp Loans E&S integration process	Quantitative data provided	<p>The Company provides several comprehensive breakdowns in its 2013 Annual Report showing the total amount of Private Lending and a breakdown of this figure in terms of:</p> <ul style="list-style-type: none"> • Sector division (Food/Agri, Trade Industry and Services (TIS) and Private Individuals, • Group Entity (Domestic, Wholesale, Leasing and Real Estate) • TIS Loans subdivided by Industry • Food/Agri by Industry <p>The Company states explicitly that all existing lending is subject to its Policies.</p>
ANY quantitative reporting on the level of ESG screening against Corporate Financing that only covers Project Finance	Quantitative data provided	The Company is a signatory to the Equator Principles, and reports data on the number of project finances on a risk-category basis, in line with EP requirements. In addition, the Company publishes that in 2014, 302 financing requests were referred to the relevant Environmental Management Team.

NEGATIVE CAP - Involvement in Controversial Projects

- **Involvement in Controversial Projects**

Additional Indicator - PERF1

If a company is found to have provided financing to more than one controversial project, or at least one project deemed to be highly controversial by EIRIS, then their score should be CAPPED at a maximum grade.

The scheme uses a combination of Banktrack (to identify potential controversial projects and the EIRIS Convention Watch service.

Where there is involvement in one or more controversial projects, the maximum grade is Intermediate. EIRIS will follow a process using checks of third-party NGO data combined with data from Convention Watch, and will engage with the Company to ensure that the relevant financial support is still in place.

In order to be classed as having direct involvement in financing, the Banktrack database will be used to identify any financial involvement in the project, parent company or corporate entity operating the site. Types of financing considered as 'direct' includes:

- Project Finance relating to the project
- Advisory services relating to the project, including arranging debt financing
- Corporate Loans with a direct link to a facet of the project
- Cash for land acquisitions
- Shares / bonds underwriter or manager, where there is a direct link

EIRIS will not include as relevant any financing arrangement where there is insufficient evidence of a clear, direct linkage between the financing arrangement and the controversial project. Types of financial involvement that are not included are:

- Advisory services where the Bank is producing feasibility study for the project
- General Corporate Loans to management / operating / owner company
- Issuing of bonds on behalf of the management / operating / owner company without a direct link to the controversial project
- Issuing of equity on behalf of the management / operating / owner company
- Extending loan facilities without evidence of direct linkage to the project in question

Example: [The Bank] has been assessed with a cap of *intermediate* due to its direct involvement in more than one controversial project. The projects are:

Shwe gas and pipelines projects Myanmar [Banktrack, 11/03/2015] [Company engagement, XX/XX/20XX]

Retail banking

Responsible Lending & Financial Inclusion

Companies are assessed for their approach to Responsible Lending and Financial Inclusion if, and only if, the Company has **significant** consumer retail banking operations.

Guidance		
Process outline	Description of the Indicators	Examples
Does the Company have significant banking operations?	<p>Only NO or YES answer. If NO, then edit notes field of business details. If YES, create Responsible Lending question and complete the assessment.</p> <p>A Company with 'significant' retail banking operations is defined as any bank which either:</p> <ul style="list-style-type: none"> (i) Derives greater than 25% of its annual revenue from retail banking activities or (ii) Derives greater than EUR 1bn in annual revenue from retailing banking activities <p>Or both (i) and (II)</p>	<p>Bank Group is a leading financial services provider and one of the largest in its region. It consists of a number of business units and support functions.</p> <p>Personal Banking serves personal and private banking customers. The unit focuses on offering innovative digital solutions aimed at making day-to-day banking simple and efficient and on providing proactive advice to customers with more complex finances.</p>

Responsible Lending:

NOTE: this research area applies only to companies with significant retail banking operations.

* Some of the indicators below have more than one level of attainment.

Grading Scale:	No evidence	Limited	Low Intermediate	Intermediate	Good	Advanced
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Guidance		
Indicators	Description of the Indicators	Examples

<p>A policy or commitment on responsible lending covering up to two of elements monitored/covering three or more of the elements monitored</p>	<p>There is evidence of:</p> <ul style="list-style-type: none"> • General commitment to responsible consumer lending; • commitment against deliberate mis-selling; • commitment to not provide high interest rate lending; checking creditworthiness before providing a loan; • transparency in lending processes and practices; • Treating Customers Fairly in the context of responsible lending; commitment to try to keep borrowers in their homes (i.e. avoid repossessions); etc. 	<p>The Bank has an accurate assessment of its customer’s risk rating so they are able to make quick responsible lending decisions in relation to new and additional credit applications. It is able to respond quickly to changes in customer’s behaviour and circumstances.</p> <p>The Group is committed to responsible lending practice. It acknowledges its obligation to market products responsibly in line with the expectations of customers and the community.</p>
<p>A responsible lending system covering up to two/at least two of the elements monitored</p>	<p>Evidence of:</p> <ul style="list-style-type: none"> • Provision of training on RL; • Compliance monitoring; etc. <p><u>Advanced Elements:</u></p> <ul style="list-style-type: none"> • Disclosure of results of monitoring; • targets for minimising complaints (and other relevant targets); • incentives for sales team; • restructuring debts for those behind with repayments; • early debt spiral warning system; etc. 	<p>The Company allocates credit approval authority based on skills and experience. It segregates key responsibilities ensuring people are trained and able to carry out their roles, and ensuring the functional independence of credit approval from line sales and relationship management.</p>
<p>Provision of qualitative/quantitative data on responsible lending performance</p>	<p>Quantitative or qualitative data provided.</p> <p>Responsible Lending Data includes complaints data related to responsible lending; data related to the (avoidance of) repossession of houses; financial implications of PPI scams; etc.</p>	<p>Bank had disclosed data on lending to customers on its website and number of complaints received in 2014.</p>

No allegations of having provided high cost lending products in any of the past three calendar years	Self-explanatory	Bank has not been involved in providing high cost lending products during 2013-2015
No allegations of irresponsible lending practices within the past three calendar years	Self-explanatory	There were no allegations that the bank has been involved in irresponsible lending practices during 2013-2015

Financial inclusion:

Grading Scale:

No evidence	Limited	Low Intermediate	Intermediate	Good	Advanced
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Guidance		
Indicators	Description of the Indicators	Examples
A programme or initiative to increase financial inclusion including provision of bank accounts and credit	Does the Company have a commitment, programme or initiative to increase financial inclusion to non-traditional customers in its domestic/ main markets?	The Company commits to provide credits to low-income consumers, including those belonging to indigenous communities as well as to those who are aged over 65.
Provision of qualitative/ quantitative targets for increasing financial inclusion	Does the Company have a target in place for increasing financial inclusion to non-traditional customers?	The Bank has targets in place to increase financial inclusion to non-traditional customers by 25% at the end of 2017.
Disclosure of quantitative data on financial inclusion	Does the Company report quantitative data on its financial inclusion such as number of bank accounts opened/ active for non-traditional customers, amount of credit provided to non-traditional	The Company reported that it opened over 5,000 new accounts for non-traditional customers in 2015

	customers	
Reporting against targets	Self-explanatory	Bank has reached 85% of its target for financial inclusion in 2015.
Clear evidence of an increase in financial inclusion	Has the Company's financial inclusion of non-traditional customers increased from the previous 12 month period either by absolute amount or by ratio (either for bank accounts or credit provision)?	The Company's figures demonstrate an increase of non-traditional customers by 5% in 2015 in comparison to 2014

APPENDIX

What is meant by 'publicly available information' in the context of BIST Sustainability Index project

The types of sources that can be included are:

- Company annual financial report and accounts
- Company Sustainability, CSR, Environmental, Social or Community -type report
- Company website
- Data filed with regulators or public bodies that can be accessed by the public and / or stakeholders (e.g. financial authorities, environmental agencies)
- Data filed with other third parties for the purposes of that data being made available to the public and / or stakeholders (e.g. CDP)

Sources that are to be excluded:

- Information that is not put on a company website but is declared to be "available on request"
- Data coming from sources that are marked as 'confidential' or are part of private or informal communications are not acceptable.
- Survey data or survey responses which cannot be confirmed by public disclosure cannot be used.
- Material that may be in preparation or has not been signed off by the Company (e.g. a policy document) cannot be counted until it is made public e.g. placed on the company website. (This may on occasions need to be stressed to the company!)
- Employee handbooks which may be provided as proof of existence of certain policies or management systems etc., but are asked to be treated as confidential. (Companies can be encouraged to put summaries on their website, if they challenge the non-acceptance of this rule).

In practice, other nuanced cases may arise which would need further judgement, but the above is produced for the sake of clarity and ease of explanation.

EIRIS

Further information

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About EIRIS

EIRIS is a leading global provider of environmental, social and governance (ESG) research, empowering responsible investors with independent analysis and the tools to incorporate this information into investment decisions. It has over 30 years' of responsible investment experience and combines an understanding of ESG issues with a knowledge of corporate practice and experience of practical solutions. Our research services for responsible investors support a wide range of responsible investment strategies that assist over 200 clients including pension and retail fund managers, banks, wealth managers, charities and religious institutions across Europe, the USA and Asia. In addition to offices in London, Paris and Washington, D.C., EIRIS has a global network of partners in Australia, Brazil, Germany, Israel, Mexico, South Korea and Spain to further extend our research coverage and to keep us abreast of responsible investment issues at the local level. EIRIS is a signatory to the UN Principles for Responsible Investment.

On 13 October 2015, Vigeo and EIRIS, two established ESG research agencies from France and the United Kingdom, announced that they will merge to create a single European agency with a global reach.

For more information on EIRIS' products and services, visit www.eiris.org or email clients@eiris.org.