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CSR / SRI Report

CEO Briefing Report

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a certain responsibility...

CSR activity is becoming an increasingly important tool for investors to gauge the worth of African equities. *Africa investor* has therefore pioneered two socially responsible pan-African SRI indices; the Ai SRI 30 Investible Index and the Ai SRI 50 Benchmark Index. **Africa investor** profiles some of the Indices' most responsible companies operating on the continent

The role of corporate social responsibility (CSR) has come to the fore in recent years from the seeds of a revolution that began in the 1970s with the first "green" movements. The "greenies" concerned themselves with identifying and preventing harmful and toxic activities that endangered

the world's natural habitat. This often led them to oppose certain economic activities that fell foul of their ideals. But the movement's underlying philosophy set in motion a process that began to examine more broadly the sustainability of global consumption patterns and the role that business played in the various supply chains.

One of the strongest topics that has galvanised the role of private and corporate citizens in recent years has been the challenge posed by global warming. In addressing this issue, corporate citizens have realised the important role they can play in doing their part to mitigate the effects of global warming. This initial awareness



and concern has morphed from a purely environmental standpoint into a role that is far broader and which has been captured in the term 'ESG' (environmental, social and governance).

As the world becomes more interconnected, the standards expected from consumers and governments in the developed world have been brought to bear on multi-national companies that supply them, often from manufacturing and production bases in the developing world. Not only have environmental issues been put on the agenda, but the broader role of how corporate citizens interact with stakeholders – which include governments, employees and the environment – have been highlighted.

Companies have recognised that apart from creating profits for shareholders, they are also entrusted with ensuring that their societal license remains intact. This enlarged role of corporate stewardship has become the responsibility of CSR divisions within companies that rank alongside traditional functional divisions in importance, and which often report directly to the board. It is also vital that the role of sustainability and social responsibility is clearly and comprehensively communicated to stakeholders.

Indices

In helping to address the issue on the African continent, *Africa investor* has pioneered two Social Responsibility Indexes (SRI); the AI SRI 30 Investible Index and the AI SRI 50 Benchmark index. The indices are derived from a universe of listed companies that are operating on the continent and that are drawn from 19 African exchanges.

The Investible Index provides a list of companies that have been vetted through research, and which provide retail and institutional investors with the confidence that these companies are pursuing sound practices in their commercial activities. The Benchmark Index provides a basis for which analysts, shareholders, scholars and executives can benchmark and compare practices, with the aim of improving the understanding of how social responsibility can be interpreted and executed.

The Investible Index has selection criteria that are pertinent to the buying and selling of securities. Companies must have a market capitalisation of at least US \$50 million, and a minimum of \$100,000 of shares must be traded daily. Companies involved in gambling, tobacco, alcohol and weapons are automatically excluded. Here, we profile several of the Index's top companies that are leading the way in CSR.

A step in the right direction Environment

Companies that have the most to lose by not being responsible corporate citizens are those involved in mining. Around the world the buzzword in the industry has been "resource nationalism" as countries

increasingly weigh the costs of allowing foreign companies to deplete their finite natural resources against the benefits of mining. Some of the costs include the relocation of settlements and villages to make way for mining operations, the harm done to workers through mining (accidents and illness), environmental damage and pollution (including the use of scarce water resources). Governments have become much more assertive and pro-active in ensuring that the interests of their respective countries are being looked after when allowing foreign companies to operate in their resource industry.

One company on the Index with a long history of involvement on the continent is Anglo American. As part of its CSR, Anglo American attempts to record and report the effect of its operations on all fronts. With regards to the environmental aspect, this includes measuring how much water and energy it consumes, as well as how much CO₂ it emits. The company then evaluates these numbers against the targets it has set. In 2011, for example, the Group's emission amounted to 18.8Mt of carbon dioxide equivalents (CO₂e) versus 20Mt in 2010.

In regards to the social component, the company spent \$122m in 2011, up from \$111m in 2010 and \$82.5m in 2009. The majority of this money is spent between education and training (23%) and community development (41%). Perhaps the company's most promising initiative has been the Zimele project in South Africa, where the company has committed to creating and sustaining 15,000 additional jobs in up to 1,500 new businesses by 2015. This is done by creating economically viable enterprises through the provision of equity or loans, mentoring and access to value enhancing opportunities.

Social

But it's not just the miners that realise the importance of CSR. The role of CSR is already being championed by the likes of Nigeria's Ecobank Group. As Dr Tom Somiah, Group Operational and Environmental Risk Manager for Ecobank, puts it; "We take the view that the long-term success of Ecobank is intertwined with the sustainable development of the economies, societies

and environment that we operate in.”

The Group commits to spending 1% of profits after tax on programmes run by the Ecobank Foundation. In 2011, the company spent \$2m in assisting schools and educational programmes in countries including Nigeria, Cameroon, Cote d’Ivoire, Liberia and Sierra Leone. Other projects included the renovation of equipment for a paediatric clinic in Togo, which will benefit approximately 18,000 children annually. Despite having a relatively low impact on the environment in which it operates, the company also joined the United Nations Environment Programme Finance Initiative (UNEP-FI) in 2010.

The use of foundations has been a popular way for companies to house the activities of their giving. In many cases companies will encourage employees to donate alongside that of the institution and so use foundations in which to do so. Another company on the AI SRI 30 Investable Index is that of Nigerian conglomerate Dangote. The Dangote Foundation intervenes in the areas of health, education and empowerment. Recent activities have seen the company donate to victims of the Sokoto floods and to help fight famine in Niger.

While Dangote’s giving has been in the traditional sense of the word, another African innovator in the form of Safaricom has been pursuing innovation in the field of CSR. The company, which is well known for its innovation in the mobile banking market through products like M-PESA, has been sponsoring the Enablis Business Plan Competition to the tune of Ksh3m (\$36,000) per annum through its CSR arm, the Safaricom Foundation.

The Enablis Business Plan Competition is a national competition that aims to raise entrepreneurship awareness throughout Kenya by finding the best prospective business plans. People competing for the prize receive assistance in identifying opportunities, and in bringing together the various aspects of an effective business plan. The company also sponsors the Green and Ecological award in the form of a cash grant in the Business Launch Pad competition. Both sponsorships fall under the category of Economic

By numbers: Anglo American

CSR spend and activity

What is your/has been your annual CSR budget over the past two years?

The company does not have a consolidated CSR budget, which would include environmental management, social development, economic upliftment, healthcare, training, etc. These specific areas of responsibility are managed separately and accounted for from various budgets at a Group, business unit and operational level.

We can report our corporate social investment budget.

Year	Year -2 (2009)	Year -1 (2010)
Amount (US \$ millions)	82.5	111

Anglo American, including managed subsidiaries and joint ventures, contributed US \$111 million (1.31% of pretax profit) to charitable causes and community development initiatives in 2010 compared with \$82.5m (1.88% of pre-tax profit) in 2009. These figures include cash donations, gifts in kind and staff time spent delivering community benefit programmes.

Type of Contribution	Total amount (in US \$ millions)
Cash contributions	86.267
Time: employee volunteering during paid working hours	7.726
In-kind giving: product or services donations, projects/ partnerships or similar	17.072

How is your CSR budget distributed?

The majority of social investment strategies are developed at site level and are based on guidance provided in Anglo American’s Socio Economic Assessment Toolbox (SEAT) and in line with the requirements set out in the Anglo American Social Way. They are developed in conjunction with local stakeholders, and according to local needs. In addition, at least 13% of funding comes through funds and foundations (not managed through SEAT but through applications presented to a governing board with a strategy that compliments that of Anglo American)

Outline the type of sector/projects you allocate your CSR efforts to:

This will differ across regions, countries, operations and communities as the social investment initiatives are guided by the SEAT process through which the needs of local communities are identified and plans to address those needs are implemented.

Broadly speaking, Anglo American supports projects in the following categories:

Education and training; Health and welfare; Water and sanitation; Capacity development Enterprise development and micro credit; Alternative livelihoods; Housing; Other community development; Environment; Energy and climate change; Sports, arts, culture and heritage; Disaster and emergency relief; Employee-matched giving

What is important is the ability to monitor inputs and outputs on a consistent basis so that we can identify the most effective projects, delivery methods and partners to ensure that Anglo American and its host communities get maximum value for these investments.

Social investment output key performance indicators (KPIs) were developed during 2009 and systemised during 2010. For each of the categories, core KPIs have been identified. As many of these KPIs are common to several categories, a total of 32 output KPIs have been developed. These output KPIs have been collated for each social investment project and, from 2011 onwards, the data will be collated at project inception.

Is your company looking to spend more or less in the coming year?

Our benchmark for corporate social investment spend is at least 1% of profit before tax.

Empowerment, but the Foundation is also active in the spheres of education, environmental conservation, health, water, arts and culture and disaster relief. The foundation goes to great lengths to communicate its efforts with stakeholders, through a quarterly magazine called *Msingi*.

Governance

As part of the third leg of CSR, corporate governance is considered vital to ensuring that responsible and accountable stewardship is executed. Sasol, as one of South Africa's largest companies, straddles listings in Johannesburg and New York. Each jurisdiction has their own statutes that companies must comply with in terms of financial reporting. Additionally, in South

Africa, the JSE requires that companies apply the recommended practices as outlined in the King 3 Code of Governance Principles. The company views the adoption of these practices as "pivotal to delivering on sustainable growth in the interests of all stakeholders."

In applying these principles, Sasol has adopted a board charter which is a statement of the "practices and processes" the board has adopted to discharge its responsibilities. Amongst other things, the charter provides for the demarcation of the roles, functions and responsibilities of the board.

Following recent corporate disasters like Worldcom and Enron, governance has been considered vital to ensuring that independent directors are selected

objectively and are empowered to make informed and independent decisions relating to the activities of the company. In order to be accountable to stakeholders, companies are going to great lengths to provide transparency on the activities and the basis from which decisions are made. This has companies like Sasol adopt integrated reporting where as much information is provided to stakeholders on how governance is executed.

The evolving role of CSR as not only a statement of corporate stewardship, but also as a blueprint for a company's effective governance and operation, bodes well for investors that seek to reward companies for performance that is both responsible and sustainable. **Ai**

Ai SRI Index

Company	Industrial classification	Country	Weighting based on SRI ranking	Weighting based on market cap ranking	Final weighted average
Lonrho Plc	Conglomerate	Africa	2.5%	0.5%	2%
Sonatel	Telecom	BRVM	6.5%	3.0%	5%
Ecobank Trans Inc	Banking & Finance	BRVM	2.0%	2.0%	2%
Orascom Telecom	Telecom	Egypt	6.5%	5.5%	6%
Orascom Costruction	Building Materials & Construction	Egypt	2.0%	4.5%	3%
Telecom Egypt	Telecom	Egypt	3.0%	3.5%	3%
EFG-Hermes	Banking & Finance	Egypt	4.0%	2.0%	3%
Total Gabon	Mining, Oil & Gas	Gabon	2.0%	2.0%	2%
Safaricom	Telecom	Kenya	8.0%	2.0%	5%
Kenya Commercial Bank	Banking & Finance	Kenya	5.5%	1.0%	3%
MCB	Banking & Finance	Mauritius	3.0%	1.5%	2%
Maroc Telecom	Telecom	Morocco	4.5%	6.5%	6%
Attijariwafa Bank	Banking & Finance	Morocco	1.0%	5.0%	3%
Lafarge	Building Materials & Construction	Morocco	2.0%	3.0%	3%
Sonasid	Building Materials & Construction	Morocco	1.2%	2.5%	2%
BMCE	Banking & Finance	Morocco	0.5%	0.5%	1%
Standard Bank	Banking & Finance	Nigeria	3.8%	6.5%	5%
UBA Bank	Banking & Finance	Nigeria	5.5%	2.5%	4%
Dangote Sugar	Industrial	Nigeria	2.5%	2.5%	3%
Guaranty Trust Bank	Banking & Finance	Nigeria	1.5%	2.5%	2%
MTN Group	Telecom	South Africa	5.0%	6.5%	6%
Old Mutual	Banking & Finance	South Africa	5.5%	4.0%	5%
Remgro	Conglomerate	South Africa	6.5%	3.0%	5%
Anglo American	Mining, Oil & Gas	South Africa	0.5%	8.0%	4%
AngloGold Ashanti	Mining, Oil & Gas	South Africa	3.0%	5.5%	4%
Anglo Platinum	Mining, Oil & Gas	South Africa	2.5%	5.5%	4%
Goldfields Ltd	Mining, Oil & Gas	South Africa	2.5%	3.5%	3%
Mondi Ltd	Industrial	South Africa	3.5%	2.5%	3%
Banque de Tunisie	Banking & Finance	Tunisia	2.0%	1.2%	2%
Poulina	Conglomerate	Tunisia	1.5%	1.5%	2%
				99.7%	100%



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