

# Reporting matters

Improving the effectiveness of reporting one year on  
WBCSD 2014 REPORT



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**This project is a joint collaboration  
between WBCSD and Radley Yeldar**

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# 1

## INTRODUCTION

### Key messages



**1** 25% of companies improved their materiality disclosures, indicating a sharpened focus on strategic matters that will in turn help strengthen and communicate the business case.

**2** Reliability of data receives more attention. Our research shows an increase in the use of reasonable assurance, although external assurance, regardless of the level of validation, is not yet used to its full potential.

**3** Companies have made better progress on experience than on content in 2014. In particular, connectivity across key aspects of reported content, such as materiality, targets and performance, has improved.

**4** Stand-alone sustainability reports remain the dominant form of non-financial disclosure, with the Global Reporting Initiative (GRI) being the most widely used guidelines and its fourth generation (G4) version benefitting from rapid uptake.

**5** The proportion of companies that are combining their financial and non-financial reporting into either annual reports or self-declared integrated reports remain constant at around 20% with half of them referring to the International Integrated Reporting Framework.



# Shifting the focus to long term

Paul Polman, CEO Unilever and Chairman WBCSD, shares his vision and advice on how to build sustainability into business models.

## Q. How can the effectiveness of corporate reporting be improved to better drive integrated thinking/performance management?

More and more we see that companies which put sustainability at the heart of their models and who focus on long-term decision-making are performing better economically. A recent research summary by the University of Oxford Smith School, for example, showed that companies that implement sound sustainability practices deliver better operational performance, benefit from a lower cost of capital and see a positive influence in stock prices. Equally, there is clear evidence elsewhere that companies that are overly focused on the short term miss investment opportunities and reduce their long-term value creation.

So based on the economic arguments alone, managers should integrate sustainability into decision-making and reporting.

And that is what we are seeing. The WBCSD survey of reporting in 2013 showed that the majority of large companies now have environmental and social goals and they report progress externally. 75% of member companies now follow GRI reporting guidelines. And the majority get some form of external assurance for this reporting.

Increasingly it is clear that traditional financial metrics are not enough to support this and integrated reporting is the vital link to drive better integrated thinking and performance management. It requires us to incorporate

non-financial metrics as well as financial metrics leading to a better understanding of how the organization creates value. This in turn enables management to focus on the right key performance indicators to drive progress against long-term targets.

## Q. Unilever has stopped quarterly profit reporting since 2011. How would you describe the impact of this decision on investor behavior? And on internal investment decisions?

Unilever stopped giving short-term financial guidance in 2009 and moved away from full P&L quarterly profit reporting as from 2011. The impact on investors' behavior has been mixed. While the move has helped in our efforts to attract longer-term investors to our register and to reduce the opportunities for short-term investors to trade around our quarterly announcements, there are still too many investors who are mainly focused on the short term. However, we recognize that this is a journey and that to shift to a better balance between long and short term will take time.

Internally it has given us more freedom to run the business without needing to make arbitrary decisions around a 90-day financial reporting cycle. This makes it easier to take the best investment decisions for the long term, whether it be investment in brand support, R&D or supply chain/IT capital expenditure.

We would encourage all other companies to reduce short-term guidance and to reduce the level of quarterly disclosure. This would help build momentum towards focusing investor engagement on the long term.





**Q. Unilever is praised for its Sustainable Living Plan. What are your top three points of advice/recommendations for building sustainability into the business model?**

I think that it starts with leadership. It is vital to have top leadership – from the CEO and the board – to embed the new ways of thinking across the business. Integrate it into the business – don't have separate ownership – it needs to be part of the fabric and collectively led.

Then it is vital to understand where the key impacts and pressure-points are on your business model. My view is that businesses must look across their entire value chains to really understand their vulnerabilities and opportunities. Don't just look at risk management – look at opportunities to drive growth and to increase profitability by re-thinking your approach to your markets. Ultimately, it is about bringing the outside in and encouraging everyone inside the organization to believe they have a role in helping to develop solutions to the challenges we face.

Thirdly you must set clear targets and metrics and start tracking and reporting against them. And that is where integrated reporting comes in.

**Q. Pricing externalities is a much debated concept. What are your views on monetizing a company's impacts on nature and society?**

I think that we are now starting to see companies take their impacts on nature and society seriously. This can be seen in the work done by bodies such as the Carbon Disclosure Project to increase transparency and create a platform from which to compare individual company performance.

Many companies now report their CO<sub>2</sub> emissions. It is also encouraging to see that 29 major US companies are now using an internal price on carbon to support their internal decisions – and not just energy companies! This is a great example of where companies are starting to move beyond the traditional metrics to ensure that they take the right decisions for the long term.

In order to think across the complete value chain we need to bring together the financial data with the non-financial data and exercise judgement to make the right decisions. I think that monetization of externalities can be a helpful part of this process in the context of fully integrated thinking but it needs to be part of a much broader change in approach.

It is great to see such a large number of well-respected companies adopting integrated reporting and using it to get the right focus on the long term in their internal decisions and in their external communications.

WBCSD has indeed been leading the agenda with many members publishing their own non-financial reports, or including sustainability indicators within their mainstream financial disclosures.

I am convinced that this will play a key role in enabling business to respond to the unprecedented challenges that we now face.

**Paul Polman**  
CEO Unilever, Chairman WBCSD



# Welcome to our second report

Corporate reporting can be a transition accelerator towards “true value”. Reporting needs to transform so that it becomes an effective source of reliable data and information that can direct investment flows towards the scaling up of innovative business solutions. We hope you will find our 2014 findings and recommendations useful.

## Q. What is the end goal of corporate reporting?

Accounting and reporting rules need to evolve into an effective system driving a new economic model that allows a sustainable and inclusive future. The end goal is concise corporate disclosure that brings together financial, environmental and social performance to reflect improved risk and performance management within companies, as well as to drive more accurate valuation of companies and improved allocation of capital market investments. We need to ensure that corporate reporting makes clear how a company is making its money, not just how much money it has made.

## Q. Based on this year’s findings, what would you recommend as the top three priorities for WBCSD members over the next year?

This year we have seen some great progress, with leading companies improving the quality of their materiality disclosures, reporting on dependencies and impacts related to a broader set of capital beyond finance and demonstrating a more mature approach to risk and opportunity management as a result. I would recommend focusing on these three priorities for the next year:

- Turning reported data into useful information to improve decision-making by grounding it in management cycles and showing how it helps achieve business objectives;
- Strengthening corporate governance by establishing clear expectations and responsibilities at the executive and board level for non-financial reporting;
- Revisiting the business model to enable a better understanding and communication – internally and externally – of the connection between financial performance and societal value creation.

## Q. Reliability has been introduced as a new criterion in the 2014 review. How could assurance help improve the effectiveness of reporting?

No business can be managed without access to reliable, accurate and timely information to monitor its activities and ensure effective decision-making and efficient management. The absence of high-quality data has been a limiting factor in the transition towards integrated performance management. At the same time, third-party assured data will increasingly be expected to provide evidence that corporate strategies are delivering sustainable outcomes. It is paramount that data be externally verified if it is to be used to support strategic decision-making, hence, the introduction of this new criterion in our 2014 methodology.

## Q. This year, WBCSD launched the Redefining Value program. Can you explain how this will ultimately support the implementation of better reporting?

While WBCSD believes in transparent and proportionate disclosure on sustainability commitment, performance and strategy, it is at least equally important that we focus on internal decision-making to ensure that sustainability is managed on a day-to-day basis. WBCSD’s Redefining Value program aims to integrate natural and social capital measurement and valuation into corporate performance management so that, ultimately, changes in what companies report reflect a real movement towards more sustainable business.

**Peter Bakker**  
President and CEO, WBCSD



**Q. How can the effectiveness of corporate reporting be improved to better drive integrated thinking?**

All too often, reporting is created in isolation from the daily affairs of a business – presenting an artificial representation of the organization. Arguably, too few businesses are recognizable in their own reports, and too many reporters focus on manufacturing generic disclosures. By including real management information, offering stakeholders the chance to hear from decision-makers and being transparent about genuine challenges, organizations open themselves up authentically. This, in turn, can drive insightful dialogue that leads to integrated thinking, and prompts sustainable change.

**Q. What are the biggest challenges you're seeing clients experience with reporting?**

Undeniably, converging content is an arduous process. There is no simple answer when it comes to deciding whether something sits in a stand-alone sustainability report, an integrated report, or online – but it is something that many organizations spend far too long debating each year. Clear signposting helps, as does having a clear view on the issues that matter most. This being the case, it is also interesting to us that materiality – which is not a new concept in sustainability reporting – is still proving to be a challenge to reporters.

There are still too few confident articulations of issue prioritization, which ought to inform the level of management attention and spend, as well as the balance of reporting.

**Q. Where do you see the biggest opportunities for WBCSD members to get more value from the reporting process?**

Embedding reporting more effectively into both management and communications processes is clearly the way forward. It is much easier said than done – but the rewards are great and real. At its most effective, the reporting process is an opportunity to harvest best practice, to reflect on challenges, to encourage the organization to pause and plan for the year, and to energize people about the future.

Ultimately, it's your chance to reframe how the organization depends on and affects the society and the environment we live in – measuring the value of the diverse capitals we collectively consume and create.

**Q. How do reporting and communications interact?**

The best reporting feeds on the communications an organization produces during a given year, and equally offers the chance to share achievements with the rest of the world. Reporting can feel a little overwhelming unless backed by a well-defined role in society, people that are willing to stand up for change, and an opinion that is shared more widely through networks ranging from events to social media such as LinkedIn. This connected approach is crucial for scaling up and driving change.

**Ben Richards**  
Consulting Director, Radley Yeldar, London

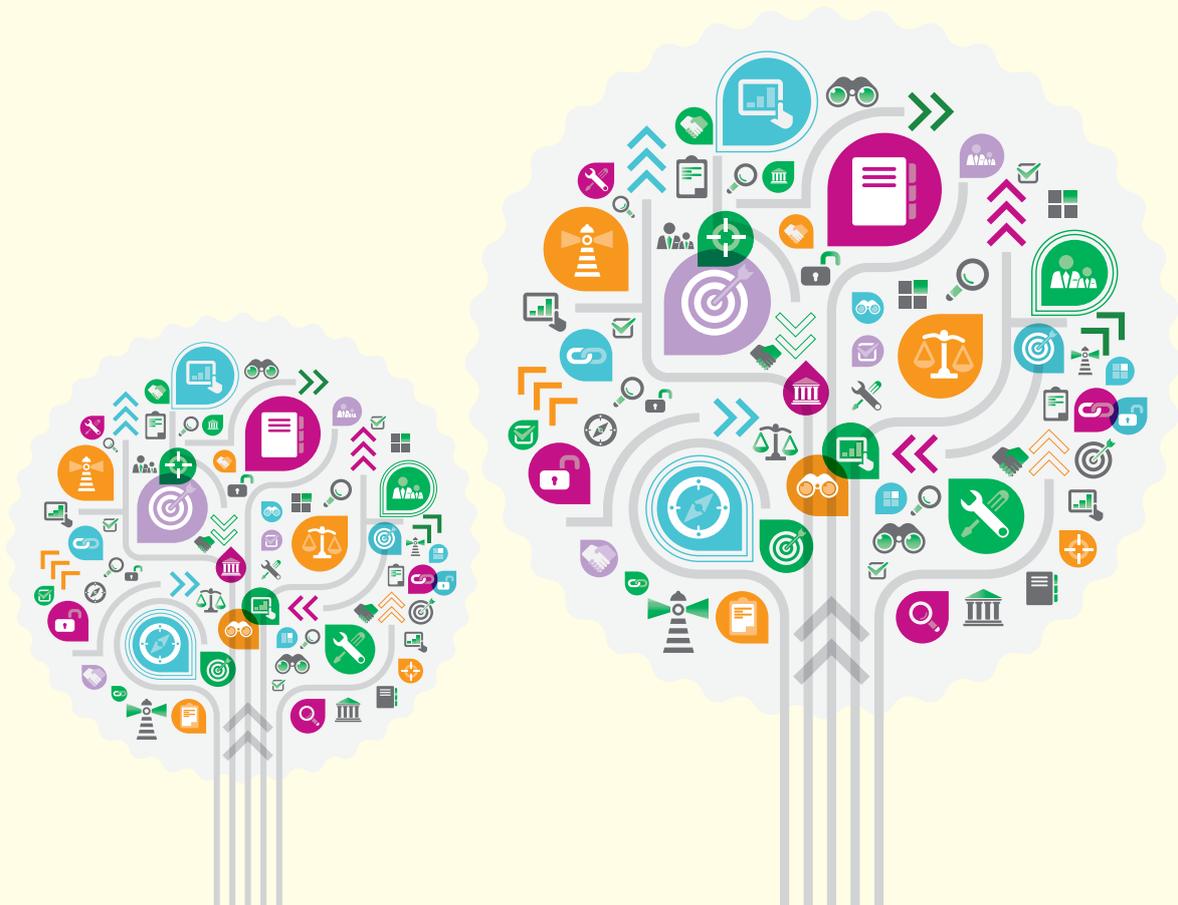


# 2

## BACKGROUND & GENERAL FINDINGS

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# Why does reporting matter? One year on

The reporting world is evolving rapidly. WBCSD is engaging to bring a collective and progressive business voice to this space. Here is a short update on major developments in 2014 that take us one step closer to the ultimate goal: a greater number of sustainable companies being recognized and rewarded by financial markets and customers.



Non-financial information is becoming increasingly important for sound investment decision-making.



# Why does reporting matter? One year on

In the wake of the September United Nations (UN) Climate Summit, more than 350 global institutional investors representing some US\$ 24 trillion in assets called on governments to take action that supports investment in clean energy and climate solutions.<sup>1</sup>

Others have pledged to raise US\$ 200 billion by the end of 2015 to help poorer countries deal with the effects of global warming and cut reliance on fossil fuels.<sup>2</sup> Finally, others committed to make use of climate change information on a common basis in mainstream corporate reports out of a sense of fiduciary responsibility.<sup>3</sup>

Clearly, non-financial information is becoming increasingly important for sound investment decision-making – and a critical mass of investors agree. So, why are so few businesses able to confirm whether their disclosures beyond financial reports are even being considered by financial markets?

Our research provides the answer: corporate non-financial reporting is a widespread activity among large companies and the quality of disclosures is improving. However, while diversity in approaches to reporting is something to be celebrated, meaningful comparability is far from being achieved. The voluntary nature of corporate responsibility activities, the ever-widening range of stakeholders and the growing number of issues that companies are asked to address are among the factors that we believe might be preventing companies from realizing the value of reporting.

## Empowering sustainable companies – the crucial role of capital markets

Two-thirds of global institutional investors say that they would be more likely to consider non-financial information when making investment decisions if common standards were used.<sup>4</sup> In 2014, the Sustainability Accounting Standards Board (SASB) issued provisional standards for 27 industries in four sectors – healthcare, financials, technology and communications, and non-renewable resources – as part of its mission to develop sustainability accounting standards

to support publicly listed corporations in disclosing material factors in compliance with the United States Securities and Exchange Commission (SEC) requirements.

Integrated reporting gathered momentum this year with version one of the International Integrated Reporting Framework launched in December 2013. Some corporate pioneers have already adopted this new approach to reporting and many others are closely following development – 10% of the reports we reviewed mention the International Framework. Evidence suggests that investors also want integrated reporting – more than 90% of those responding to an Association of Chartered Certified Accountants (ACCA)-led survey of the investment community<sup>5</sup> confirmed it would be valuable for companies to combine financial and non-financial elements in an integrated reporting format.

Another noticeable development this year was the launch of a public consultation on the expansion of its Climate Change Reporting Framework by the Carbon Disclosure Standards Board (CDSB). The updated Framework will include information about environmental matters, with specific guidance on greenhouse gas (GHG) emissions, water and forest risk commodities, and how to disclose these in mainstream corporate reports. It is expected to be launched in February 2015.

## Beyond reporting, information for decision-making

Developing systems to integrate management of sustainability issues into everyday business decision-making is a “must” for the transition towards better and more meaningful reporting. In addition, showing the value to the business of integrating non-financial information into decision-making will ultimately help drive integrated reporting.

WBCSD believes that *what gets measured gets managed*. It has a strong track record in developing innovative business-led tools over the past 15 years with key partners, for instance: the *GHG Protocol* with the World Resources

<sup>1</sup> 2014 Global Investor Statement on Climate Change. “World’s leading institutional investors managing US\$ 24 trillion call for carbon pricing, ambitious global climate deal”. Available at <http://investorsonclimatechange.org>. Accessed 29 September 2014.  
<sup>2</sup> Clark, P. Financial Times. “Climate summit ends with rebuke to leaders”. 24 September 2014. Available at <http://www.ft.com/intl/cms/s/0/e7fa7e04-433a-11e4-be3f-00144feabdc0.html#axzz3EhqVlboL>. Accessed 29 September 2014.

<sup>3</sup> Climate Disclosures Standards Board. “Fiduciary duty & climate change disclosure”. Available at <http://www.cdsb.net/fiduciarystatement/statement>. Accessed 29 September 2014.  
<sup>4</sup> Eccles, Robert G. and Jean Rogers. “The SEC and Capital Markets in the 21st Century: Evolving Accounting Infrastructure for Today’s World”, Brookings Series: The Initiative on 21st Century Capitalism 18(18). September 2014.  
<sup>5</sup> Association of Chartered Certified Accountants (ACCA). February 2014. Understanding investors: the changing corporate perspective.



Institute (WRI), the *Guide to Corporate Ecosystem Valuation* with the WRI, ERM, PwC and International Union for Conservation of Nature (IUCN), and the *Measuring Impact Framework* with the International Finance Corporation (IFC). At the same time, recognizing the challenge for companies in understanding and selecting from a very busy landscape of frameworks, WBCSD has developed several mapping resources, including *Water4Biz* (2012), *Eco4Biz* (2013) and the *Measuring socio-economic impact guide* (2013).

WBCSD has been actively calling for the development of harmonized approaches to measuring and valuing interactions with nature and society that can serve business decision-making needs. An exciting development in 2014 has been the Natural Capital Coalition's appointing of WBCSD to a leadership role in the development of the *Natural Capital Protocol*, together with a consortium of partners.

### Governments are setting minimum standards

Addressing the fragmentation across the non-financial reporting regulatory landscape represents an important step in removing some of the challenges to progress. The latest *Carrots and Sticks* report<sup>6</sup> surveyed corporate reporting policy practices in 45 countries and identified 134 "separate mandatory policies covering different aspects of [corporate responsibility] reporting and a further 53 voluntary policies". Clearly regulatory momentum exists, but most efforts remain largely country specific and unilateral.

In September 2014, the European Union started to create a common basis for non-financial reporting, with the Council and Parliament adopting the Directive on disclosure of non-financial and diversity information by certain large companies.<sup>7</sup> This new legislation, once incorporated into national law, will require large listed companies in its 28 Member States to report on their environmental and social impacts, on a comply or explain basis, including respect for human rights, anti-corruption and bribery issues, and diversity of board of directors.

The Organization for Economic Co-operation and Development (OECD) held its second Global Forum on Responsible Business Conduct<sup>8</sup> discussing several successes and challenges linked to the implementation of its government-backed guidelines for multinational enterprises. These include a network of national contact points providing an impartial platform for conciliation and mediation to resolve issues that arise relating to the implementation of the Guidelines.

Finally, the Indian Ministry of Corporate Affairs also issued in 2014 the final rules that apply to companies under the New Companies Act 2013, and in which section 135 introduces new corporate social responsibility (CSR) expenditure requirements. The Brazilian Stock Exchange (BM&F BOVESPA) "report or explain" program saw a sharp increase this year in the number of corporations adhering, with 71% of listed companies disclosing non-financial information, up from 45% the previous year. The Singapore Stock Exchange (SGX) recently announced that it will be making it mandatory for all listed companies to publish sustainability reports.

### What's next?

More regulations can be expected as progressive businesses, governments and international standards-setters acknowledge the role of corporate transparency in the transition to an inclusive and sustainable economy. And global investors with a medium- to long-term view are already looking for evidence that companies' management of material issues such as resource scarcity, climate change and poverty is appropriate and robust.

The dynamism of this sector is to be celebrated. However, a warning we have consistently heard from our members is the risk of fragmentation that could challenge and slow down progress. Although diversity is required to fit geographical and sectoral nuances, a coherent overarching framework including agreed definitions of key terms and concepts would be beneficial for all without undermining flexibility. This applies to both voluntary and regulatory developments.

We hope to drive the agenda further with the findings and recommendations of this second edition of *Reporting Matters*.

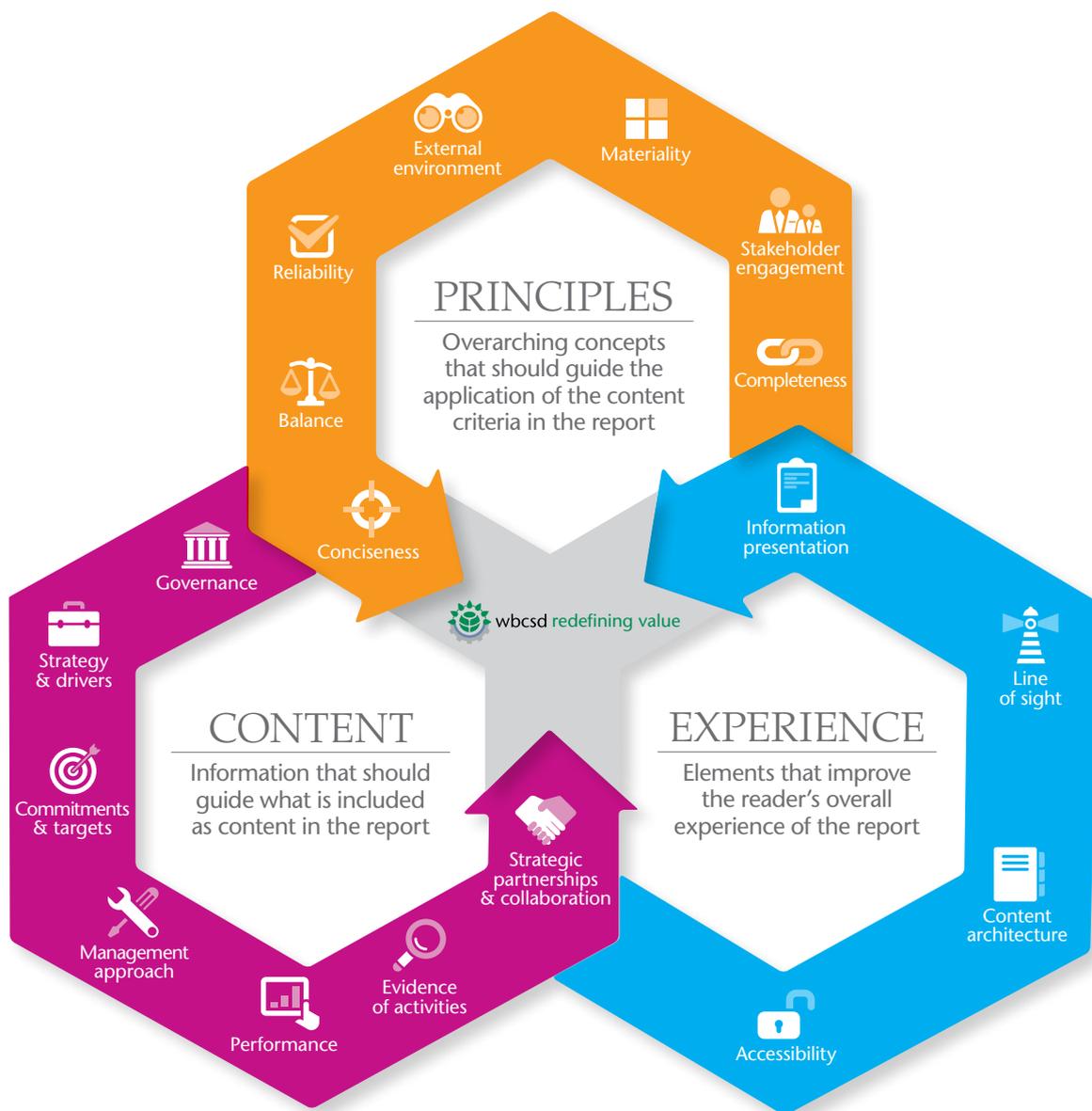
<sup>6</sup> KPMG, United Nations Environment Programme, the Global Reporting Initiative, and the Centre for Corporate Governance in Africa. 2013. *Carrots and Sticks: Sustainability reporting policies worldwide – today's best practice, tomorrow's trends*.

<sup>7</sup> The new rules will be incorporated into Directive 2013/34/EU on the annual financial statements and reports of certain types of undertakings.

<sup>8</sup> Organization for Economic Co-operation and Development (OECD). second Global Forum on Responsible Business Conduct. See <https://mneguidelines.oecd.org/globalforumonresponsiblebusinessconduct/>. Accessed 10 October 2014.

# What matters in 2014

WBCSD's vision is that by 2050 a business should be measured by its "true value" with profit and loss, performance and value creation redefined to consider longer-term environmental and social impacts.



Effective reporting can be a powerful tool to promote integrated performance management.

We believe that companies that are more sustainable should be recognized and rewarded, and therefore that they should be more successful. Effective reporting has a critical role to play in driving this change.

Last year, we defined the key ingredients of successful reporting – a mix of content and experience elements that determine not only what is reported, but how that information is communicated.

We have updated our methodology in 2014 to introduce seven overarching principles that underpin the most effective reporting, alongside seven criteria that relate to content and four that relate to experience. Together we believe these criteria provide a useful framework to help companies derive value far beyond the report itself – by driving change internally so that reporting reflects true performance and impact.

In addition, we have introduced a reliability principle reflecting the increasing strategic importance of quality data, and tweaked some aspects of our criteria to better take into account the characteristics of self-declared integrated reports.

### Driving integrated performance

Effective reporting is more than communication to a range of key stakeholders. By describing why sustainability is relevant to the business and explaining how it supports value creation, effective reporting can be a powerful tool to stimulate internal changes that promote integrated decision-making and integrated performance management. For example:

- **Undertaking a robust and transparent materiality assessment.** Understanding that the organization is prioritizing the right things – those fundamental challenges and opportunities that, if addressed meaningfully, will support value creation – can drive commitment and focus organizational resources.
- **Streamlining information systems and strengthening internal controls.** This will help quantify the results of sustainability actions and investments, as well as improve business decision-making by providing access to regular, accurate and reliable non-financial data, including key performance indicators (KPIs).

- **Engaging with senior management and employees.** The development process of a report provides an opportunity to take sustainability into the boardroom and connect teams across the organization through shared commitments. Breaking down silos also promotes more integrated decisions and performance management.
- **Understanding the dynamic external environment.** Using insight about megatrends and other factors which could affect future performance can lead to changes in the business model – from improved risk management that could undermine the organization's ability to deliver on strategy to the identification of new opportunities that could help innovation and the development of business in new markets.

### Experience matters

While the principles and content criteria used in *Reporting Matters* are aligned with existing reporting principles and disclosure requirements, such as those contained in the GRI guidelines and the International Integrated Reporting Council (IIRC) Framework, there is one aspect we believe is fundamental but often overlooked – the reader's experience. Despite substantial progress in making the content best practice, there is often little consideration of whether the information will be read and used by the intended stakeholders. But this is evolving.

The experience criteria assess the content from an audience perspective and assume that reports will more than likely engage audiences if they are concise and to the point, are easy to navigate, are informative and have a clear line of sight (connectivity). Reports need to balance strong credible content with an experience that makes reading them engaging. Not all readers have the same expectations or time, therefore it is worth having a variety of options for them – from long printed and PDF reports, to shorter summaries and engaging online content. The printable PDF still remains the favored channel for reporters. Indeed, many jurisdictions require that printed copies of annual reports be available at the general assembly.





# What we found in 2014

## Report characteristics

Characteristics have been identified by looking at company reports reviewed in 2014 only – 162 reports in total.

**53%**

of reports are titled  
“sustainability report”  
2013: 57%

**86%**

of reporters use  
the GRI guidelines  
2013: 75%

**8%**

of reports are self-declared  
integrated reports  
2013: 8%

**25%**

of reporters use  
the GRI G4 guidelines  
2013: N/A

**4.5**

average months  
between year-end and  
the publication date  
2013: 6

**73%**

of companies have their  
report externally assured  
2013: 64%

**93**

Average  
page length  
2013: 98

**11%**

of those who have external  
assurance are assured  
to a reasonable level  
2013: 3%

## Trends over time

Trends have been identified by looking at company reports reviewed in 2013 and 2014. Due to companies leaving or joining WBCSD or not reporting annually, this represents a sample of 146 reports.

**5.8%**

improvement  
in overall score

**25%**

of companies improved  
their materiality disclosures

**5%**

improvement in overall  
content score

The biggest content-related  
improvement in terms of  
average score is materiality  
with an increase of

**19%**

**7.7%**

improvement in overall  
experience score

The biggest experience-  
related improvement in  
terms of average score is line  
of sight with an increase of

**71%**

of companies improved  
their overall score

**18%**



# What we found in 2014

By analyzing 162 reports ranging from stand-alone sustainability reports to self-declared integrated reports and combined reports and aggregating data across a range of measurable topics, we have identified some interesting trends that show the state of reporting within WBCSD's membership in comparison with the 2013 baseline report.

## What is material?

Defining materiality, or what is important to a business, is crucial when focusing resources, strategy and reporting, and is critical for scaling up solutions. Most WBCSD members disclose the use of a materiality process (72%) and often publish a matrix within their report. Some companies infer the use of a process, but give no detail on how it was executed or the outcomes found.

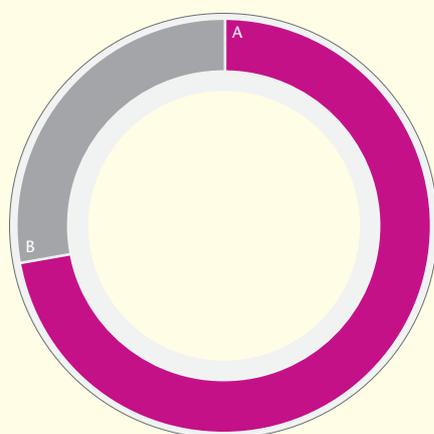
Our research shows that less than a quarter of WBCSD members focus their reporting on those issues considered material to their business despite disclosing a materiality assessment. Nevertheless, with 23% of reports focused on material issues only, our findings show a notable increase since last year (2013: 12%). This is further reflected in the number of WBCSD companies (one-quarter) that have improved their reporting of materiality since 2013 against our criteria requirements, suggesting that the quality of disclosure on the materiality process has improved.

## How much is enough?

Stand-alone sustainability PDF reports vary significantly in length, with the average being 93 pages (2013: 98). The shortest report we reviewed was 8 pages, while the longest was 404 pages. This wide range of report lengths is perhaps reflective of the differing functions and expectations of non-financial reporting.

There is, however, no significant correlation between report length and sector, region or maturity of reporting, suggesting that conciseness is a universal challenge faced by companies. Reporting against guidelines such as the GRI has no significant impact on the size of the report.

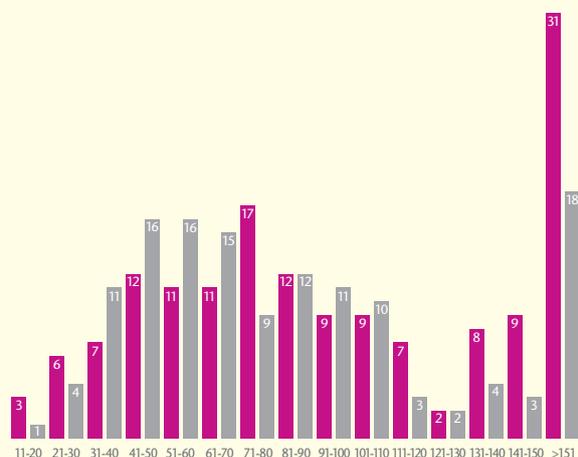
Disclosure of a materiality process



<b>A</b> Disclosed Process	72%
<b>B</b> Non-disclosed Process	28%

Of 162 companies

Number of pages



2014	
2013	



### How are the GRI guidelines being used?

Our research shows that 86% of the reports reviewed follow the GRI reporting guidelines, with 25% of companies using the latest version of the guidelines (GRI G4) and 61% of companies reporting against the GRI G3.1 guidelines.

From a sectoral perspective, chemicals and cement are the most frequent users of the GRI guidelines with all reports (11 companies) from the cement sector using the guidelines. The cement sector is also the biggest user of the GRI G4 guidelines, with nearly half of cement companies using them. The consumer goods and the mining and metals sectors are close behind the cement sector in the use of the GRI G4 guidelines.

We have found that companies using the GRI guidelines perform better overall against our criteria. Our analysis shows a relationship between the use of the GRI guidelines and the materiality score illustrated by the fact that companies that do not use the GRI guidelines never score above average on this criterion.

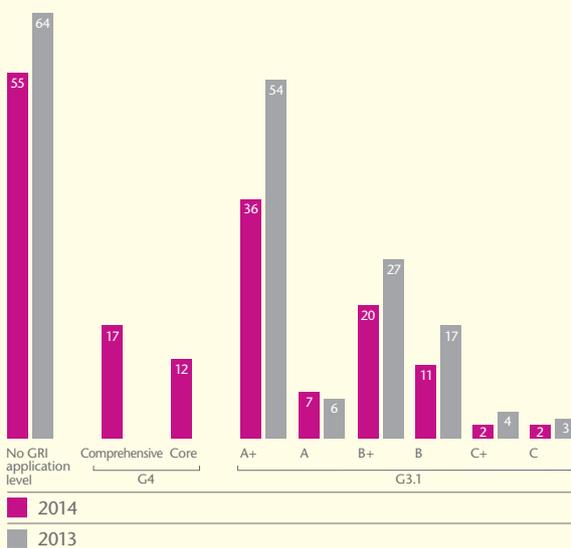
### What is the status of integrated reporting?

Most WBCSD members (78%) produce a stand-alone sustainability report – that is the fullest source of sustainability information separate from any other report, such as an annual report.

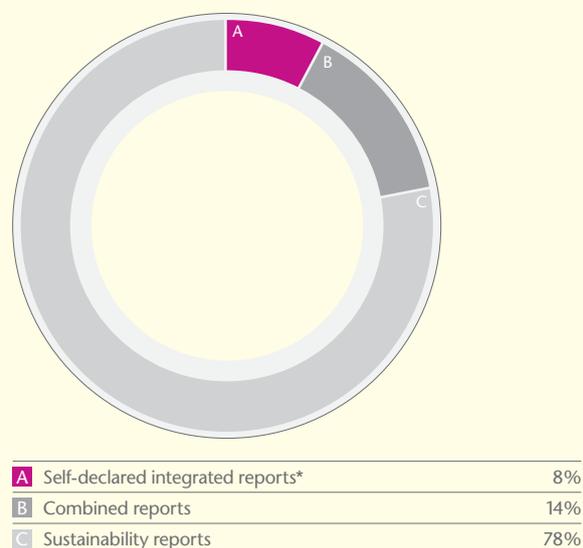
We have found that 22 companies (14%) disclose environmental, social and governance matters in their annual reports – also known as combined reports. Thirteen companies (8%) issue a report they define as “integrated”, although this is not necessarily what it is called. A small number of companies produce a supplementary integrated or combined report in addition to a sustainability report.

Whether it is called an annual or combined report, or defined as an integrated report, we see only one of these types of reports in the top 10 reporters, with four in the top quartile. Despite this, our analysis shows that self-declared integrated reports on average score higher than both stand-alone sustainability reports and combined reports against our principles and content criteria.

GRI application levels/in accordance options



Report distribution



\*Self-declared integrated reports include those that are titled “integrated report” and those that refer to the Framework developed by the IIRC.



# What we found in 2014



## What are they calling it?

Since the early 1990s, the titles of sustainability reports have evolved to reflect the increasing sophistication of companies' approaches to non-financial reporting. In our research, the majority of reports are titled "sustainability" with "annual report", "corporate responsibility" and "CSR" making up the rest. European businesses use the term "sustainability" or "sustainable development" most frequently in their titles (44%), followed by North American businesses (21%). Interestingly, CSR is used more by Asian-based businesses than those in other regions, with 67% of all CSR reports coming from Asia this year.

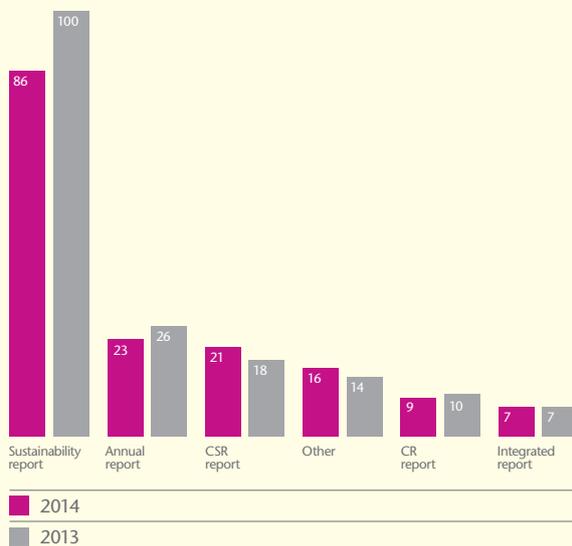
As we outlined above, a reasonably small number of companies use the title "integrated report". However, the majority of companies that are combining their financial and non-financial reporting do so under the term "annual report".

## How quickly are reports being published?

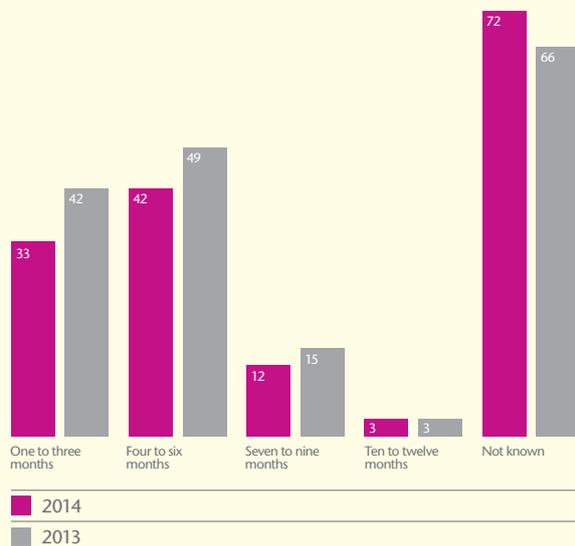
The vast majority of WBCSD members produce an annual sustainability report (or equivalent). Of these, we have noted that 55.6% specify a report publication date. Based on this, the average time period between year-end and the publication date is 4.5 months (2013: 6 months).

Of the companies that disclose their publication date, the fastest to report are those producing an integrated report, taking an average of only 2.8 months.

Title of report



Time between reporting period and publication



### Who is validating performance?

Our research has found that more than 80% of reports reviewed have some form of assurance on their sustainability disclosures through external assurance or internal audit assurance.

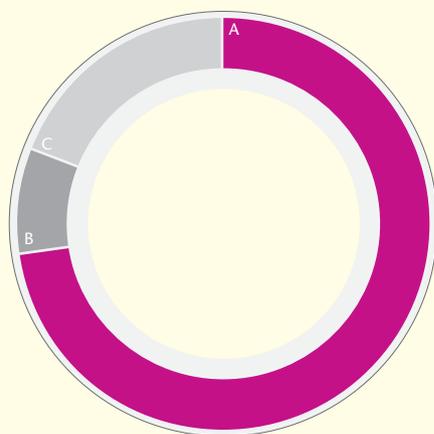
We have found that 8% of companies do not engage external assurance providers but use their internal audit function for assurance purposes, although this proportion has dropped since last year. Almost 20% of WBCSD member companies do not seek any external assurance.

Our research on assurance has demonstrated a significant relationship between the use of external assurance and the materiality and overall scores. This explains why the increase in the use of external assurance with regard to last year (2013: 64%) coincides with an increase in both the overall and materiality scores.

The dominant form of external assurance is to a limited level, with only about 11% of companies seeking reasonable assurance (recognized as the most extensive form) on their entire report. However, the proportion of companies using reasonable assurance has increased since last year, suggesting a growing preference for this level of validation.

About 14% of reports used a combination of reasonable and limited assurance, and a very small percentage (4%) confirmed they had the report assured but did not disclose any details about the level of assurance.

Assurance



<b>A</b> External assurance	73%
<b>B</b> Internal audit assurance	8%
<b>C</b> No assurance	19%

Levels of external assurance (%)



# 3

## DETAILED FINDINGS

This section delves deeper into key findings for each of the principles, content and experience criteria, with examples from our sample and recommended actions to improve the effectiveness of reporting. For each criteria, we indicate the status trend.

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BACKGROUND

DETAILED FINDINGS

APPENDIX

### PRINCIPLES

Overarching concepts that should guide the application of the content criteria in the report



Completeness

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Stakeholder engagement

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Materiality

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### CONTENT CRITERIA

Information that should guide what is included as content in the report



Governance & accountability

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Strategy & drivers

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Commitments & targets

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### EXPERIENCE CRITERIA

Elements that improve the reader's overall experience of the report



Accessibility

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PRINCIPLES

# Completeness

Completeness describes the report's scope and boundaries, and reporting of performance and targets for material issues within those scope and boundaries. It requires an understanding of the company's value chain, and in particular material impacts that go beyond the company's direct operations.

## One year on

➔ Stayed the same

### Key findings

- ➔ The most effective reporters are those that clearly state their reporting boundaries, provide an explanation of how these were set, and clarify whether joint ventures or subsidiaries are included or excluded.
- ➔ They also include a discussion of sustainability impacts that relate to value chain activities when material.
- ➔ While the majority of companies discuss some impacts beyond direct operations, many do not provide a comprehensive description of the value chain without providing an explanation as to why.

### Key recommendations

- ➔ Clearly state report scope and boundaries so that there is absolute clarity over what is in and out of scope.
- ➔ Adopt a value chain approach to reflect a wider picture of material impacts. Often the biggest risks and opportunities occur outside of a company's direct control.
- ➔ Include a clear description or graphical representation of the company's value chain.

## In practice

### Ford Motor Company



Includes a very clear and comprehensive representation of the company's value chain. The company has identified all the direct and indirect impacts that occur at different stages of the production process, along with the impacts that occur in upstream and downstream processes.

For each value chain component, the report also identifies key stakeholders most affected by these impacts.

### Pirelli & Co



Clearly states the reporting boundaries in the "Note on methodology" of the report.

Offers a very comprehensive and detailed value chain. It clearly identifies every stage of the value chain and indicates the material importance (high, medium, low) along with the actors driving these impacts (suppliers, customers, waste-recovery actors).

Provides a carbon and water footprint for every value chain stage.

Every stage of the value chain is accompanied by a narrative on the company's strategy responding to the environmental impacts identified earlier.

### AkzoNobel



The reporting scope and organizational boundaries are clear and accessible.

Presents value chain stages in an infographic and discusses all components.

The infographic also includes inputs, business activities and outputs (for all segment areas), so that the reader can see where the company creates value along the value chain.



PRINCIPLES

# Stakeholder engagement

Stakeholder engagement is an open dialogue process with those people or groups influenced or impacted by a company's activities, now and in the future. Strategic and planned engagements can provide valuable insights that can inform the selection and design of sustainability investments, and together help businesses assess the impact of these investments. Engagement can take various forms, such as surveys, forums and other stakeholder dialogues beyond a business-as-usual mechanism.

## One year on

➔ Stayed the same

### Key findings

- The most effective reporters detail engagement channels beyond simple business-as-usual mechanisms. This may include stakeholder panels, employee representation boards or community committees.
- While most reporters identify major stakeholder groups, few explain the basis for selection or provide information on the outcomes of engagement and how this has influenced, if at all, their strategy and activities.

### Key recommendations

- Provide information on the approach to stakeholder engagement including channels used, key topics of engagement, and outcomes from these engagement activities.
- Explain why the organization engages with specific major stakeholder groups. This will help demonstrate why stakeholders are important and what the organization and the stakeholders gain from open dialogue.
- Discuss whether the issues offered by stakeholders have informed any changes to strategy or management approach.

## In practice

### International Paper



Clearly defines key stakeholders and their significance to the company.

Provides numerous examples of where legitimate stakeholder needs and interests have been addressed. For example, the development of the Supply Chain Sustainability Strategy involves internal and external stakeholders, and employment plans are based on employee feedback.

Uses stakeholder quotes from employees to provide additional insight. Some of these are critical or suggest improvements for the company.

### Toshiba Corporation



Gives a clear explanation of its stakeholder selection process, plus a concise overview of engagement activities during the year.

Details the relationship with each stakeholder group and their significance to the company; in addition, the report describes the company's responsibilities to each group.

Demonstrates response to survey results and acknowledges areas for improvement based on stakeholder opinions, which are also considered in the materiality process.

### Mondi



Acknowledges key concerns of each stakeholder group and lists these openly along with how they are engaged with.

Uses the transparent Socio-Economic Assessment Toolbox (SEAT), an externally facilitated platform for stakeholders to voice their concerns, views and expectations. The SEAT process helps Mondi update its understanding of the socio-economic context of the locations where it operates and enhance channels of communication with all stakeholders.

Stakeholder opinions are used within the report, including a comment from an external party raising criticisms and areas for improvement. SEAT reports are supervised by an independent third-party.



PRINCIPLES

# Materiality

A materiality process is used to identify and prioritize the most significant environmental, social and economic risks and opportunities – from the perspective of the company and its key stakeholders. It is an essential component of any report, and if used comprehensively it can help focus a company’s strategic approach to sustainability and reporting. It can also guide investment and resource allocation decisions.

## One year on

Improved

### Key findings

- The most effective reporters provide a clear description of their materiality process, including stakeholder involvement, outcomes and to whom these are presented within the company.
- They also present industry-specific issues, and provide geographical and operational context on material issues, for instance regional water scarcity.
- However, the majority do not disclose more sophisticated parameters used for prioritization, for example magnitude of the impact and likelihood of the impact occurring.

### Key recommendations

- Implement a transparent, inclusive and robust materiality process involving critical and representative external and internal stakeholders. Clearly define the process, disclose the outcomes and explain how this has influenced strategy and decision-making.
- Structure the report around the outcomes of the materiality analysis, or at least clearly direct readers to where they can find more detail on each of the material issues.
- Describe how material issues have been prioritized and how they relate to broader enterprise risk management.
- Where possible, consider external assurance or validation for both the process and the outcomes of the materiality analysis to reinforce the report’s credibility.

## In practice

### Novartis



Includes a dedicated supplementary document outlining the process and output of the materiality analysis.

The materiality matrix is comprehensive and sophisticated, providing detailed insight on the relative importance of issues and where internal expectations of materiality differ from external expectations.

This is supported by a detailed discussion of each material issue, including insights raised by stakeholder interviews.

### Infosys



Offers details on the significance of each material issue to the future of the company and indicates where material impacts go beyond the company’s operating boundaries.

It is particularly strong on the geographical relevance of each issue. This information is presented in an easy to read infographic that openly illustrates the level to which these issues are currently reported and the baseline year for targets.

The materiality evaluation and prioritization have been externally verified and assured, with an additional “Materiality Matters” check from GRI.

### ACCIONA



Presents the materiality process as a separate output for each of its main business lines. This allows any specific divisional differences to be identified, adding to the rigor and value of the analysis.

The process also discloses prioritization of issues, internal assessment and validation of material aspects by the Sustainability Committees of the business lines, and external consultations with opinion leaders and sustainability experts.

The application of the principle of materiality is externally verified in accordance with the AA1000 AccountAbility Principles Standard (APS).



**In focus:**

**Material items and integrated risk management at Eskom**

Eskom's integrated report focuses on qualitative and quantitative items that are material to Eskom's operations and strategic objectives. The board and executive management have defined what is "material" through extensive consultation within Eskom and with Eskom's stakeholders, while taking into consideration Eskom's strategic objectives, risk assessments, and the way in which its value chain operates.



Material items are those that are both of high concern to stakeholders and have a significant impact on the business. Among the many things Eskom analyzed to determine its material items, the company concentrated on the key risks identified by its integrated risk management process. Once the list was determined, it was analyzed in terms of strategic objectives and the integrated reporting steering committee considered its accuracy and completeness. As part of Eskom's governance process, the executive management, social ethics and sustainability, and audit and risk board-level committees also reviewed it.

Eskom's stakeholder relationships are managed in terms of a governance process aligned with the King III code of corporate governance. This process includes a stakeholder management data tool and the bi-annual submission of an integrated stakeholder relations issues and engagement report to the executive management committee and board.

More than 120 engagements with stakeholder were held in fiscal 2014 at a national level, excluding the many engagements that happened at operational and provincial levels. Engagements focused on sharing key information, improving existing and new relationships, and creating partnerships to ensure support in addressing challenges that are affecting customers.

**Stakeholder materiality matrix**

The issues identified through the stakeholder engagement process were aggregated and summarized into a stakeholder materiality matrix. Stakeholder concerns ranked as "high" or "medium" impact have the potential to significantly affect the company's achievement of its strategic objectives. The material items have been numbered to allow for cross-referencing with the *key focus areas and associated risks* table which can be found on the Eskom website at <http://integratedreport.eskom.co.za/esk-risks.php>

**Risks relating to material items**

Eskom considers two risk profiles:

1. The **enterprise risk profile** is a top-down view of risks facing the organization, including: external factors and enterprise events that are strategic challenges; the company's ability to develop and

execute strategy, achieve strategic objectives, and build and protect value; those that occur across multiple divisions; a single business risk that is material enough to impact the objectives as a whole.

2. The **business risk profile** is a bottom-up view of risks facing the divisions, including: risks that will have significant consequences should they materialize, but that may not be consistently listed on the risk register because of the perceived adequacy of the controls or due to their perceived low likelihood; business continuity management risks; disaster risks.

In line with Eskom's integrated risk management methodology, inherent risks are continuously reviewed with a particular focus on the effectiveness of controls. Risk identification is based on recognizing what could go wrong and disrupt the achievement of current objectives, and whether there is adequate mitigation in place to address such an eventuality. The key focus areas of the stakeholder materiality matrix are:

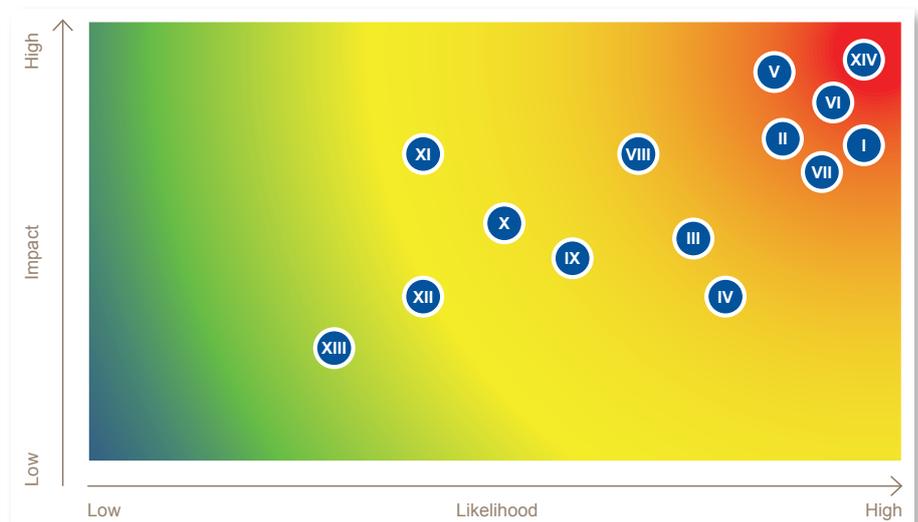
- I. Focus on safety
- II. Improve operations
- III. Being customer centric
- IV. Build strong skills
- V. Security of supply
- VI. Delivering capacity expansion
- VII. Labor
- VIII. Reduce environmental footprint in existing fleet
- IX. Implementing coal haulage and the road-to-rail migration plan
- X. IPP-contracted energy
- XI. Independent System Market Operator
- XII. Maximize socio-economic contribution and procurement equity
- XIII. Employment equity
- XIV. Ensure financial sustainability

Eskom has devised a heat map that indicates the relative likelihood and impact of selected risks noted in the materiality matrix. For a risk to be classified as a priority one risk, both the likelihood and impact should be high.

Eskom's integrated risk management process, through the defining of material items, the stakeholder materiality matrix, and the identification of risks relating to the material items, allows the company to provide greater security for its employees, customers and other stakeholders.



Stakeholder materiality



Heat map of risks linked to material items



## PRINCIPLES

# External environment

The external environment refers to the company's forward-looking narrative on the operating environment that could influence its strategy and performance. It can include societal, environmental and regulatory risks and opportunities. Anticipating and responding to the external environment can drive resilience, improve competitiveness and set the direction for a long-term sustainability vision.

## One year on

↕ Improved

### Key findings

- The most effective reports discuss the external environment and demonstrate an understanding of how these might impact their business by creating risks or market opportunities that would otherwise go unnoticed.
- Some reporters do not provide an in-depth and forward-looking analysis of their external environment and instead focus their forward-looking narrative exclusively on targets.
- While companies are generally strong on their awareness of megatrends and changing marketplace conditions, they often provide little insight into how regulation could impact strategy and performance.

### Key recommendations

- Carry out a wide and thorough analysis of the external environment and link these insights to the enterprise risk management process.
- Describe the external environment in the context of the business model and strategy, including plans to take advantage of new opportunities and other business benefits, such as cost savings and risk mitigation.
- Use external environment analysis to inform the company's long-term vision for the integration of sustainability into the business model and strategy.

## In practice

### CLP Holdings



Acknowledges diverse challenges affecting its business operations and provides an insightful discussion on the impacts of climate change and appropriate management plans to address these risks appropriately.

Additionally, the report takes into account shifting market trends and discusses the business implications of reduced demand as a result of increased energy efficiency.

Includes a thorough discussion on regulations that the company complies with, as well as engagement around future regulation.

### Honda Motor Co.



Provides a detailed overview of current external risks and describes global trends (biodiversity, resource scarcity, and global warming) including how they will impact performance and strategy.

Discusses shifting market trends through Honda's Environmental Performance Standards (HEPS) to respond to and take advantage of opportunities for business expansion.

Shows awareness of the regulatory environment and demonstrates opportunities and risks arising from tightening regulations.

### Sasol



Offers a succinct discussion of why natural resource competition requires greater efficiency within the organization and the commercial opportunities from technological innovation.

Provides insightful discussion on the external environment in many different respects, demonstrating detailed awareness of the financial and political situation in operating countries and the impacts of geopolitical uncertainties on product prices.

Includes a thorough discussion of regulations, notably of the challenge of taxing carbon in South Africa.



PRINCIPLES

# Reliability

Evidence of independent third-party assurance of key sustainability data and disclosures increases the credibility and reliability of the report to the reader. The disciplines and controls needed for assurance also contribute to the overall value that non-financial reporting provides to both the company and its stakeholders. These can lead to improvements in corporate integrated performance by providing confidence to senior management that non-financial data can be used in the decision-making process.

## One year on

● Not applicable

### Key findings

- The most effective reporters disclose an assurance statement that details the name of the assurance provider, its independence and describes in sufficient detail and non-technical language, the objective and scope of the assurance process, the engagement boundaries, and the applied standards or regulations.
- In addition, they disclose the key findings and recommendations for improvement if found.
- Most reporters use external sources of assurance with the use of internal audit decreasing from last year. However, the level of assurance is more likely to be limited rather than reasonable with the definitions of what these terms mean not always consistent.

### Key recommendations

- Describe the assurance process fully and in clear language. Consider its effectiveness by combining both internal and external assurance process with providers working in collaboration.
- If external assurance is not used, explain why. If it is, then develop the role and scope of the external assurance provider, its independence, engagement boundaries, and the key findings of their report.
- If technical language is required, then the assurance provider should define what is meant by terms that could be misunderstood.

## In practice

### Royal Philips



Provides reasonable external assurance of its sustainability statements together with social and environmental performance disclosed in its annual report.

The assurance statement provides an integrated opinion as to the information on sustainability in the rest of the annual report.

The GRI content index is used to more specifically indicate the information and data assured under the independent assurance engagement.

### CEMEX



Provides limited assurance for the KPIs relating to the material issues identified in the report.

The assurance statement provides a detailed description of the KPIs assured and indicates the procedures or guidelines employed to calculate the relevant indicators.

The assurance statement also provides explanations on the basis, objective and scope of the verification before conclusions.

### Eskom Holdings



Provides external assurance on selected sustainability information in the integrated report.

Reasonable assurance is provided on key performance indicators that relate to material issues. The indicators that were reasonably assured are classified by themes and clearly listed in the assurance statement.

Key performance indicators are also presented in tables featured in the appendices and assurance is marked with an abbreviation to help differentiate the indicators that were assured from those that were not.



PRINCIPLES

# Balance

A balanced report is transparent about risks, successes, failures, challenges and opportunities that a company faces now and in the future. The report should reflect positive as well as negative performance over the reporting period to enable a complete and unbiased assessment by the reader.

## One year on

↑ Improved

### Key findings

- The most effective reporters disclose sustainability risks that pose a threat to the company, its profitability and its reputation.
- Credible reports provide balanced disclosure on performance.
- Some reporters do not disclose information on the challenges they have encountered or how they have responded to major stakeholders' concerns, instead focusing exclusively on positive stories and performance.

### Key recommendations

- Ensure a balanced report by providing details on missed targets and areas of poor performance, including the context and any corrective measures taken.
- Demonstrate engagement with stakeholders to respond to concern or criticism on the response to material issues.
- Disclose the nature and amount of fines paid and any non-compliance incidents, including what caused them and what actions are being taken to prevent them in the future, as well as any settled or ongoing litigation. For the latter, involve legal and finance to ensure consistency with other corporate reporting disclosures.

## In practice

### Empresas Publicas de Medellin



Discloses failed targets through color coding that indicates the incomplete goals alongside short narratives on poor areas of performance.

A full page is dedicated to fines and penalties for regulatory non-compliance are presented on charts according to the cause or to the entity imposing the penalty.

Provides details on the lawsuits filed against Empresas Publicas de Medellin in relation to claims from suppliers and contractors' employees.

### Stora Enso



Addresses major stakeholder concerns and responds to negative media coverage.

Describes the nature of the complaints received during the reporting year, and includes interactive links that lead to the company's responses which are located within and outside of the report.

On top of disclosing environmental fines and incidents, the report includes discussion of risks and challenges experienced during the year.

### Metsä Group



Details legal cases, claims and subsequent actions, including the people involved, dates, the nature of the accusations, and the consequences of the proceedings.

Includes in-depth disclosure of environmental incidents displayed in a table indicating the business area, the unit, incidents and corrective actions.

Responds to negative mainstream and social media coverage.



## PRINCIPLES

# Conciseness

Conciseness implies focusing on the most relevant information and messages, and prioritizing quality over quantity. It is one of the most challenging criteria to get right. If a report can be drafted in a concise manner, it can avoid unnecessary disclosure and improve coherence while reducing information overload for readers.

## One year on

↑ Improved

### Key findings

- The most effective reports are meaningful and relevant to the reader while being succinct and focused.
- Few reporters offer a summary document and those who do often make it too long or focus only on activities without providing information on strategy or performance.
- Often, despite their length, reports do not provide sufficient information on material issues and other critical aspects of effective reporting.

### Key recommendations

- Understand the audience's information requirements and ensure reports meet their needs.
- Focus reporting on material issues and avoid unnecessary disclosures on less important issues.
- Provide a summary document so that time-poor audiences can get a concise overview of key performance and highlights.
- Agree on word limits for key sections and ensure report contributors are properly briefed so that they understand how much detail is needed.

## In practice

### Unilever

A concise report focused on performance against the Sustainable Living Plan.

Avoids over-disclosure as well as those not directly related to the company's goals, performance and activities. It refers readers to online content for more detailed discussions on the company's focus areas.

Written in a clear and accessible language, using short sentences and bullet points and avoiding technical jargon.



### Anglo American

Content is informed by the material process and material issues are clearly signposted for readers.

A clear summary document offers key points under each overarching topic and gives a good overview of company activities.

The report is not overly fragmented. Where information exists in other sources, this is clearly signposted from the main report.



### AB Carbon Black (part of Aditya Birla Group)

All material issues are addressed appropriately and within reasonable length.

Good effort is made to communicate complicated issues in simple terms.

Aditya Birla presents a strong example of a company that has succeeded with the conciseness criteria, producing a concise report focused on the identified material issues and structuring the report narrative around these.





CONTENT CRITERIA

# Governance & accountability

Governance and accountability focus on how a company defines its management responsibility and oversight for sustainability activities and performance. Sustainability governance should be an integral part of the overall corporate governance structure to support further integration of sustainability challenges and opportunities into business decision-making.

## One year on

↑ Improved

### Key findings

- The most effective reporters demonstrate how the company has integrated sustainability governance into its overall corporate governance structure, such as through board level committees. Evidence of this structure is provided beyond the corporate function and typically includes regional and local governance.
- Additionally, the most effective reporters include specific details on the governance activities of the board committee, including the specific sustainability responsibilities of committee members, and the frequency of sustainability committee meetings.
- Few reporters provide details on how the board or senior executives are remunerated or incentivized upon achievement of sustainability goals or targets. Insight into key decisions, actions and outcomes from these meetings is rarely included in reports.

### Key recommendations

- Describe how sustainability governance is structured and how this is embedded in the overall governance structure of the organization. Ensure there is a clear description of any board committee that has sustainability oversight.
- Provide further details on committee meetings related to sustainability and explain local or regional sustainability governance and how it feeds into the overall governance structure.
- Use internal audits to improve the rigor of reported data. This will help to improve its reliability.

## In practice

### DSM



Provides a detailed description of the sustainability governance framework, including responsibilities and functions of various boards and sub-committees.

Describes how sustainability is addressed through internal regional sustainability networks in a number of emerging economies.

Provides transparent and comprehensive information on how board-level incentives are linked to sustainability targets, including the employee engagement index, safety performance, GHG emissions reductions, and energy-efficiency improvements.

### ABB



Includes a diagram illustrating how sustainability governance is organized at corporate and regional levels. This is followed by a compelling narrative on corporate-level sustainability groups and committees.

Provides insight into regional and local sustainability through a detailed account of the Global Sustainability Network, which comprises country and regional specialists supported by local sustainability officers and health and safety advisors.

### Arcelor Mittal



Provides detail on the composition and mission of a newly created Corporate Responsibility Council, and explains the reorganization of the management structure to achieve a deeper understanding of regional issues at corporate level.

Includes detail on the incentives the Board receives and which are dependent on the company's fatality and LTIFR record, referencing the annual report for more information.

Offers more insight through additional narrative on the implementation of corporate responsibility at regional and local levels.



**In focus:**  
**Using governance to embed sustainability into ACCIONA's business model**

ACCIONA's Sustainability Master Plan 2015 outlines its strategic approach to sustainability.



It consists of nine areas with measurable targets to monitor progress: innovation, environment, society, people, value chain, good governance, stakeholder engagement, dissemination and leadership, and accountability.

At ACCIONA, sustainability actions are a top-down, hands-on concern, supported from the highest governance level. Since 2009 the Sustainability Committee – comprising four non-executive directors – has been on the company's Board of Directors and exclusively dedicated to sustainability. It guides ACCIONA's corporate policies, objectives, and programs with regard to sustainability and monitors implementation and progress. In 2013, among other tasks, the Sustainability Committee: verified advances in the development of initiatives and the degree of compliance of the targets set for the previous year within the Sustainability Master Plan; set targets for 2013; and approved the company's *Policy Book* and the annual *Sustainability Report*.

ACCIONA's Sustainability Management unit is responsible for coordinating and putting into practice the initiatives and commitments of the Sustainability Master Plan, working in close collaboration with a number of areas of the company. To bring sustainability closer to the businesses, in 2012 sustainability committees were created in ACCIONA's main divisions – Energy, Infrastructure, Water and Services. These committees, together with the Sustainability Management unit, lead the implementation of the sustainability strategy in each business line through specific actions and performance targets.

Being a global company with presence on five continents, ACCIONA also has sustainability representatives outside of Spain, including in Australia, Brazil, Chile and Mexico. This organization helps ACCIONA better understand the social, environmental and human rights context in the different international markets, and therefore to implement relevant initiatives that are appropriate to the local context.

Furthermore, sustainability is considered in the company's risk management system. Whether or not an action will have a negative impact on sustainability and development is among the criteria used by ACCIONA management to assess the different risk scenarios within risk mapping.

To maintain transparency and accountability, shareholders are informed of sustainability topics relevant to the company at the General Shareholders' Meeting. Since 2012, the contents of the annual Sustainability Report have been submitted for the review and approval of the shareholders at their yearly meeting. Through their vote, the shareholders express their opinion of the how the company is doing on social, environmental and corporate governance activities and performance as disclosed in the report.

ACCIONA has also taken a step further in its commitment to transparency by producing a separate *Integrated Report* which connects the information provided in the *Sustainability Report*, the *Financial Statements*, and the *Annual Report*. In 2014, for the second year running, ACCIONA published its *Integrated Report 2013*, applying the guidelines of the International Integrated Reporting Council Framework. Following the principles set out in the <IR> Framework, the *Integrated Report* describes the company and its prospects using transparent, comprehensive and relevant information, addressing the internal and external elements that enable ACCIONA to create and distribute value in the short, medium and long term.

The Integrated Report aims to enable stakeholder examination of key aspects of ACCIONA's business, moving from a global overview down to the details of each unit, discussing the future trends, challenges and risks it faces, and the new strategy implemented to achieve growth that, together with its sustainable value creation model, is essential for the company's future.





CONTENT CRITERIA

# Strategy & drivers

A strategic approach to sustainability is clearly-articulated and addresses material environmental, social and governance risks and opportunities. It should link to the overall vision and mission of the company and support the delivery of sustainable outcomes.

## One year on

↑ Improved

### Key findings

- The most effective reporters describe how their business model depends and impacts on resources beyond financial capital, for instance natural and social capital. They also demonstrate of understanding of how these translate into risks and opportunities specific to their business.
- Visually or through the narrative, they also articulate how these risks and opportunities have been integrated into the corporate business strategy or, at least, describe the management responses put in place to address these issues in a strategic way.
- However, many reporters still do not make connections between sustainability and financial performance – either quantitatively or qualitatively – and fail to demonstrate how sustainability supports business objectives in the medium to long term.

### Key recommendations

- Identify the key sustainability outcomes the business wants to achieve and link these to the core business strategy. Describe how the business strategy and business model have been adapted to support these outcomes.
- Avoid limiting the sustainability outcomes to downside risk management, but aim to show how the strategy drives commercial value as well as sustainable outcomes, for example through innovation.
- Articulate a clear business case that is specific to the business and external environment, and also reference key drivers such as cost savings, alongside the expected benefits.

## In practice

### Siemens



Thoroughly describes three strategic directions, each broken down into three focus areas. The report also explains sector strategies.

Articulates a long-term vision which is linked to the company's overarching strategy. Also uses megatrends to inform strategy and links these to opportunities.

Shows how the service business will provide profitable growth in the long term and explains how intensifying customer focus will enable the company to respond quickly to changing market requirements.

### Novozymes



Sustainability is fully embedded in the company's vision and across all three strategic principles that underlie Novozymes' business model and drive long-term growth. Additionally, the interview with the Novozymes executive vice president for research and development demonstrates how core operations and the business model will generate value over time.

Various examples provide strong evidence that sustainability is integrated in all company functions ranging from corporate processes to operational and process functions.

### AkzoNobel



Elaborates a clear sustainability strategy with four main components fully embedded in the corporate business strategy and translated into focused business area strategies.

The corporate strategy is being translated into three specific divisional strategies, all of which include the key elements of the sustainability strategy.

The report is also very strong on its value creation messaging, making a solid business case for sustainability by showing the monetary value of efficiency programs for GHG emissions, energy and waste reduction.



## In focus:

### The noble art of integration at SCA

Sustainability is integrated into basically every company's business. But what does this mean? And how can long-term sustainable business thinking be truly integrated into an organization?



#### Top management buy-in

Integrating sustainability starts at the top and is implemented at the grassroots level in a company. An understanding from top management of the link between sustainability and successful business is crucial, since this is where the necessary strategic decisions are made and the relevant policies and structures are created.

At SCA, top management buy-in is not a problem. The company's origins as a forest products company have given it a deep connection with and sense of responsibility for the environment; as early as the 1950s, SCA had already established an extensive social program for its employees. The insight of sustainability's impact on business success led to the decision to include a senior vice president for sustainability in the top management team in 2010. Even though SCA was already advanced in the sustainability field, this organizational change emphasized even more the importance of value creation for people and nature and boosted the sustainability focus.

#### Strategy, target setting and operationalization

Strategy, target setting and follow-up are central to integrating sustainability throughout the company. At SCA, sustainability is integrated into the business strategy process. The sustainability strategy is not separate – it is part of the business strategy.

Developing a strategy and targets requires the integration of stakeholders' views in the process to ensure focus on relevant issues. SCA conducted its first stakeholder analysis in 2008 and has continued to run similar analyses regularly. Management also needs to consider which business drivers will affect the company and stakeholders, such as an aging and growing population, a growing middle class, changing customer and consumer behavior, and climate change.

SCA has set up a number of group targets – financial, people and nature – that are all equally important. The targets are operationalized and included into the business units' business plans; the business units are asked to report back on target fulfillment. This setup places the sustainability aspect high up on the business agenda.

SCA's energy-efficiency program, ESAVE, designed to reduce consumption and carbon emissions, is an excellent example of how the CO<sub>2</sub> target is implemented throughout the company. ESAVE takes a small-scale approach, yet generates a significant effect. For example, a typical ESAVE project could involve reducing electricity consumption by improving or replacing pumps, compressors, fans or lighting. Between 2010 and 2013, 1,000 projects were implemented, resulting in a 3.1% reduction in energy used per tonne of product produced.

#### Bringing non-financial data into the overall reporting cycle

What is measured gets done; therefore the reporting of non-financial data and setting up key performance indicators (KPIs) is crucial to the integration process. SCA has dedicated one person to developing and integrating non-financial reporting into financial reporting, an effort which has increased the quality of the data considerably.

#### Engage all employees as sustainability ambassadors

As Europe's largest private forest owner, forests are very valuable to SCA, both as a source of raw materials and as carbon sinks. Its 2.6 million hectares of forestland largely absorb the carbon emissions from its own production. When it comes to sustainability implementation, the operational decision-makers make all the difference. And they need to understand why a sustainable approach is beneficial and meaningful to them, preferably in terms of return on investment and efficiencies.

In 2011, SCA conducted an internal survey which showed that 40% of its sales and marketing people had experienced situations where the company's sustainability approach had been a decisive factor in contract negotiations. Customers want to do business with a financially stable company that treats its employees fairly. Thus employees need to be provided with the appropriate means for telling the sustainability story, such as presentations and brochures.

SCA's 44,000 employees are an invaluable asset as sustainability ambassadors. Via the intranet, TV monitors and magazines, staff share best practice examples of sustainability efforts, thereby inspiring others and making people proud to work for a sustainable company.



SCA participates with an all-female team in the Volvo Ocean Race 2014-2015



## CONTENT CRITERIA

# Commitments & targets

Commitments and targets are specific and measurable performance goals or management actions that a company aims to achieve over a given period, ideally for each material issue. They are critical to delivering a company's strategy and enable annual reporting on progress. They are increasingly combined with more aspirational, long-term objectives and stretch targets.

## One year on

### Improved

#### Key findings

- The most effective reporters set ambitious overarching aspirational objectives for each material issue, which are supported by specific and measurable targets.
- They also use short- or medium-term intermediary targets to support the achievement of longer-term goals. Some companies, however, only have a short-term focus, typically one to two years, and use ambiguous and unspecific language when setting targets.
- Some companies do not report against their targets and there is often limited discussion on how targets will be reached.

#### Key recommendations

- Ensure every material issue has a measurable target, ideally addressing those direct impacts within the operations of the business as well as the impacts of customers and suppliers in the wider value chain, where material.
- Set medium- and long-term targets alongside those for the short term so that readers can see a clear path towards improved performance.
- Report on progress and the level of achievement against past targets, regardless of poor performance. This will help deliver a more balanced report.

## In practice

### Unilever



Displays past, present and future targets along with the company's strategic objectives in a single and comprehensive table that clearly indicates the level of achievement according to four performance metrics; achieved by target date, "on-plan for target date", "off-plan for target date" and percent achieved by target date.

The targets listed are measurable and have clear timelines associated with delivery.

Classifies targets against different focus areas as indicated through color coding. This helps with the user experience because relevant content can be easily found.

### Heineken



Identifies four key areas against which 2020 targets have been set.

Focuses on the 2015 milestones accompanied by progress made against each milestone in 2013.

The level of achievement is indicated through color coding which is supported by the results in numbers or narrative.

### Holcim



Includes a summary of progress against targets at the beginning of the report. Based on its Sustainable Development Ambition 2030, the company has set long-term aspirations and intermediate targets to provide a clear pathway for it to achieve its ambitions and to address focus areas.

Targets are displayed throughout the report and consistently have a clear timeline for delivery.



**In focus:**

**Fibria's long-term targets**

Seeking to further integrate sustainability into the company's corporate strategy, Fibria, the Brazil-based global leader in the pulp market, established long-term targets for 2025. In 2011, on the recommendation of its Sustainability Committee, which is linked to the Board of Directors and coordinated by the company's Chairman, Fibria began evaluating how to best establish a set of long-term targets that would help guide the company into the future.



**The process**

Stakeholder views and perspectives of the future had to be considered for these targets to be seen as legitimate by the company's internal and external stakeholders. Additionally, the targets had to be broad enough to involve various departments within the company and had to benefit both the company and society, following Fibria's concept of *lucro admirado* (admired profits). This concept recognizes that generating returns for its shareholders is an essential business role, but that these returns must be seen by society as legitimate, conserving the environment and improving quality of life.

Therefore, it was determined that the best process would have to be both inclusive and systemic. The process involved not only the company's leadership, Board and Sustainability Committee, but also all areas within the company. Buy-in at all levels, as opposed to the defining of long-term targets from the top down, was considered an essential part of ensuring that the targets were also systemic, creating a sense of shared responsibility.

Stakeholders' views were brought into the process through the inclusion of numerous tools, such as the company's Materiality Matrix, the Enterprise Risk Management (ERM) project, and maps of the company's key impacts on communities.

A set of 90 variables that directly or indirectly affect the company's forest management, pulp production and sales were identified. These variables were grouped into six key macro-themes that directly influence the company's performance: market and shareholder return; eco-efficiency; forest management model; stakeholder relationships; social acceptance and legitimacy; personnel management and corporate culture.

**Results and outreach**

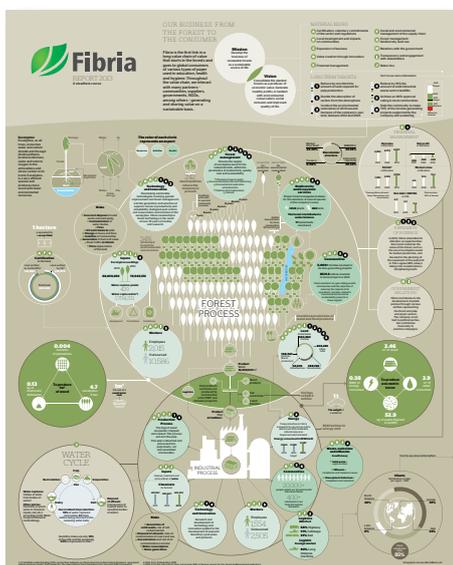
This process resulted in the establishment of six targets with a 14-year horizon, corresponding to approximately two eucalyptus harvest cycles, ending in 2025. The six systemic, long-term targets each cascade into short- and medium-term targets, and involve numerous KPIs, some GRI indicators, and other indicators that are sector specific. Fibria makes all indicators available in its annual report, presenting how far the company has gone to reach the targets and where the challenges lie.

Fibria has been part of the IIRC Pilot Programme; with the objective of adapting its report to the IIRC framework, the company created an infographic format of its 2013 report (see below). This format accounts for the status of performance in relation to each of its long-term targets, as well as connecting each target to a specific element of the company's business model. It is clear from the infographic, for instance, that most long-term targets are related to the company's forest operations. With this tool, Fibria's stakeholders have a more accessible and user-friendly way of understanding how the company seeks to generate value in the long term and the initiatives and strategy used to reduce impacts, mitigate risks and make the most of opportunities.

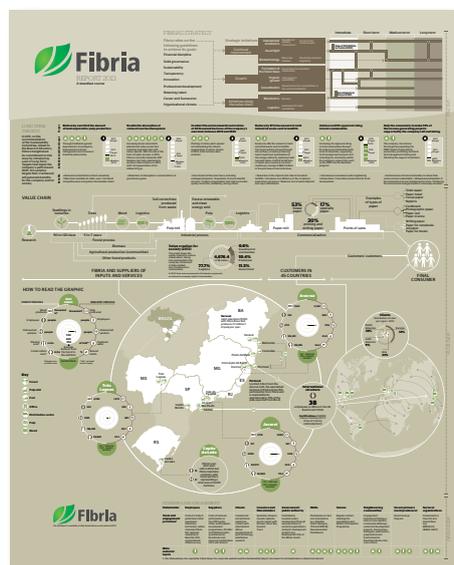
**Future challenges**

These targets, like societal demands and the business itself, are not static and may evolve or take on new commitments depending on market, business or societal requirements. Moreover, further work must be done to more thoroughly incorporate these targets into the company's management systems.

[Download Fibria's long-term targets matrix.](#)



From the forest to the consumer



Strategy



## CONTENT CRITERIA

# Management approach

Management approach describes the systems, controls and processes in place across the organization to manage and monitor material issues. It can include the deployment of frameworks, guidelines, tools, internationally recognized management systems and certifications, as well as stakeholder engagement activities focused on facilitating implementation by employees, suppliers and customers.

## One year on

↑ Improved

### Key findings

- The most effective reporters describe in appropriate detail the systems and processes to manage material issues and how engagement with employers, suppliers and customers supports implementation.
- While some companies explain their management approach, there is often limited information provided on the tools, systems, processes and frameworks that guide implementation.
- The same applies to information on systems, processes and controls over reporting and disclosure. Very few companies describe their internal reporting and data collection processes and frequency.

### Key recommendations

- Describe the tools, systems, controls, processes and frameworks that guide strategy implementation. An exhaustive list is not necessary, but the aim should be to provide a fair and balanced overview of the management approach.
- Show how sustainability is embedded in corporate and operational functions beyond the sustainability team, and how sustainability is coherently managed between corporate and site levels.
- Provide information on data collection processes and internal controls; communicate this information internally to improve the confidence of other functions and departments in the quality of non-financial data.

## In practice

### Kering

Pioneered and implements a group environmental profit and loss (EP&L) account across all of its 23 brands and discusses how this will inspire greater understanding and decision-making for management.

Uses external and internal certification on issues such as environmental management, energy-efficient buildings and organic textiles. The group also uses an internal Smart Sourcing program and created a Materials Innovation Lab (MIL) to support the needs of different brands.

Emphasizes responsible supply chain management, including, support for suppliers all the way to raw materials on EP&L and environmental footprint reduction, and best practice sharing with a focus on developing innovative solutions to sector and industry challenges.



### Pepsico

Includes a narrative on internal systems for environmental health and safety and external certifications such as LEED or the WBCSD Global Water Tool.

Focuses on increasing supplier capacity through education on how to improve sustainability.

Through the inclusion of sustainability as an objective for innovation, expenditure and strategic planning, it is embedded in company process and operation.



### SCA

Explains how employee training and development assist the implementation of a more sustainable system and how the company delivers training on corruption, ethical practice and safety.

Demonstrates how the company engages with consumers on hygiene issues and offers training on issues such as childcare, midwifery and incontinence to a range of product users and that is adapted to their geographical context.

Details the data collection processes used for both social and environmental data and indicates the frequency at which the data is collected and reported internally.





**In focus:**

**The Lafarge Sustainability Compass: Developing an integrated sustainable development strategy**

Lafarge has developed the Sustainability Compass, a new strategic methodology to allow country management teams to tailor their sustainability strategy to fit their specific local context. Through this methodology, sustainability is considered a catalyst to achieve its business objectives.



Sustainable development has been an integral part of the Lafarge culture for over thirty years. As an industrial company producing construction materials, primarily cement, aggregates, and ready-mix concrete, the company can have a large environmental and social footprint in the communities in which it operates.

In 2012 Lafarge launched the Sustainability Ambitions 2020 program, which consists of 34 objectives set at the group level and covering a broad range of environmental, social and societal issues. Within Sustainability Ambitions 2020, country units are responsible for implementing actions that contribute to achieving the group's objectives, while monitoring of group progress is done by the corporate sustainability team. However, some of the objectives set at the Group level may not be directly applicable in every country. Thus the company created the Lafarge Sustainability Compass to help managers in 62 countries prioritize objectives and determine the local sustainable development strategies to drive value creation in their countries for both Lafarge and its stakeholders:

**1. Assessing performance**

The selected impact areas, framed in terms of how stakeholders look at societal and environmental issues, are:

- Environmental issues: biodiversity, water, clean environment, waste and materials, climate change and energy;
- Socio-economic issues: basic needs, health and safety, human capital, employment, ethics and governance.

Sixty key performance indicators (KPIs) help assess performance in each of the impact areas, with some KPIs being used to inform more than one impact area. By weighting the 1 to 5 ranking of the performance based on its importance to the impact area, an overall assessment emerges. The performance level of each of these KPIs is then used to get an assessment of the balance of sustainable development performance against risk management, operational efficiency and innovation.

**2. Identifying key issues at country level**

The next phase of the methodology is to customize the importance of performance in each area to the local context, taking into account the views of nine different stakeholder groups considered in Lafarge's value chain:

- Commercial stakeholders and business partners: investors, suppliers, workforce, clients and end-users;
- Stakeholders affecting the license to operate: local communities, governments, non-governmental organizations and the media.

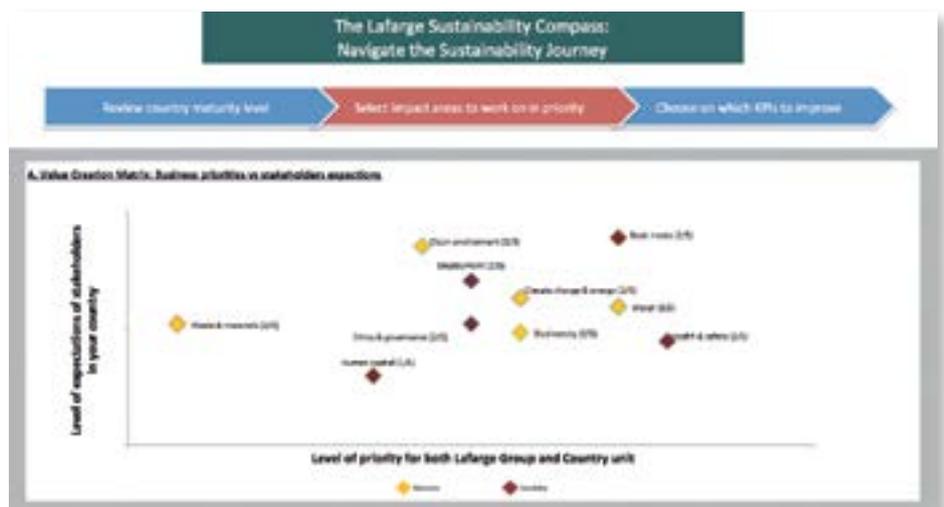
An assessment of the importance of each area as perceived by the local business and the importance/potential impact that each of the stakeholder groups has on the local business is the last part of the input.

**3. Developing country-specific action plans**

The first thing Lafarge advises country units to do is to check if they have any areas of poor performance as this represents a risk that can undermine an otherwise excellent program. Next they need to look at areas of importance to their stakeholders and their business that have just average performance: these represent areas of untapped broad value creation. In order to choose the appropriate lever to improve performance for a selected impact area, country units are provided with an estimate of the cost of marginal improvement on each KPI and its overall effect on the system. On this basis, country management teams draw up their action plans, which are then fully integrated into the Group's existing management cycle.

The Sustainability Compass helps further integrate sustainability at Lafarge by providing value to the reporting process, turning this data into useful information to inform decision-making. It outlines the business case for sustainable development in a practical manner: sustainability strategies will be implemented not to deliver on a Group commitment but because Lafarge understands the value that they bring to the business and stakeholders locally.

[Download full case study.](#)





CONTENT CRITERIA

# Performance

Measuring and monitoring performance is critical to demonstrating progress. Specific and measurable key performance indicators (KPIs) should be reported for all material issues and distinguished from other indicators. KPIs help to increase comparability with competitors over time and provide accountability so that performance trends can be monitored and corrective actions taken when required.

## One year on

➔ Stayed the same

### Key findings

- ➔ The most effective reports have KPIs in place for all material issues, clearly distinguishing them from other non-material indicators. Data is usually presented over at least a two-year time scale and a description of the performance trend is given for context.
- ➔ Some reporters do not provide KPIs for all material issues, which can either be explained by the absence of a materiality process or the large quantity of material issues defined which makes it difficult to provide a comprehensive set of KPIs.
- ➔ Some companies disclose data at a corporate level only, which can hide significant regional and segmental variations. This is particularly important in some cases to determine real progress.
- ➔ Few measure the outcomes of management interventions or the effectiveness of management processes, for instance the outcomes of audits.

### Key recommendations

- ➔ Ensure the development of at least one KPI per material issue and track progress over time. If the sector has developed a standard set of KPIs, these should be used to allow for performance comparability.
- ➔ Clearly distinguish material KPIs from other indicators and consider ways to make these more outcome focused. Align KPIs as much as possible with financial statements by using the same material reporting segments, which can be geographical and/or product specific.
- ➔ Whenever possible, contextualize material KPIs by relating them to ecological limits, planetary boundaries, social concerns or geographies.

## In practice

### Anglo American



Material issues have been condensed into four themes against which a KPI has been developed. KPIs are presented after the strategy along with results and targets to monitor progress and deliver on the strategy.

Includes a description of each KPI to explain how performance is measured and provides a narrative on performance trends.

### Syngenta



Each material issue has a KPI; the report additionally presents non-financial KPIs along with financial KPIs at the beginning of the report.

Presents performance data at a more granular level for some material issues such as water use which is reported according to the usage type (such as cooling, irrigation) and origin (including surface, underground, drinking and recovered rain water).

### DSM



KPIs have been set for all measurable material issues.

Consistently provides a narrative on performance trends by explaining the variations in performance as well as the projects planned to improve performance.

Presents data at a more granular level so that the reader gains more insight into performance on specific lines of products and geographic differences on issues such as water management.



CONTENT CRITERIA

# Evidence of activities

Evidence of activities involves reporting on sustainability activities such as strategic programs and initiatives that occur during the reporting year or progress on existing sustainability activities. It helps link the management approach to actions and performance and can substantiate statements and claims.

## One year on

Improved

### Key findings

- The most effective reports focus on strategic sustainability activities that address material issues during the reporting year and demonstrate the organization's management approach in action.
- While some reports include relevant and compelling case studies that bring sustainability activities to life and illustrate actions and outcomes, the majority do not use case studies to their full potential and rely on anecdotes.

### Key recommendations

- Illustrate sustainability activities through relevant and compelling case studies focusing on material issues, linked to a wider strategic program or management action and focused on outcomes. Use the report or cross-reference to an online case study library.
- Provide appropriate background on the development of strategic programs and initiatives over time but focus on achievements, progress and challenges during the reporting year.

## In practice

### AB Carbon Black (part of Aditya Birla Group)

Includes a strong narrative on sustainability activities and initiatives, often with a useful historical context.

Addresses material aspects through case studies that have a strong emphasis on outcomes driving sustainability within and outside the company.

Case studies illustrate projects carried out in various locations and provide insight into cost-saving projects and benefits derived from specific collaborations with different types of stakeholders.



### Nestlé

Provides ample evidence of the company's commitment to address key challenges in relation to the creating shared value agenda, including nutrition, rural development, responsible sourcing and water management.

Posts additional case studies online where a searchable database can be used to select case studies according to the topic, the country and the type (e.g. film or story). The website also includes an interactive map indicating the number of case studies in different regions as well as the title and the exact location so that the reader can find out more by clicking on the map.



### Schneider Electric

Provides a strong narrative describing the many sustainability-related initiatives undertaken by the company during the year, often placed in a historical context.

Many examples of sustainability-related activities and programs are provided throughout the report which demonstrates the company's commitment to tackling material issues.

Case studies demonstrate responses to material issues and are featured throughout the report.





## CONTENT CRITERIA

# Strategic partnerships & collaboration

Appropriate and strategic partnerships and collaborations can help accelerate action and scale up solutions by combining expertise, resources and networks across key stakeholders who share a common goal. They should focus on addressing a company's material issues and support the implementation of a sustainability strategy.

## One year on

↗ Improved

### Key findings

- The most effective reporters highlight strategic partnerships and collaborations that address material issues and help to implement the company's sustainability strategy.
- The most engaging reports provide details on the expected benefits of partnerships and collaborations for the business as well as for relevant stakeholders.
- Companies do not always consistently focus on establishing partnerships that are aligned with their sustainability strategy. Companies are strongest at forming cross-industry partnerships, with governments and NGOs also appearing as common partners for strategic collaboration. The partnerships built with communities, however, remain largely philanthropic and are often therefore the least strategic.

### Key recommendations

- Focus on strategic partnerships and collaborations that address material issues. This will help ensure that partnerships are connected to business activities.
- Explain the strategic objectives in establishing partnerships and collaborations with specific stakeholders and demonstrate how these relationships create synergy and create value for the business. This can be done by setting and monitoring indicators at the outset to evaluate outcomes, cost impacts and benefits.

## In practice

### The Dow Chemical Company



There is a strong partnership-oriented focus to the report, which demonstrates how the company engages with the Nature Conservancy to integrate environmental thinking into decision-making.

Material issues in relation to energy, climate change and protection of the environment are effectively addressed through active participation in multistakeholder platforms that engage relevant stakeholders and through cross-industry collaborations to combine skills and accelerate progress.

Community success is ensured by the creation of community development projects along with the implementation of education and prevention programs that are tailored to country-specific criteria and needs.

### The Coca-Cola Company



Shows examples of how the company is advancing solutions by partnering across the golden triangle of business, government and civil society.

Explains how Coca-Cola is collaborating with local organizations to deliver training on the group's workplace standards.

Describes how Coca-Cola is engaging in cross-industry partnerships to promote well-being, balanced diets and physical activity.

Gives insight into the company's intergovernmental partnerships, notably its work on promoting the World Health Organization (WHO) Global Strategy and its collaboration with UN Women.

### JP Morgan



Demonstrates a strong partnership orientation and provides evidence of collaborative initiatives with a material and strategic focus.

Evidences collaborations with various organizations, including NGOs and communities on issues ranging from unemployment to housing and urban development.

Explains strategic foundation partnerships, notably with the Gates Foundation to create the Global Health Investment Fund, an investment vehicle for the promotion of health in developing countries.



EXPERIENCE CRITERIA

# Accessibility

Accessibility refers to the ease of finding the fullest source of reported information from the home page of the corporate website and to the availability of information in multiple reporting formats suitable for different readers' needs. Accessibility is an important experience aspect as it is the first contact with the reader.

## One year on

⬆ Improved

### Key findings

- The most effective reporters direct readers to their reports from the homepage of the corporate website and provide multiple formats that suit different stakeholder needs, including summary reports, data centers and downloadable spreadsheets, moving image case studies, interviews, and online HTML reports for casual browsing.
- Many reports do not use the GRI Index to its full potential, with readers often directed to broad sections within a report rather than specific pages.

### Key recommendations

- Promote the report on the homepage or at least prominently display a link in the relevant sections of the website.
- Always have a PDF report available for download. Alternative formats should be used where there is audience demand. Consider asking which formats stakeholders prefer as part of a stakeholder engagement process.
- For those reports that self-declare GRI application levels or use in accordance options, include a GRI index within or alongside the report so that those who want to access detailed information can find it easily.

## In practice

### Ford Motor Company



Offers a microsite that is easy to use thanks to section and footer navigation. The online report contains additional information and data that is available to download in full or as separate sections and a PDF document is available and signposted on the microsite homepage.

Performance data is available in charts and tables, and includes notes to data as well as related links.

Uses a clear and easily accessible GRI index that includes interactive links to various sections of the report and regulatory documents.

### Daimler AG



Easily navigated online or available as two downloads: with or without in-depth content. The GRI content can be downloaded in a separate PDF, while data is also available as tables, charts and graphs online.

There is a function to personalize the pages displayed within the report according to individual interests, while the report is also made more engaging with the use of moving images.

### BP



Signposted on the company's website under the "Downloads" section at the bottom and can also be found in two clicks under the sustainability section of the website.

Offers an online and PDF version of the report, accompanied by a summary document. Health, safety and environment performance data is available through an interactive charting tool that filters and analyzes information according to user need. The charting tool provides some 60 charts that all offer different formats and the option to export graphs.

Uses a GRI index which can be found online with interactive links, including to disclosures required under the oil and gas sector supplement.



EXPERIENCE CRITERIA

# Content architecture

Content architecture refers to the layout, structure and ease of navigating through a report from the reader's perspective. These features improve understanding of the content and bring coherence to a report.

## One year on

↕ Improved

### Key findings

- The most effective reports use a consistent layout throughout, which helps readers find the information they need quickly and easily. They also use devices to promote navigation around the report. These reports service both deep-dive and skim readers equally well.
- Some reporters do not adopt a consistent information hierarchy, which means that information is not organized and is difficult to locate, read and understand.
- Many reports do not use a content index to its full potential and do not incorporate interactive functionality into their PDF reports.

### Key recommendations

- Consider different readers' needs, especially those who will engage with the content in detail and those more likely to skim read, or who only want the big picture. Ideally the content should work on both levels.
- Use a consistent layout for similar sections, including headings and subheadings, so there is a clear content hierarchy. Also use introductory paragraphs to deliver key messages. This will help enhance the reader's experience and will improve their engagement with the content and help them determine what they want to focus on.
- Create a comprehensive content index to promote full visibility of the report and its content and use interactive functionality to help readers move between sections and find content outside of the report.

## In practice

### BMW Group



An interactive detailed content index is included at the beginning of the report. Each new section displays the relevant content index and subsections on the left side of the PDF, which also contains four different icons to move between chapters or come back to the cover page.

Different sections of the report have a clear and consistent structure. Each new page divider is followed by an illustration accompanied by a brief narrative. The report presents KPIs alongside progress made in 2013 and forecasts and objectives for 2014. Each section starts with a subsection dealing with the management approach.

### Nissan Motor Company



Uses an interactive content index displayed at the top of the PDF document. The interactive index highlights the relevant section when the reader moves to a new section, which makes for a good user experience.

New sections consistently start with introductory paragraphs and highlighted priorities including page numbers and interactive links within the report.

Each section provides a thematic scorecard alongside key figures and cross-references to GRI indicators.

### Titan Cement



Follows a consistent structure throughout and demonstrates clear hierarchy of information through engaging sub-headings and introductory paragraphs.

This is enhanced by case studies disseminated throughout the report and following a consistent structure. For each case study, key facts and related material issues are listed and the context is explained before dealing with responses.

Content architecture is supported by a navigation index displayed on the left side of the PDF document and highlighting the relevant section so that the reader knows where they are at all times.



EXPERIENCE CRITERIA

# Line of sight

Clear line of sight – how key aspects of reported content are connected – involves understanding how important strategic elements such as material issues, targets or actions, KPIs and performance intersect or overlap. Drawing these connections enhances the reader’s understanding about how key strategic aspects are inter-related.

## One year on

Improved

### Key findings

- The most effective reports show the connectivity of their strategic approach through an overarching strategy section, which often shows the connections graphically. Furthermore, they use cross-references to show how these elements relate to each other.
- Most companies, however, report in siloed, isolated sections and use limited cross-referencing, making the content seem fragmented.

### Key recommendations

- Explain (either graphically or through narrative) how the material issues relate to big picture goals (where these exist) and in turn how these are underpinned by targets and KPIs. Use this to summarize the strategic approach and to direct readers to more detailed content elsewhere in the report.
- Consider other areas where line of sight connections can be reinforced, for example by showing links between megatrends and material issues, risk and opportunities, or how the corporate strategy, vision or mission relates to the sustainability strategy.
- Ensure connections are made across related issues and content by cross-referencing and by using linking devices such as color coding and icons. This will enhance cohesion between different sections.

## In practice

### Holcim

Structure is clear and logical, following material issues.

Highlights and connects related material issues with interesting graphics, thereby reinforcing line of sight.

Uses cross-references to external sources without undermining the flow of the narrative.



### Novartis

Unfolds in a logical manner with the content being graphically linked to material issues through color coding.

The materiality matrix featured at the beginning of the report gives a comprehensive overview of the activities, goals and indicators featured. The rest of the report narrative focuses on these material aspects.

Uses cross-referencing consistently without fragmenting the narrative.



### Procter & Gamble

Unfolds in a clear and logical manner, focusing on environmental sustainability and social responsibility, which contributes to a strong sense of cohesion between key chapters.

This is further reinforced by graphical linking devices and cross-referencing throughout the report.

Structured around environmental and social goals and performance, which are outlined at the beginning of the report. This helps not only with user experience but also enhances line of sight.





## EXPERIENCE CRITERIA

# Information presentation

Information presentation involves the use of design to convey simplicity and improve understanding. It can include infographics to simplify complex content, typographic styles to emphasize key messaging, as well as photography and illustrations to support written content. Getting the balance right on information presentation can improve the reader's understanding of content.

## One year on

Improved

### Key findings

- The design of the most effective reports serves more than a technical purpose. They make use of typography and font size to support key messages, and improve user navigation by color coding key sections.
- Charts and visuals are sometimes so complex that they defeat their initial purpose, leading to confusion rather than improving understanding.
- Some reports tend to pack too much information onto a single page in an effort to demonstrate comprehensiveness and reduce page count.

### Key recommendations

- Incorporate clear and compelling information presentation throughout the report to improve understanding of complex issues and communicate core messages in a visually appealing way.
- Use infographic elements to simplify content and appropriate photography throughout to reinforce key messages.
- Where the brand allows, introduce color coding and use graphic dividers with high-impact photography. This will help readers navigate the report.
- Avoid including too much information on one page and make good use of white spaces to reduce information overload.

## In practice

### SC Johnson

Uses color coding and a variety of icons in all chapters. Icons are consistently displayed on page dividers to indicate performance on corresponding topics and on top of pages to enhance navigation throughout the report.

The design is supported by colorful highlights, charts and appropriate photography to reinforce messaging and engage readers.



### Syngenta

Both the PDF report and the online version have a clean layout complemented by visually powerful photography and icons corresponding to the six commitments under The Good Growth Plan. These are supported by key messages embedded in subheadings.



Uses a variety of illustrations, graphics and infographics to communicate information in a compelling way and uses graphic dividers to introduce new sections.

### Sime Darby Berhad

Uses a variety of design features, such as icons, infographics and illustrations, to communicate information in a compelling way and reinforce messages throughout the narrative.

Photography offers an overview of the different sectors in which the company operates.

Color coding helps with navigation between the different sections of the report.



# Reporting matters to Future Leaders

Building on the findings of *Reporting Matters*, the 2014 WBCSD Future Leaders Program (FLP) has focused on developing extra resources companies could use to improve the effectiveness of reporting.

Working this year under the theme “Bridging the Capitals”, the FLP explored several topics of relevance to corporate reporting. More specifically these future leaders have developed practical solutions addressing some of the key findings of this second edition:

1. 25% of companies improved the quality of their materiality disclosures in 2014. However, a majority still do not disclose the process or grapple with the challenge of implementing one. The FLP has thus produced *Journey to Materiality*, which is designed to guide companies through the process of identifying material issues and help them overcome the challenges along the way.
2. Although still challenging, a growing number of reports attempt to disclose the connections between sustainability and financial performance through illustrations showing dependencies and impacts on sets of capital beyond finance, or more sophisticated narratives explaining how megatrends have informed strategy setting. To further build on these encouraging results, the Future Leaders have prepared a “conversation starter” to engage with finance: *Sustainability, A new competence for financial leaders: 6 reasons why they should care*.
3. The FLP’s *Unravelling the Business Value Landscape* is an in-depth look at the different definitions and perceptions of the term “business value”. The aim is to provide recommendations and key principles that should be taken into account when using the term, including in corporate reports, and to supplement this with case studies.
4. More than 20% of the reports reviewed are either a self-declared integrated or combined report, with 10% referring to the International Integrated Reporting Framework. Capitalizing on this growing trend, the FLP researched existing examples and produced *Integrated Reporting in South Africa: from Concept to Practice*, a project designed to offer practical insights into the process companies have used to initiate integrated reporting and achieve sustainable management.
5. *Integrated Performance Management* is the last issue which received full attention from the Future Leaders. In collaboration with Accenture, they analyzed current practice inside a selection of WBCSD member companies to come up with a definition and a series of recommendation to facilitate implementation.

A more detailed look at these solutions can be found on the Future Leaders page of the WBCSD website.

## Outlook

WBCSD aims to help its members and the wider corporate community realize the value of reporting by showcasing how progressive companies are using the reporting process to drive change inside their business. WBCSD believes that without credible tools to integrate natural and social capital measurement and valuation into performance management, reporting will remain a disconnected exercise carried out on the side of the business. While actively engaging with organizations in the corporate reporting space, in parallel WBCSD will focus its efforts on providing business with the tools it needs to integrate environmental and social value into investment decision and product development.



Download WBCSD’s Future Leaders publications.







# What we did in 2014

*Reporting Matters 2014* is the outcome of the second review of WBCSD members' sustainability reports covering 162 companies from more than 20 sectors and 35 countries. We hope it will benefit both WBCSD members as well as the wider corporate community. Here is a summary of how we conducted this year's research.

1

## Reporting Matters 2013

Since the launch of the first edition of *Reporting Matters* in November 2013, we have engaged with WBCSD member companies, providing them with individual and confidential feedback on their respective reports and conducting more than 50 briefings through either one-to-one meetings or calls.

2

## Methodology review

WBCSD established a sounding board composed of 20 member companies to collect feedback on the methodology used. This resulted in the re-categorization of our assessment criteria into seven principles, seven content criteria and four experience criteria in an effort to align with major reporting guidelines and frameworks. We introduced a new reliability criterion reflecting the strategic importance of data quality for effective reporting.

3

## Research

We reached out to WBCSD members, asking them for their fullest source of sustainability information. In total, 162 sustainability, combined or self-declared integrated reports were systematically reviewed against the defined principles and criteria. The reviews were then subjected to a quality review process to ensure completeness, objectivity, fairness and consistency.

4

## Analysis

The review of all reports took 12 weeks to complete by a team of three analysts, after which a thorough analysis was undertaken to identify trends and commonalities. We also identified companies that best represented the principles, content or experience criteria.

5

## Launch

The launch of the second edition of *Reporting Matters* is designed to provide an overview of reporting trends within WBCSD's membership and highlight key developments. Our recommendations aim to help companies reap the benefits of investing in an effective reporting process and showcase examples of good practice.

6

## Engagement

We hope this review will engage members to re-evaluate their reporting practices. Beyond our members, we also hope the findings will not only be relevant to report preparers but will also provide some useful insights to those reading reports as well as to standard setters and regulatory bodies working across the evolving reporting landscape.





# List of reports reviewed

Company	HQ location country	WBCSD sector
3M	USA	Consumer goods
ABB Ltd	Switzerland	Engineering
Abril Group	Brazil	Media
Accenture	Ireland	Services
ACCIONA S.A.	Spain	Construction
Acer Group	Taiwan	IT & telecoms
Aditya Birla Group (AB Carbon Black)*	India	Mining & metals
AGC Group	Japan	Construction
AkzoNobel N.V.	The Netherlands	Chemicals
Alcoa	USA	Mining & metals
Anglo American plc	UK	Mining & metals
April Group*	Indonesia	Forest & paper products
Arcadis*	The Netherlands	Engineering
ArcelorMittal S.A.	Luxembourg	Mining & metals
Bank of America	USA	Banking & finance
Baosteel Group Corporation	China	Mining & metals
BASF SE	Germany	Chemicals
Bayer A.G.	Germany	Chemicals
BG Group plc	UK	Oil & gas
BMW Group	Germany	Road vehicles
Borealis AG	Austria	Chemicals
BP plc	UK	Oil & gas
Bridgestone Corporation	Japan	Tires
Brisa Auto-Estradas de Portugal, S.A.	Portugal	Road vehicles
BT*	UK	IT & telecoms
Canon Inc.	Japan	IT & telecoms
CEMEX	Mexico	Cement
CH2M HILL	USA	Engineering
Chevron Corporation	USA	Oil & gas
China Ocean Shipping (Group) Company	China	Maritime
Chunghwa Telecom Co., Ltd	Taiwan	IT & telecoms
CLP Holdings Limited	Hong Kong	Utilities & power
Continental AG	Germany	Tires
CRH plc	Ireland	Cement
Daimler AG	Germany	Road vehicles
Deloitte Touche Tohmatsu	USA	Services
DENSO Corporation	Japan	Road vehicles
Deutsche Bahn AG	Germany	Logistics
Deutsche Bank AG	Germany	Banking & finance
Deutsche Post DHL	Germany	Logistics
DNV	Norway	Services
DSM N.V.	Netherlands	Chemicals
DuPont	USA	Chemicals
E.ON SE	Germany	Utilities & power
Eastman Chemical Company	USA	Chemicals
Eaton Corporation	USA	Engineering
EDF Group	France	Utilities & power
EDP – Energias de Portugal, S.A.	Portugal	Utilities & power
Empresas CMPC S.A.	Chile	Forest & paper products
Empresas Publicas Medellin	Colombia	Utilities & power
Eni S.p.A	Italy	Oil & gas
Environmental Resources Management Group	UK	Services
Ernst & Young LLP	UK	Services
Eskom Holdings Limited	South Africa	Utilities & power

\* Companies not included in 2013 research.



Company	HQ location country	WBCSD sector
Evonik Industries AG	Germany	Chemicals
F. Hoffmann-La Roche AG	Switzerland	Healthcare
Fibria Celulose S.A.	Brazil	Forest & paper products
Firmenich*	Switzerland	Chemicals
FLUOR Corp.	USA	Engineering
Ford Motor Company	USA	Road vehicles
Fujitsu*	Japan	IT & telecoms
GDF Suez	France	Utilities & power
Greif, Inc.	USA	Forest & paper products
Grupo Argos	Colombia	Cement
GS Caltex Corporation	South Korea	Oil & gas
Hankook Tire Co., Ltd	South Korea	Tires
Harley-Davidson, Inc.	USA	Road vehicles
Heineken*	The Netherlands	Food & beverages
Henkel AG & Co. KGaA	Germany	Consumer goods
Hitachi Ltd	Japan	Engineering
Holcim Ltd	Switzerland	Cement
Honda Motor Co., Ltd	Japan	Road vehicles
Infosys Limited	India	IT & telecoms
InterCement*	Brazil	Cement
International Paper Company	USA	Forest & paper products
Italcementi Group	Italy	Cement
ITC Limited	India	Consumer goods
Jain Irrigation Services*	India	Engineering
JP Morgan*	USA	Banking & finance
KBC Group*	Belgium	Banking & finance
Kering	France	Consumer goods
Kimberly-Clark Corporation	USA	Consumer goods
Komatsu Ltd	Japan	Engineering
KONE Oyj	Finland	Engineering
KPMG	The Netherlands	Services
Lafarge S.A.	France	Cement
L'Oréal	France	Consumer goods
Masisa	Chile	Construction
Metsä Group	Finland	Forest & paper products
Metso Corporation	Finland	Forest & paper products
Michelin	France	Tires
Mitsubishi Chemical Holdings Corporation (MCHC)	Japan	Chemicals
Mitsubishi Corporation	Japan	Trading
Mondi	South Africa	Forest & paper products
MWV	USA	Forest & paper products
Natura Cosméticos S.A.	Brazil	Consumer goods
Nestlé S.A.	Switzerland	Consumer goods
Nissan Motor Co., Ltd	Japan	Road vehicles
Norsk Hydro ASA	Norway	Mining & metals
Novartis	Switzerland	Healthcare
Novozymes A/S	Denmark	Chemicals
Osaka Gas Co., Ltd	Japan	Utilities & power
PepsiCo*	USA	Food & beverages
Petrobras – Petroleo Brasileiro S.A.	Brazil	Oil & gas
Pirelli & Co	Italy	Tires
Portucel Soporcel Group	Portugal	Forest & paper products
PricewaterhouseCoopers	UK	Services
Procter & Gamble	USA	Consumer goods





Company	HQ location country	WBCSD sector
PTT Public Company Limited	Thailand	Oil & gas
PublicPowerCorporation	Greece	Utilities & power
Reliance Industries Limited	India	Oil & gas
Royal Dutch Shell plc	The Netherlands	Oil & gas
Royal Philips N.V.	The Netherlands	Consumer goods
RWE*	Germany	Utilities & power
S.C. Johnson & Son, Inc.	USA	Consumer goods
SABIC – Saudi Basic Industries Corp.	Saudi Arabia	Chemicals
SABMiller plc	UK	Food & Beverages
Samsung Electronics Co.	South Korea	Consumer goods
Sasol Limited	South Africa	Oil & gas
SCA	Sweden	Forest & paper products
Schneider Electric	France	Utilities & power
SGS S.A.	Switzerland	Services
Siam Cement Group (SCG)	Thailand	Cement
Siemens AG	Germany	Engineering
Sika Group*	Switzerland	Chemicals
Sime Darby Berhad	Malaysia	Food & beverages
Skanska AB	Sweden	Construction
SNCF*	France	Transport
SOLVAY S.A.	Belgium	Chemicals
Sompo Japan Insurance Inc.	Japan	Banking & finance
Sonae SGPS, S.A.	Portugal	Retail
Statkraft AS	Norway	Utilities & power
Statoil	Norway	Oil & gas
Stora Enso Oyj	Finland	Forest & paper products
Suez Environnement	France	Water services
Sumitomo Chemical Company, Ltd	Japan	Chemicals
Sumitomo Rubber Industries, Ltd	Japan	Tires
Suncor Energy Inc.	Canada	Oil & gas
Suzano Papel e Celulose S.A.	Brazil	Forest & paper products
Sweco Sweden AB	Sweden	Engineering
Syngenta International AG	Switzerland	Chemicals
Taiheiyō Cement Corporation	Japan	Cement
The Coca-Cola Company	USA	Food & beverages
The Dow Chemical Company	USA	Chemicals
The Goodyear Tire & Rubber Company	USA	Tires
Titan Cement Company S.A.	Greece	Cement
TNT Express	The Netherlands	Logistics
Toshiba Corporation	Japan	Engineering
Total*	France	Oil & gas
Toyo Tire & Rubber Co., Ltd	Japan	Tires
Toyota Motor Corporation	Japan	Road vehicles
Unilever	The Netherlands	Consumer goods
United Technologies Corporation	USA	Engineering
UPM-Kymmene Corporation	Finland	Forest & paper products
UPS	USA	Logistics
Vale	Brazil	Mining & metals
Vedanta Resources plc	UK	Mining & metals
Veolia Environnement	France	Water services
Volkswagen AG	Germany	Road vehicles
Votorantim Group	Brazil	Cement
Weyerhaeuser Company	USA	Forest & paper products
Yokohama Rubber	Japan	Tires

\* Companies not included in 2013 research.





# Glossary of terms



## Assurance

Assurance usually describes the methods and processes employed by an assurance provider to evaluate an organization's public disclosures about its performance as well as underlying systems, data and processes against suitable criteria and standards in order to increase the credibility of public disclosure. Assurance includes the communication of the results of the assurance process in an assurance statement.

**Reasonable assurance** is a concept relating to accumulating the evidence necessary for the practitioner to conclude in relation to the subject matter information taken as a whole. To be in a position to express a conclusion in the positive form required in a reasonable assurance engagement, it is necessary for the practitioner to obtain sufficient appropriate evidence as part of an iterative, systematic engagement process.

**Limited assurance** is the nature, timing and extent of procedures for gathering sufficient appropriate evidence in a limited assurance engagement are deliberately limited relative to a reasonable assurance engagement.

**External assurance** is assurance performed by a person from an organization independent of the company.

## Case study

A case study in the context of a sustainability report is a narrative description (which may be supported by quantified evidence) of an aspect of the sustainability strategy in action to allow the reader to understand the impacts and effects of the strategy. Case studies should be balanced and add value to the reader's understanding of the businesses strategy.

## Combined report

A combined report is a report that merges the contents of a sustainability report (i.e. environmental and social disclosure) with traditional annual report (i.e. financial disclosure); sustainability information is generally only included in a designated chapter of the combined report.

## Disclosure

**Over-disclosure** is an extensive amount of information on the material issues identified and/or irrelevant information that is not related to the company's material issues.

**Under-disclosure** is a significant lack of information on the material issues identified.

## Enterprise risk management (ERM)

ERM is the consideration of risk from the overall organizational perspective. With ERM, all types of uncertainty are considered from all parts of the organization. The objective of consolidating information on risks is to allow consistent decision-making across all risk categories. Regulators are increasingly expecting organizations to take an integrated approach to governance, risk and compliance.

## Financial capital

Financial capital is the pool of funds that is 1) available to an organization for use in the production of goods or the provision of services, and 2) obtained through financing, such as debt, equity or grants, or generated through operations or investments.

## Global Reporting Initiative (GRI) Guidelines

**GRI G3:** The G3 Guidelines are made up of two parts. Part 1 – Reporting Principles and Guidance features guidance on how to report. Part 2 – Standard Disclosures features guidance on what should be reported, in the form of disclosures on management approach and performance indicators.

**Application levels** indicate the extent to which the G3 Guidelines or G3.1 Guidelines have been applied in non-financial reporting. They communicate which parts of the Framework have been addressed and which set of disclosures used. Application levels aim to reflect the degree of transparency against the GRI Guidelines in reporting.

**GRI G4** is the most up-to-date version of the GRI Guidelines, launched in April 2013. The main differences with the G3.1 version include: a greater focus on materiality and supply chain impacts; the replacement of application levels (ABC) by two "in accordance" levels ("core" and "comprehensive"); the introduction of new standard disclosures on governance; and the requirement to describe the process used to define the boundary of impact for each material issue.

### In accordance options:

→ **Core:** For each identified material aspect, the organization should disclose the Generic Disclosure on Management Approach (DMA) and at least one indicator.

→ **Comprehensive:** For each identified material aspect, the organization should disclose the Generic DMA and all indicators related to the material Aspect.

## Governance

**Internal governance** is the existence of robust government arrangements, including a clear organizational structure, well-defined lines of responsibility, effective risk management processes, control mechanisms and remuneration policies.

**External governance** is where external stakeholders play an important role in ensuring proper corporate governance processes in a business organization. Some of the key external corporate governance controls include government regulations, media exposure, market competition, takeover activities, public release and assessment of financial statements.



### Human capital

Human capital is people's competencies, capabilities and experience, and their motivations to innovate.

### Impacts

**Direct impacts** result from business activities that are owned or controlled by the company.

**Indirect impacts** are impacts on the environment and society from upstream and downstream activities that are not a direct result of the company's project or operations; sometimes referred to as second or third level impacts.

### Integrated report

An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, leads to the creation of value in the short, medium and long term. An integrated report should be prepared in accordance with the International Integrated Reporting Council's Framework.

### Internal auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objective by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

### Manufactured capital

Manufactured capital is manufactured physical objects (as distinct from natural physical objects) that are available to an organization for use in the production of goods or the provision of services (e.g. buildings, equipment, infrastructure).

### Material key performance indicator (KPI)

A material key performance indicator is a quantifiable indicator that a company uses to measure and compare its performance on the identified material issues in terms of meeting specific targets and goals.

### Natural capital

Natural capital is all renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organization. It includes:

- Air, water, land, minerals and forests;
- Biodiversity and ecosystem health.

### Non-financial information

Non-financial information is information incorporating a wide range of issues existing beyond the traditional variables that are considered as part of investment decision-making processes. Non-financial ESG (environmental, social and governance) factors can be quantitative or qualitative and include sustainable, ethical and corporate governance issues such as managing the company's carbon footprint and ensuring there are systems in place to ensure accountability.

### Scope and boundaries

**Scope** is defined as the range of sustainability topics addressed in a report.

**Boundary** is defined as the range of entities (e.g. subsidiaries, joint ventures, sub-contracted operations, etc.) whose performance is represented by the report. In setting the boundary for its report, an organization must consider the range of entities over which it exercises control (often referred to as the organizational boundary and usually linked to definitions used in financial reporting) and over which it exercises influence (often called the operational boundary).

### Scope levels

**Scope 1** refers to all direct GHG emissions.

**Scope 2** refers to indirect GHG emissions from consumption of purchased electricity, heat or steam.

**Scope 3** refers to other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g. transmission and distribution losses) not covered in Scope 2, outsourced activities, waste disposal, etc.

### Social capital

Social capital refers to the institutions and relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being.

### Stretch targets

A stretch target is one that the organization cannot achieve simply by working a little harder or a little smarter. To achieve a stretch target, people have to invent new strategies, new incentives – entirely new ways of achieving their purpose.

### Sustainable value chain approach

A sustainable value chain approach is the methodology employed by a business to describe how it has scoped, documented and assessed the impact of its value chain on its sustainability performance. It enables both business and society to better understand and address the environmental and social challenges associated with the life cycle of products and services.

### Value chain

The term value chain is used to describe the upstream and downstream life cycle of a product, process or service, including material sourcing, production, consumption and disposal/recycling processes.

**Upstream activities** include operations that relate to the initial stages of producing a good or service, i.e. material sourcing, material processing, supplier activities.

**Downstream activities** include operations that relate to processing the materials into a finished product and delivering it to the end user, i.e. transportation, distribution and consumption.





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## WBCSD team

Anne-Leonore Boffi and Anaïs Blasco, Co-authors  
Hannah Pitts and Sora Utzinger, Research analysts  
Rodney Irwin, Managing Director, Redefining Value

## Radley Yeldar team

Jonny McCaig, Lead consultant  
Kira Bailey, Program manager  
Kim Proberts, Lead designer  
Richard Sutherby, Technical support  
Ben Richards, Consulting director

## Advisory Group Members

ARCADIS, BASF SE, CEMEX, CLP Holdings Limited, Deloitte Touche Tohmatsu, DSM N.V., Ernst & Young (LLP), Eskom Holdings Limited, F. Hoffman-La Roche AG, Fibria Celulose S.A., KPMG, Lafarge S.A., Nestlé S.A., Novozymes A/S, PwC, SCA, SOLVAY S.A., Sompo Japan Insurance Inc., Syngenta International AG, UPS.

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For more information, contact:

### Anne-Leonore Boffi

Program manager, Redefining Value  
WBCSD  
boffi@wbcسد.org

### Anaïs Blasco

Associate, Redefining Value  
WBCSD  
blasco@wbcسد.org

### Jonny McCaig

Lead consultant  
Radley Yeldar  
j.mccaig@ry.com

## Disclaimer

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# About the research partners

## About the World Business Council for Sustainable Development (WBCSD)

The World Business Council for Sustainable Development (WBCSD), a CEO-led organization of some 200 forward-thinking global companies, is committed to galvanizing the global business community to create a sustainable future for business, society and the environment. Together with its members, the council applies its respected thought leadership and effective advocacy to generate constructive solutions and take shared action. Leveraging its strong relationships with stakeholders as the leading advocate for business, the council helps drive debate and policy change in favor of sustainable development solutions.

The WBCSD provides a forum for its member companies – who represent all business sectors, all continents and a combined revenue of more than US\$ 8.5 trillion, 19 million employees – to share best practices on sustainable development issues and to develop innovative tools that change the status quo. The council also benefits from a network of 70 national and regional business councils and partner organizations, a majority of which are based in developing countries.

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[www.wbcd.org](http://www.wbcd.org)

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## About Radley Yeldar

We're a creative communications business, helping you tell your story simply, in one clear voice, by whatever means works best.

How do we do this? Well, we bring together our specialists to help you talk with people inside and outside your organization. We ask the right questions. We offer unexpected insights. We deliver the right practical solutions. In this way, we help our clients keep valuable conversations going with all sorts of people, from customers to shareholders to staff.

The relationships that develop as a result tend to be meaningful and enduring. That's because we believe in delivering authenticity and clarity. You won't ever hear us, for instance, spouting jargon or consultancy mumbo-jumbo.

We've been working this way since we started in 1986. And we've grown every single year since then.

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World Business Council for  
Sustainable Development  
MAISON DE LA PAIX  
Chemin Eugène-Rigot, 2  
Case Postale 246  
CH-1211  
Geneva 21  
Switzerland  
T +41 (0)22 839 31 00  
E-mail [info@wbczd.org](mailto:info@wbczd.org)

Radley Yeldar  
24 Charlotte Road  
London  
EC2A 3PB  
T +44 (0)20 7033 0700  
E-mail [hello@ry.com](mailto:hello@ry.com)

