Reporting matters

Redefining performance and disclosure

WBCSD 2015 REPORT

wbcsd

In partnership with

radley yeldar.

Contents

This project is a joint collaboration between WBCSD and Radley Yeldar

See page 53 for more information

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Key findings

1. 62% of companies have improved their score in our benchmark compared to baseline year 2013; 36% of companies have improved their materiality disclosures, indicating a sharpened focus on reporting.
2. An increasing number of companies report on impacts beyond their direct operations, suggesting a widening focus on upstream and downstream impacts and the value chain.
3. The time lag between the end of the reporting year and the publication date of reports is declining, with financial and non-financial reporting cycles becoming more aligned.
4. The Global Reporting Initiative (GRI) guidelines are still the most widely used, with 59% of reporters in our research using the G4 guidelines.
5. 26% of companies in our research combined their financial and non-financial reporting into annual reports or self-declared integrated reports; nearly half of these refer to the International Integrated Reporting Framework.

Welcome to our third report

In this third edition of *Reporting matters*, the World Business Council for Sustainable Development (WBCSD) continues to promote effective reporting.

2015 has been another year of change in the reporting landscape, with the launch of the Human Rights Reporting and Assurance Framework Initiative (RAFI), the release of the Climate Disclosure Standards Board (CDSB) Reporting Framework, and the issuing of standards for four industries by the Sustainability Accounting Standards Board (SASB).

Companies face a number of non-financial reporting challenges, including the plethora of standards and frameworks that continue to add to the multiplicity of the reporting requirements. To cut through the complexity, the companies we work with tell us that they need clarity on the principles that underpin reporting standards and frameworks and practical guidance on the information that should be included as content in the report.

There are many opportunities to improve non-financial reporting. With *Reporting matters*, we reiterate our commitment to supporting companies in overcoming those challenges. For example, it is clear to us through our research and ongoing conversations that companies still do not use corporate reporting to its full potential. Done well, reporting enables oversight and control of performance and drives improved decision-making.

The disclosure of non-financial information, including reliable data along with qualitative and contextual information, should also help provide a more accurate valuation of companies, leading to more efficient allocation of capital market investments. This is fundamental to driving the transition to a sustainable and low-carbon economy at the scale and speed required.

In this year's report, we showcase how forward-thinking companies are using the reporting process to drive integrated performance management through actionable recommendations and provide resources that can help practitioners meet best practice standards. The report also provides insight into the key trends we have observed on the criteria we believe are essential to improving the effectiveness of reporting.

We look forward to continuing to engage and challenge companies to redefine performance, disclosure and valuation.

Peter Bakker
President and CEO

Foreword

Mr. Masatoshi Sato, Redefining Value program Board Member, shares his vision of reporting and the benefits to be gained from dialogue between corporations and stakeholders.

2015 has witnessed significant milestones that will drive more strategic reporting. Most notably, the much awaited United Nations Sustainable Development Summit held in September and the 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCCC) held in December have injected a renewed focus on reporting.

In view of these events, business is being recognized as a critical actor in driving the transformational and systemic change that the world needs.

On 27 September 2015, the United Nations launched the Sustainable Development Goals (SDGs), which set a 15-year timeframe to reach a common set of goals and targets, aspirations and priorities. Corporate reporting was identified as an area warranting greater attention and specific targets were formulated, with corporations being encouraged to integrate sustainability information into their reporting cycle. With the SDGs, corporations can report non-financial information in the context of broader societal goals.

Going forward, greater expectations have been placed on business to show leadership in identifying materiality, providing solutions, measuring impact and reporting on the true value it brings to society. While business alone cannot solve the entire problem, the corporate reports that business produces can stimulate inspirational dialogue and constructive engagement with stakeholders and thereby promote partnerships with key stakeholders, such as government, civil society and investors, and foster sustainable innovation and scale up solutions.

For example, in 2014 Japan launched its version of the Stewardship Code, also known as the Principles for Institutional Investors, with the aim of promoting sustainable investment through meaningful dialogue with corporations. In 2015, Japan established its Corporate Governance Code in an effort to spur sustainable corporate growth and increase corporate value over the mid-to-long term. These two codes combined will place sustainability at the heart of dialogues between companies and their partners, bringing about a positive impact on society by leading the transition to a sustainable economy.

Reporting is a powerful driving force in integrating sustainability into core business strategy and day-to-day operations. As such, reporting truly represents a business opportunity for companies, encouraging them to develop new and creative business solutions that advance the sustainability agenda. Reporting is a virtuous cycle where both internal and external stakeholders have a collective role to play. It makes companies think bigger and wiser.

Reporting matters demonstrates just that. Through recommendations, good practice examples and case studies, the publication provides valuable insights and stimulates others to think differently and act smarter.

It is my sincere hope that R*eporting matters 2015* meets the goals of energizing learning through the sharing of information among member companies, helping the wider corporate community maximize the value of reporting, and encouraging us to move toward more effective reporting.

Mr. Masatoshi Sato
Board Member, Redefining Value
Sompo Japan Nipponkoa Insurance Inc.

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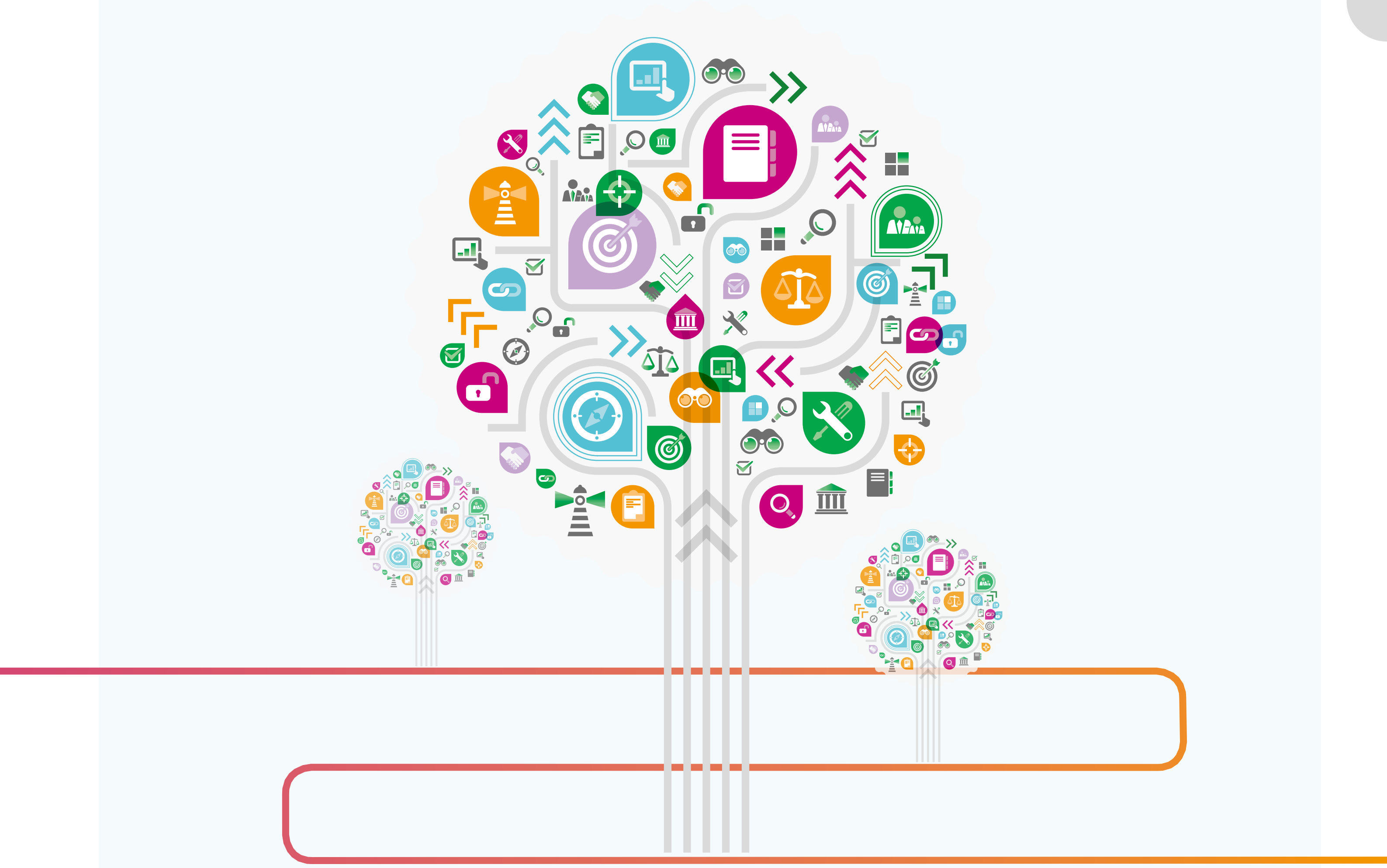
BACKGROUND & GENERAL FINDINGS

IN THIS SECTION



The role of reporting in addressing climate change

Reporting is set to play a key role in the transition to a low-carbon future. Here we explore the role it plays and how the future of climate change disclosure is shaping up.

> Together with other leading organizations, the WBCSD strongly advocates for global net-zero emissions by the second half of the century. To achieve this objective, it is important that future climate change reporting embrace this ambition.

The role of reporting in addressing climate change

World Resources Institute's (WRI) perspective

Q. What role does the GHG Protocol have in building the infrastructure for reporting?

Since 1998, the Greenhouse Gas Protocol (GHG Protocol) has had a leadership role in developing new standards. The GHG Protocol has become the preeminent standard in GHG accounting and serves as a foundation for GHG standards and programs such as the Carbon Disclosure Project (CDP). Today, around 85% of companies reporting to CDP use the standard. In 2014, the GHG Protocol expanded its work beyond companies by releasing the Global Protocol for Cities (GPC), and the Mitigation Goal and Policy and Action Standards for policy-makers. Those developments have given the GHG Protocol a global, multi-stakeholder spread in the GHG accounting field.

Q. What lessons drawn from the development of the Protocol could help those developing similar initiatives on other sources of natural capital?

There are several key features, the first being the application of accounting principles that address dimensions of measurement and reporting. These have helped in the design of the methodology by providing a better understanding of the trade-offs. Another important aspect has been to adopt and maintain policy neutrality so as to remain independent of any commercial and political interest and to follow a clear process, one that is open, transparent, multi-stakeholder, free, inclusive and independent. In particular, the GHG Protocol has taken a modular objective approach, which has allowed stakeholders to select the appropriate objective and the GHG Protocol to grow and increase its reach over time. Finally, the piloting stage of the process is a critical one.

Q. Dialogue along the value chain is critical to reaping the synergies between all actors. Any specific recommendations for dialogue with upstream companies?

My first recommendation to companies is to actively use the Scope 3 Standard and calculator tool and assess which part of their value chain is most important. Building trust with suppliers is therefore essential. This will strengthen reporting channels and data consolidation. Also, as suppliers may need to comply with various customer requirements, it is important to identify platforms to jointly approach suppliers, as well as to recognize and incentivize high-performing actors. Companies are advised to be innovative and to lead the sector by investing in a low-carbon supply chain.

Q. What impact will the 2015 climate agreement in Paris have on the GHG Protocol?

The 2015 climate agreement has two important pillars, the first being transparency. The GHG Protocol launched two standards (Mitigation Goal and Policy and Action standards) at COP20 in Lima, Peru to help governments measure GHG reductions from policies and actions.

The standards enable governments to track progress toward national and sub-national GHG reduction goals, helping them prepare and design their Intended Nationally Determined Contributions. Together with the Corporate Accounting and Reporting Standard, the Mitigation Goal Standard and the Policy and Action Standard provide transparency and allow stakeholders to make informed choices.

The second pillar of the agreement is an ambition under which another initiative is being developed. A new sector-specific methodology will help companies set science-based emissions reduction targets based on the Intergovernmental Panel on Climate Change (IPCC) decarbonization pathway. This partnership between CDP, WWF, WRI and the UN Global Compact is not a GHG Protocol initiative, but it may be explored to further develop it into a GHG Protocol standard going forward.

Pankaj Bhatia
Deputy Director, Climate Program; Global Director, TRAC Initiative

WBCSD's perspective

Q. How has the GHG Protocol enhanced companies' reporting on climate change?

The GHG Protocol is a good example of a successful partnership which has resulted in a practical tool that more and more companies are using since it was first launched almost 15 years ago. Addressing reporting principles (completeness, transparency, relevance, consistency and accuracy) and creating standardized approaches, the GHG Protocol provides companies with a comparable measure to account for GHG emissions. It increases consistency and transparency in the reporting of emissions by companies, along with qualitative and contextual information such as their strategy to reduce emissions. As companies can better measure and report their GHG emissions, the GHG Protocol is instrumental in achieving the ultimate goal of reducing them.

Q. What key features of GHG Protocol Scope 2 Guidance will make reporting more effective?

Launched in January 2015, the Scope 2 Guidance helps companies account for and report their GHG emissions from purchased energy. Additional Scope 2 guidance was needed as many electricity markets use contractual instruments traded between electricity generators, utilities and consumers in order to convey emissions information about purchased power. With this new GHG Protocol publication, companies can report comparable information. Companies can calculate Scope 2 emissions in two ways: the location-based method and the market-based method. The Scope 2 Guidance helps explain the full story of emissions related to energy purchased.

Q. Value chain thinking is an integral part of the GHG Protocol. How would you recommend companies address their downstream emissions?

It is important for companies to identify where in the value chain the main emissions occur. In some sectors, the main source of emissions is from the making of products, whereas in other sectors it occurs downstream in the use of products. With the latter, companies have considerable leverage to reduce GHGs through product innovation, but there is a need for education on co-benefits for customers and consumers. Companies are advised to foster partnerships with customers and to educate consumers through awareness campaigns. They are also encouraged to look into innovative finance that allows customers to reap the benefits of low-carbon products.

Q. What is on the horizon in terms of climate change reporting and how do you see the evolution of the GHG Protocol in that context?

Together with other leading organizations, the WBCSD strongly advocates for global net-zero emissions by the second half of the century. To achieve this objective, it is important that future climate change reporting embrace this ambition. Analysis has shown that Scope 1 and Scope 2 reporting have become mainstream but that Scope 3 reporting needs to be further scaled up so that business can achieve more meaningful reductions across global value chains.

We look forward to continued collaboration with the Carbon Disclosure Project (CDP). Whereas the GHG Protocol is the corporate standard to calculate GHG emissions, the CDP is the standard platform for disclosure. Another initiative that will boost climate change reporting is the Climate Change Reporting Framework developed by the Climate Disclosure Standards Board (CDSB). The Framework supports the GHG Protocol and provides companies with guidance to incorporate climate change-related information into mainstream financial reports.

Finally, a potential future piece of work is the Product Innovation Standard. This will help companies assess the emissions reduction potential for the products they put on the market and guide their innovation activities into low-carbon solutions. In this context, the GHG Protocol will retain a leadership role in developing standards that will help companies and facilitate the transition to a low-carbon future.

Peter White
Chief Operational Officer, WBCSD

Reporting matters to the Sustainable Development Goals

The Sustainable Development Goals (SDGs) were adopted by 193 member states at the United Nations Sustainable Development Summit 2015 held in New York, USA, on 25 September. The 17 SDGs set a 15-year timeframe and agenda to mobilize global sustainable development efforts around a common set of goals and targets, aspirations and priorities.

While the SDGs primarily target governments, they also point to the role and responsibility of the private sector. They call on business to join collective action to address some of the most pressing societal challenges through their business models and through technology deployment. Furthermore, business is expected to uphold and implement principles of corporate responsibility. SDG target 12.6 exemplifies this idea by "encouraging companies, especially large and trans-national companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle".

SDGs and the *Reporting matters* methodology

With a new universal set of goals, the SDGs provide a common framework or language for non-financial reporting. As a result of this, the SDGs and reporting are intimately linked. To find out about the nature of the relationship between the two, we have looked at our *Reporting matters* criteria – which are fully aligned with the requirements of reporting frameworks and guidelines – taking into account the SDGs and how the criteria can be applied in the context of the SDGs.

The *Reporting matters* criteria relevant to the SDGs are defined as follows:

- The ***principles*** are overarching concepts that guide the application of the content criteria in the report.
- The ***content criteria*** are elements that guide what is included as content in the report.

In view of these definitions, we have reviewed the principles and content criteria against the SDGs. Starting with the principles, we have looked at what they mean in the context of the SDGs and have found that they can help inform a company about the relevance of each SDG to the business and promote the quality of information. With regard to the content criteria, we have looked at what reporting on the SDGs entails and to what extent this enables companies to deliver on the SDGs. Encouragingly, we have found that the content criteria guide the implementation of the SDGs and help communicate a company's contribution to the SDGs.

SDGs and reporting: A reciprocal relationship

On the one hand, the SDGs present an opportunity to improve reporting and drive performance by further integrating sustainable development into the business models of tomorrow. On the other hand, the SDGs are also an effective way for companies to communicate their contribution to sustainable development. In fact, reporting is a prerequisite for action on and the delivery of the SDGs. In light of the reciprocal relationship between the SDGs and reporting, we have further reviewed our criteria on an individual basis. For the purpose of this brief review, we have not included all the principles and content criteria but only the most relevant ones. We advise companies to look at the *SDG Compass*, which provides more detailed information about the aspects explained opposite.

FIND OUT MORE

The *SDG Compass* was developed by the WBCSD, GRI (Global Reporting Initiative) and the United Nations Global Compact to guide companies on how they can align their strategies as well as measure and manage their contribution to the realization of the SDGs. The guide presents five steps that assist companies in maximizing their contribution to the SDGs. The *SDG Compass* can be found at **www.SDGCompass.org**, a dedicated website that contains numerous resources, including an inventory of existing business indicators and an inventory of business tools mapped against the SDGs.

Reporting supports the delivery of the SDGs

PRINCIPLES

Overarching concepts that will inform the SDGs relevance to business

CONTENT

Information that will guide the implementation of the SDGs

Completeness: mapping of areas of potential high impact can help a company determine where on the value chain it has an impact on the SDGs.

Materiality: the SDGs can inform the materiality analysis, which in turn can help define those SDGs that are most relevant to the business. The SDGs can also help identify blind-spots – areas covered by one or more SDGs that may not yet have been considered in the analysis.

Stakeholder engagement: the interests and concerns raised by internal and external stakeholders can help the company fully understand its (potential) contributions to the SDGs.

External environmental: the SDGs can facilitate better understanding of the sustainability context and enable companies to capture future opportunities through products and services that address global societal challenges.

Reliability: external assurance on material data can aid in goal setting and enhance the credibility and quality of information in relation to the SDGs.

Balance: The SDGs can further drive the disclosure of both adverse and positive impacts and how these are addressed through activities and programs.

Governance: executive and board support are essential to anchoring the SDGs within the organization and making the executive and the board aware of the sustainability agenda and issues for which goals and key performance indicators (KPIs) are formulated.

Strategy & drivers: aligning sustainability and corporate strategy with the SDGs can yield more meaningful and impactful performance, thereby driving additional financial revenues.

Management approach: the SDGs can inform the process of managing and monitoring material issues. The process of disclosure of the approach to managing impacts in relation to SDGs (e.g. impact assessment tools and methodologies) and implementation through stakeholder engagement can show how impacts are being addressed.

Targets & commitments: the SDGs represent an unprecedented political consensus on what degree of progress is desired at the global level. Aligning sustainability and corporate goals with the SDGs demonstrates a company's positive contribution to society's goals.

Performance: the use of standardized KPIs can help communicate a company's performance and impacts in relation to a given SDG and enable the company to track progress against targets. Standardized KPIs can also help communicate impacts at the industry level and ensure comparability.

Partnerships and collaboration: the SDGs can foster strategic cross-industry partnerships and collaboration with a view to addressing systemic issues. They can help bring partners together around a shared set of goals and priorities. SDG 17 outlines various targets for cross-sector partnerships.

What we found in 2015

Report characteristics

Characteristics have been identified by looking at company reports reviewed only in 2015 – 169 reports in total.

44%
of reports are titled "sustainability report"
2013: 57%

12%
of reports are self-declared integrated reports
2013: 8%

4.2
average months between reporting period and publication
2013: 6

93
average page length for sustainability reports
2013: 98

88%
of reporters use the GRI guidelines
2013: 75%

59%
of reporters use the GRI G4 guidelines
2013: N/A

78%
of companies have their report externally assured
2013: 64%

10%
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, 2014 and 2015. Due to companies leaving or joining the WBCSD or not reporting annually, this represents a sample of 131 reports.

6.6%
improvement in overall score

6.3%
improvement in overall content score

7.9%
improvement in overall experience score

62%
of companies improved their overall score

36%
of companies improved their materiality disclosures

The biggest content-related improvement in terms of average score is materiality, with an increase of
18%

The biggest experience-related improvement in terms of average score is line of sight with an increase of
18%

What we found in 2015

By analyzing 169 reports, from stand-alone sustainability reports to self-declared integrated reports and combined reports, we have identified some interesting trends that show the state of reporting within the WBCSD membership in comparison with the 2013 baseline.

What is material?

The majority of WBCSD members discloses the use of a materiality process (82%) and often publishes a matrix within their report. This represents a significant increase from the baseline year (2013: 57%). Some companies infer the use of a process but give no details on how it was executed or the outcomes found.

Yet while 82% of members disclose the use of a materiality process, our research shows that only 30% focus their reporting on those issues they consider to be material to their business. Our findings show a notable increase since the baseline year (2013: 12%). This is reflected in the number of WBCSD companies (36%) that have improved their reporting of materiality since 2013 against our criteria requirements, suggesting that the quality of the materiality disclosure has improved.

The Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) have all developed frameworks to further advance the approach towards clarifying what is material for reporting purposes.

How much is enough?

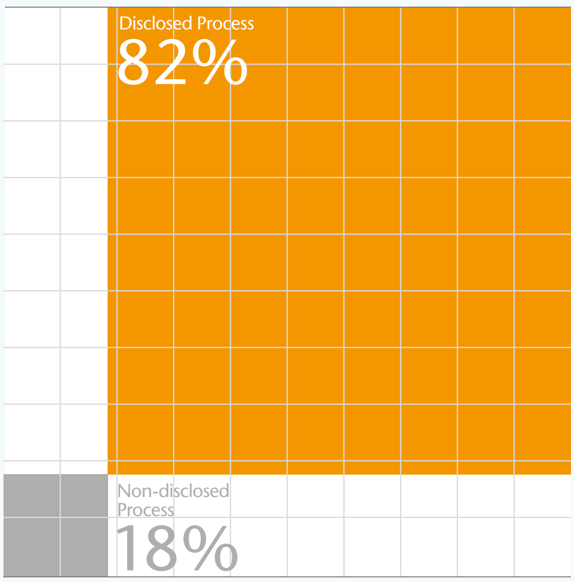
Due to an increase in the number of self-declared integrated reports and combined reports reviewed, the analysis shows a clear increase in the range above 150 pages. However, it is important to note that not all integrated or combined reports are over 100 pages and that we saw some of those reports presented in a concise and relevant manner.

When presented in an annual report format, the amount of sustainability content disclosed is generally less than that in a stand-alone report.

There is no significant correlation between report length and sector, region or maturity of reporting, suggesting that conciseness is a universal challenge faced by companies.

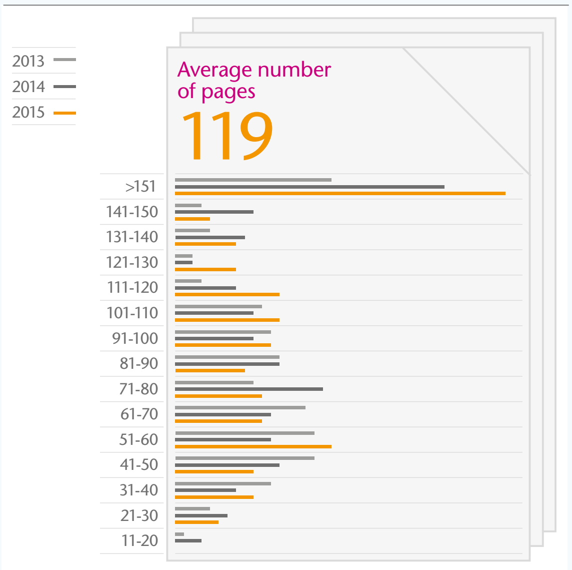
Stand-alone sustainability PDF reports vary significantly in length, with the average being 93 pages (2013: 98). The shortest report reviewed was 22 pages, while the longest was 284 pages. This wide range of report lengths is perhaps reflective of the differing functions and expectations of sustainability reporting at the organizational level.

Disclosure of a materiality process



Of 169 companies

Number of pages



How are the GRI guidelines being used?

Our research shows that 88% of the reports reviewed follow the GRI reporting guidelines, with 100 companies using the latest version of the guidelines (GRI G4) and 49 companies reporting against the GRI G3.1 guidelines.

From a sectoral perspective, the chemicals sector is the most frequent user of the GRI guidelines, with nearly all reports (15 out of 17) from the sector using them. With regard to the **GRI G4 guidelines**, the cement sector is one of the most frequent users, with all except one cement company using them. The chemicals and the forest and paper products 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. Moreover, the companies that use the GRI G4 guidelines score better on materiality and slightly better overall than those that use the GRI G3 guidelines.

Our research on the use of the GRI G4 guidelines shows that companies that report in accordance with the comprehensive option score slightly better overall and on all categories than companies that report in accordance with the core option.

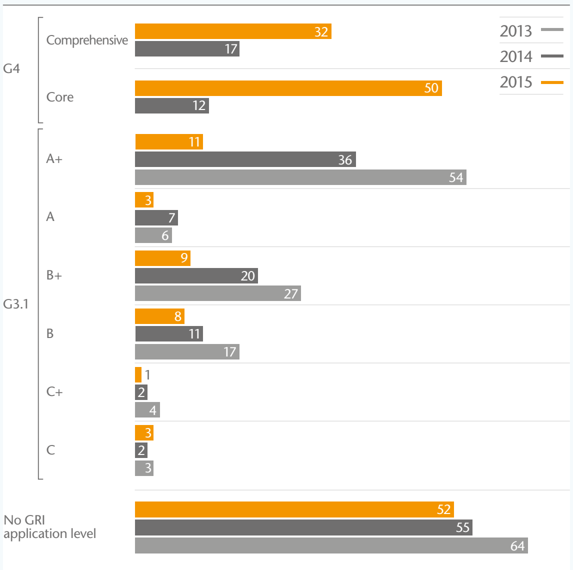
What is the status of integrated reporting?

The majority of WBCSD members (74%) produce a stand-alone sustainability report – that is, the fullest source of sustainability information separate from any other report, such as an annual report.

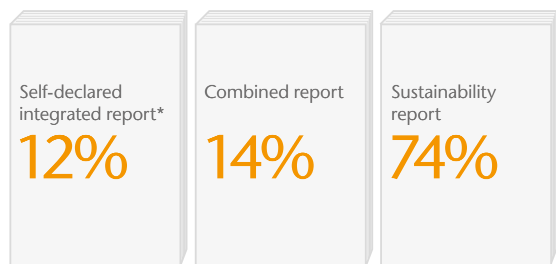
We have found that 24 companies (14%) disclose environmental, social and governance matters in their annual report or produce a combined report; and 21 companies (12%) issue a report they define as "integrated", although this is not necessarily what it is called. Thirteen companies produce a supplementary integrated or combined report in addition to a sustainability report. This small number can be explained by the fact that some countries make integrated or combined reports mandatory for large companies.

Whether it is called an annual or combined report, or defined as an integrated report, we see 2 of these types of reports in the top 10 reporters, with 7 in the top quartile. Our analysis shows that self-declared integrated reports score higher on average than both stand-alone sustainability reports and combined reports against our principles and content criteria. Interestingly, it also shows that self-declared integrated reports improved on our experience 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 International Integrated Reporting Council (IIRC).

What we found in 2015

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 Reports", "Corporate Social Responsibility" ("CSR") and other titles making up the rest. European businesses use the term "Sustainability" or "Sustainable Development" most frequently in their titles (43%), followed by Asian businesses (27%). Interestingly, "CSR" is used more by businesses based in Asia than in other regions, with 83% of all "CSR" reports coming from Asia this year.

As outlined above, the majority of companies that are combining their financial and non-financial reporting do so under the term "Annual Report". We also see a reasonably small number of companies using "Integrated Report" as the title, which is being increasingly used.

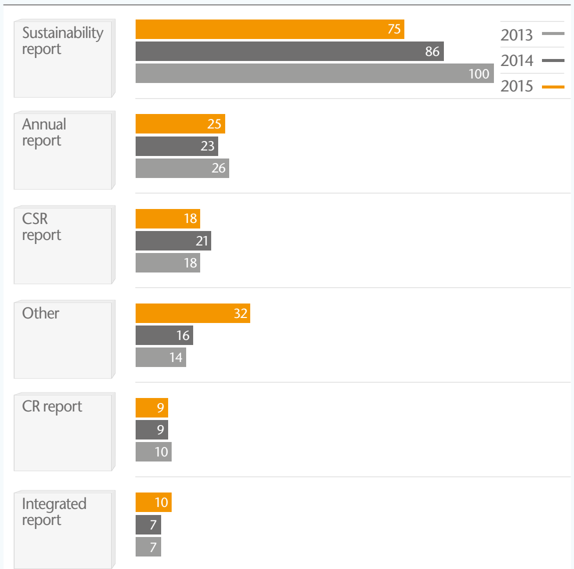
How quickly are reports being published?

Of all the reports reviewed, we noted that 78% specify a publication date (2013: 60%). Based on this, we observed that the average time period between year end and the publication date is 4.2 months (2013: 6 months).

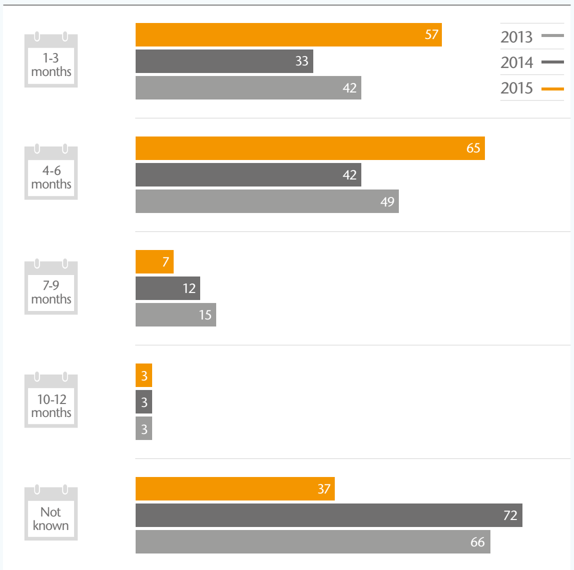
Of the companies that disclose their publication date, the fastest to report are those producing an integrated report, taking an average of only 2.7 months (2013: 3 months).

Interestingly, the companies that produce a sustainability report publish, on average, within 2.4 months from the date of publication of financial statements.

Title of report



Time between reporting period and publication



Who is validating performance?

Our research finds that over 91% (2013: 86%) of reports reviewed have some form of assurance on their sustainability disclosures, through external assurance or internal audit assurance.

We found that 13% of companies do not engage external assurance providers but use their internal audit function for assurance purposes; and this proportion has decreased since 2013 (2013: 22%). Only 9% of WBCSD companies do not use any assurance provision at all, which is a positive development compared to 2013 (14%) and a very small percentage (4%) confirmed they had assurance but did not disclose any detail about the level.

Our research on assurance demonstrates a significant relationship between the use of external assurance and the materiality and overall scores. Indeed, on average, companies using assurance tend to perform better on both the materiality and overall scores.

The dominant form of external assurance is to a limited level, with only about 10% 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 2013 (3%), suggesting a growing preference for this level of validation.

About 14% of reports use a combination of reasonable and limited assurance; a small percentage confirms that they use external assurance but do not disclose any details about the level of assurance.

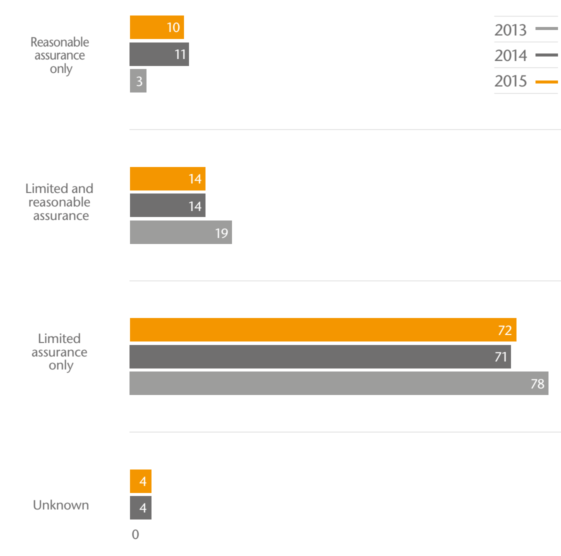
Assurance

78%
External assurance

13%
Internal audit assurance

9%
No assurance

Levels of external assurance (%)



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DETAILED FINDINGS

This section delves deeper into key findings for each principle and content criterion and includes a section about our experience criteria. This year we have introduced management actions alongside reporting actions to further drive integrated performance management. For each criterion, we indicate the status trend and present a selection of good practice examples.

What are management actions?

Management actions are recommendations to improve processes which underpin the integration of sustainability into corporate management and day-to-day operations. They are typically precursors of effective reporting.

What are reporting actions?

Reporting actions are recommendations to describe, discuss or include content or principle elements that will make a report more effective.

PRINCIPLES

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

Materiality

SEE PAGE 18 FOR MORE INFORMATION

Completeness

SEE PAGE 20 FOR MORE INFORMATION

CONTENT

Elements that guide what is included as content in the report.

Performance

SEE PAGE 27 FOR MORE INFORMATION

Governance & accountability

SEE PAGE 28 FOR MORE INFORMATION

EXPERIENCE

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

This year we have combined our analysis of the experience criteria into one sub-section.

Accessibility

SEE PAGE 37 FOR MORE INFORMATION

Content architecture

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Stakeholder engagement

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External environment

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Balance

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Conciseness

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Strategy & drivers

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Management approach

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Evidence of activities

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Strategic partnerships & collaboration

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Line of sight

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Information presentation

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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.

Two years on

Improved

- The most effective reporters provide a clear description of the materiality process and explain how major stakeholder groups were involved. They also present the outcomes of the analysis and state to whom these are presented within the company.
- Many reporters use a materiality matrix to display the results of the analysis.
- Some reports present industry-specific issues and provide geographical and operational context on material issues, for instance human rights or regional water scarcity.

For further discussion on the key findings, see In focus, page 19.

Leading lights

storaenso

An online solution involves key stakeholder groups to prioritize issues based on a pre-defined list of topics that are identified through internal and external analyses.

EY

Interesting categorization of material topics by the IIRC capital and business segments. Those topics are then used throughout EY Netherlands' integrated report when addressing the different impacts on the various types of capital and the business model.

TITAN

Material issues are identified at the country level, which helps the group understand local priorities.

Management actions

Foundations

- Define the scope and purpose of the materiality assessment.
- Establish a clear process for the identification of material issues.
- Engage major internal and external stakeholders to identify issues of interest.
- Consider impacts within direct operations.
- Organize workshops to discuss the results of consultations with internal and external stakeholders.
- Identify the most material issues by considering importance/relevance of issues to both the company and stakeholders.

Intermediate

All foundation actions, plus:

- Consider impacts across the value chain.
- Involve business functions beyond the sustainability team and assign responsibilities for ongoing review of material issues.
- Seek internal validation of the outcomes of the materiality analysis.
- Use the outcomes of the materiality analysis to inform wider corporate strategy.

Good practice

All foundation and intermediate actions, plus:

- Apply additional analysis to the materiality process to enhance insight, e.g. specify magnitude and likelihood of impacts to help prioritize material issues.
- Embed the materiality process into the wider enterprise risk management process.
- Apply the materiality process across geographies and/or at business unit level to provide further insight.
- Seek external validation of the materiality analysis through external assurance or validation by experts.

Reporting actions

Foundations

- Report on the process used to identify material issues, including stakeholder involvement.
- Report on the outcomes of materiality analysis.

Intermediate

All foundation actions, plus:

- Focus the report on only those issues that are most material.

Good practice

All foundation and intermediate actions, plus:

- Report on the parameters used to prioritize material issues.
- Report on the geographic and/or division-specific differences in the materiality of particular issues.
- State the reliability of the materiality process and outcomes.

In focus:

Materiality two years on

Materiality has become a hot topic in sustainability since the Global Reporting Initiative (GRI) released the fourth generation of its guidelines.

Traditionally an accounting concept related to the impact of omissions or errors in financial statements, materiality has evolved into a broader notion applying to non-financial reporting. It has now become an almost ubiquitous concept upon which the effectiveness of reporting relies.

→ Why is materiality important?

Conducting a materiality assessment has multiple benefits. External reporting is perhaps the most obvious. Materiality helps to focus the content of a report on the most important topics – according to business and stakeholder priorities – which in turn helps to avoid disclosure on immaterial topics. Materiality also helps internal management focus on the right issues.

Our research suggests, however, that many companies are not realizing these benefits and could get much more value from their materiality efforts.

→ Reporting on materiality process is generally on the right track

The concept of materiality is used and reported on by a majority of the companies we reviewed (82%) – an increase since we started *Reporting matters* three years ago. But approaches still vary considerably from one report to another. Some companies describe very detailed and structured processes while others indicate that they have only just started to explore the concept and will refine the process next year.

We found that a majority of companies (83%) involve stakeholders in their materiality process. The most effective reports describe how they have undertaken a stakeholder mapping exercise to prioritize stakeholders according to their level of interest in the business and their influence on the business. However, some companies include stakeholders without explaining why they are important to the company.

In terms of more "advanced" materiality practices, we found a number of companies innovating, for example by using concepts from risk management to prioritize issues based on the likelihood and magnitude of impacts occurring to determine materiality. While rare, these kinds of advanced practices can provide further robustness to, and confidence in, the materiality process – which is especially important to winning over senior management.

→ Materiality outcomes must be more strictly applied

When it comes to publishing the outcomes of the process, the materiality matrix is the most popular way to convey which issues are deemed "most material" versus those identified as "less material". Some companies choose to disclose only a list of their most material issues. Both approaches are acceptable, but more transparency – that is, being open about material and immaterial issues – rather than less is encouraged.

Whatever form it takes, our research shows that there is one common missed opportunity – that the outcomes of the materiality analysis are often not reflected in what is included in the report. Many companies take great care in identifying material issues by going through a structured process, yet discuss both material issues and less material issues in equal measure. This significantly lessens the effectiveness – and conciseness – of the report. In this year's research, we find that only 30% of companies applied materiality to determine the contents of the report.

Furthermore, our research finds little evidence to suggest that companies use the materiality analysis to inform strategy, despite the fact that materiality processes are often time consuming and costly. Materiality can be transformative when it is used beyond the report to engage the business on its sustainability priorities and to help guide resource allocation decisions. Unfortunately, our research suggests this does not happen often enough.

→ Where next for materiality?

It is undoubtedly positive that many more companies are now including information on materiality in their reports. But there is room for improvement in how the information is used for both focusing external disclosure and influencing internal management and strategy. When businesses use materiality to its full potential, reports become more concise, focused and strategic.

PRINCIPLES

Completeness

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

Two years on

Improved

- **The most effective reporters are those who clearly state their reporting boundaries and clarify whether joint ventures or subsidiaries are included or excluded.**
- **They also describe and include a graphical representation of the company's value chain.**
- **While the majority of companies discuss impacts within direct operations, many fail to discuss material impacts beyond direct operations.**

Leading lights

RWE The energy to lead

Illustration of the value chain that shows the different stages along with areas for action, challenges and key impacts inside and outside the group.

SCG

The report scope and organizational boundaries are clearly described, including a list of all the subsidiaries included in the scope. Upstream and downstream material sustainability impacts are discussed in depth.

HEINEKEN

Strong approach to value chain plotting strategic focus areas against stages of the value chain along with a detailed description of the value chain components.

Management actions

Foundations

- Determine the reporting scope and the organizational boundaries for non-financial reporting.
- As part of a materiality process, consider impacts within direct operations.

Intermediate

All foundation actions, plus:

- Understand the value chain and the different stages where value is created and impacts are generated.
- As part of a materiality process, consider impacts beyond direct operations (e.g. tier 1 suppliers, global customers) where impact is greatest.

Good practice

All foundation and intermediate actions, plus:

- Assess impacts along the value chain using life cycle assessment or similar tools.
- As part of a materiality process, consider impacts beyond direct operations (e.g. tier 2 and tier 3 suppliers and regional customers).
- Focus strategy on material impacts – both negative and positive – regardless of where they occur in the value chain.

Reporting actions

Foundations

- Describe the reporting scope and organizational boundaries of non-financial reporting.
- Report on the sustainability impacts within direct operations.

Intermediate

All foundation actions, plus:

- Include a graphical representation or description of the value chain and explain the different stages of the value chain, including relevant material issues.

Good practice

All foundation and intermediate actions, plus:

- Report on all material impacts regardless of where they occur in the value chain.

PRINCIPLES

Stakeholder engagement

Stakeholder engagement is an open dialogue process with those people or groups who actively participate in the company's activities and are influenced or impacted by a company's activities, now and in the future. Engagement can take various forms, from day-to-day, business-as-usual engagement to more strategic and planned engagements such as surveys, forums and other stakeholder dialogues.

Two years on

No change

- The most effective reporters identify major stakeholder groups along with engagement channels and explain how stakeholder engagement is used in strategic processes. They also have a clear strategy in place for meaningful stakeholder engagement.
- While most reporters include a section on stakeholder engagement in their reports, many fail to provide stakeholders' perspectives and evidence that stakeholders' concerns and interests are acted upon.

Leading lights

UPM

Robust approach to stakeholder engagement through systematic gathering of stakeholder feedback and views and consideration of their needs in strategy development and decision-making processes.

Hankook

The Annual Stakeholder Dialogue Process is presented in a graph that depicts the different steps of the process, including governance, implementation and review. Communication channels and key issues raised by core stakeholder groups are then described.

natura

Varied formal engagement mechanisms are used such as a Suppliers Committee for joint construction of solutions benefiting both parties and a "Cocriando" (co-creation) platform bringing together stakeholders in the conception of products and services that help the company overcome innovation challenges.

Management actions

Foundations

- Identify major stakeholder groups that are critical to the success of the business.
- Engage with major stakeholders through appropriate channels and on a regular basis.

Intermediate

All foundation actions, plus:

- Act upon stakeholders' needs and concerns to prevent escalation of issues.
- Monitor stakeholders' concerns and interests by collecting feedback.

Good practice

All foundation and intermediate actions, plus:

- Consult stakeholders for all important decisions and integrate stakeholder feedback into decision-making.
- Develop formal engagement mechanisms such as a stakeholder panel.

Reporting actions

Foundations

- Report on how major stakeholders are identified.
- Report on relevant engagement activities from the reporting period.

Intermediate

All foundation actions, plus:

- Report on the outcomes of stakeholder engagement activities from the reporting period.
- Report on the use of formal stakeholder engagement mechanisms.

Good practice

All foundation and intermediate actions, plus:

- Report on how stakeholder engagement is systematically integrated in decision-making.
- Use stakeholder quotes and perspectives throughout the report to show their concerns and interests, including the company's response.

PRINCIPLES

External environment

The external environment refers to actual and potential changes to a company's operating environment that could impact its strategy and performance. It can include societal, environmental, regulatory risks and opportunities. Anticipating and responding to external trends can drive resilience and competitiveness and helps set the direction for a long-term sustainability vision.

Two years on

Improved

- The most effective reports discuss relevant trends and prospects and demonstrate an understanding of how these might impact the business model by creating risks or market opportunities.
- Some reporters, however, do not provide an in-depth and forward-looking analysis of trends and prospects and instead focus exclusively on the past and the present.
- While companies are generally strong on their awareness of changing marketplace conditions, they often only partially discuss how megatrends and regulations could impact, either positively or negatively, company strategy and performance.

Leading lights

e·on

Particular attention to eight megatrends that are likely to have a significant and global impact on society, business and the environment. The report also discusses the effect of those trends on the company's business model and strategy.

ArcelorMittal

As part of tracking social and environmental trends across the globe, the report includes an insightful narrative on the regulatory trends in Europe and discussion of their implications on the business.

HITACHI Inspire the Next

Strong awareness of megatrends including climate change, ecosystem degradation and water shortages. Marketplace trends and development of products in response to those trends are also disclosed.

Management actions

Foundations

- Identify key megatrends in relation to business activities.
- Identify market trends in relation to business activities.
- Identify regulatory trends in relation to business activities.

Intermediate

All foundation actions, plus:

- Assess how megatrends may impact the company's strategy and performance.
- Assess how market trends may impact the company's strategy and performance.
- Assess how regulatory trends may impact the company's strategy and performance.

Good practice

All foundation and intermediate actions, plus:

- Use analysis of megatrends and market trends to refine strategy, mitigate risks and capture opportunities.
- Use the Sustainable Development Goals (SDGs) as a framework to guide activities on sustainability and integrate the most relevant SDGs into the strategy.

Reporting actions

Foundations

- Report on the megatrends, market trends and regulatory trends faced.

Intermediate

All foundation actions, plus:

- Explain the impacts of megatrends, market place trends and regulatory trends on the company.

Good practice

All foundation and intermediate actions, plus:

- Explain how trends have refocused the strategy and how they are helping the company plan for the future.

PRINCIPLES

Balance

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

Two years on

Improved

- The most effective reporters disclose sustainability risks that pose a threat to the company and its prospects.
- Effective and credible reports are balanced in the way they disclose progress on performance.
- However, some reporters do not disclose information on the challenges faced during the year and instead focus exclusively on positive stories and performance.
- Furthermore, some companies do not respond to negative media coverage during the reporting year. This can undermine the credibility of the report and may harm reputation.

Leading lights

ABB

The sustainability challenges are transparently discussed throughout the report, including disclosure on targets where they are behind schedule and third-party criticism related to business activities.

HEIDELBERGCEMENT

Response to stakeholder criticism is prominent, as is a balanced narrative on good as well as poor sustainability performance.

Fibria

Critical third-party commentary is included throughout the report, as well as open discussion of fines and lawsuits.

	Management actions	Reporting actions
Foundations	– Identify major risks and challenges and develop plans for overcoming these. – Identify common criticisms from non-governmental organizations or civil society. – Monitor fines, non-compliance cases and legal actions.	– Report on major risks and challenges. – Report on legal sanctions and fines.
Intermediate	All foundation actions, plus: – Analyze performance, including targets that have not been met, to understand poor performance. – Identify root cause of poor performance and how this can be improved. – Establish an open dialogue with critical stakeholders to address their concerns.	All foundation actions, plus: – Report on activities to overcome risks and challenges. – Report on failed targets, reasons for failure and corrective actions taken.
Good practice	All foundation and intermediate actions, plus: – Implement systems to monitor media coverage and mitigate reputational risk.	All foundation and intermediate actions, plus: – Respond to negative media coverage by explaining how any concerns raised have been addressed. – Include critical third-party comments to provide another perspective on performance and future prospects..

PRINCIPLES

Reliability

Evidence of independent third-party assurance of key sustainability data and disclosures increases the credibility and reliability of the report for 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, thereby giving confidence to senior management that non-financial data can be used in the decision-making process.

Two years on

Not applicable

- The most effective reporters publish an assurance statement that is easily accessible and provides details on the objective and scope of the assurance, including boundaries and the applied standard or regulation.
- The majority of assurance statements indicate the level of assurance attained (limited or reasonable).
- Some companies use assurance when it is required by law (GHG emissions) but do not extend it to other material issues.
- Very few companies indicate why and how assurance findings are subsequently used within the company.

For further discussion on the key findings, see In focus, page 25.

Leading lights

Reliance Industries Limited

The assurance standards used are explicitly mentioned and a summary of the methodology is included. The statement also includes a section on the independence and responsibility of each party and key observations for each for the four AccountAbility (AA) 1000 areas (inclusivity, materiality, responsiveness, reliability).

edp

In accordance with International Standard on Assurance Engagements (ISAE) 3000, a reasonable assurance conclusion is expressed for a selection of GRI indicators and a limited assurance conclusion is expressed for the remaining sustainability information.

COPERSUCAR

Proprietary standards based on ISAE 3000 are used along with detailed methodology and reasonable verification scope, including recommendations in the technical opinion section.

Management actions

Foundations

- Engage an external assurance or external verification provider for selected material data and underlying reporting processes.

Intermediate

All foundation actions, plus:

- Engage an external assurance provider to a limited level or an external verification provider on all material data and underlying reporting processes.

Good practice

All foundation and intermediate actions, plus:

- Engage an independent external assurance provider to a reasonable level for the most material issues and to a limited level for all other material issues, or an external verification provider on all material data and underlying reporting processes.
- Use the assurance process to influence reporting practices.

Reporting actions

Foundations

- Publish the independent external assurance statement.

Intermediate

All foundation actions, plus:

- Use accessible language to explain the assurance process and findings within the report.

Good practice

All foundation and intermediate actions, plus:

- Publish a response to independent assurance.
- Report on how assured data is being used for improved decision-making.

In focus:

PHILIPS

Reasonable assurance at Royal Philips N.V.

Seeking reasonable assurance on both financial and non-financial data, Philips explains how assurance is being used within the company and elaborates on the benefits gained from using the highest level of assurance.

→ What does assurance on non-financial reporting mean for Philips?

Sustainability is a fundamental part of the mission and strategy of the company as we aim to make the world healthier and more sustainable through meaningful innovation. Given the importance of sustainability for both our company and stakeholders, we make sure that we clearly communicate about our programs and progress against targets. In line with this approach, we made a decision that the reporting quality of non-financial data (social capital and natural capital) must be the same as the quality of financial data. This emphasized the need for clear targets for non-financial performance and led to the redesign of internal processes and tools used to collect data and measure progress against targets. This has sharpened our approach to internal control frameworks by involving internal audit as we report our sustainability progress on a quarterly basis to the executive committee.

→ What kind of assurance does Philips seek and why have you chosen this level?

We have sought reasonable assurance on all the data that is included in our integrated annual report. This choice reflects the importance of sustainability as part of our strategy and value creation processes.

→ How is the assurance used within Philips?

The assurance level has triggered a lot of process improvements in the way we collect and present information. We have reached a point where we can obtain reliable, accurate and timely information for our non-financial capital. Setting up the audit trails initially resulted in an increased workload; however, the effort eventually paid off and the workload of running periodic audits has now decreased significantly.

Our objective to obtain reasonable assurance within two years (2011–2012) required an elaborate program. We developed the roadmap together with our accountants. In the first year, we attained reasonable assurance on a limited health and safety and human resource management dataset as well as on our carbon footprint. In the second year, we added a number of environmental indicators, including our chemicals program.

However, the improvement of our auditing process continues – we are now working on a more automated invoice validation process that will reduce the workload for our factory staff and simplify the assurance process for our accountants

→ What value does the assurance provide and can you measure this?

The information and data we obtain in relation to non-financial capital are increasingly used as inputs for tender documents. About 70–80% of our turnover is generated through business-to-business relations and this requires reliable information on the sustainability performance of our partners. By having our data assured at the highest level, we create value for our customers and businesses.

Moreover, the reasonable level of assurance receives recognition and credibility in a number of external ratings. The benefits assurance provides are numerous but the true value mostly relates to internal process improvements. Having faster and better quality information enables us to present sustainability progress and issues to the highest level of management, allowing us to fulfil our mission.

→ What advice would you offer to other businesses when considering what assurance they need?

First, decide on the importance of sustainability to your business. If it is important and receives sufficient management attention, then ensure that your internal processes are of the right quality. This means that you need to have controls embedded in your reporting processes and to build the appropriate control frameworks.

If you want to move from limited assurance to reasonable assurance, obtain senior support and involve your accountants in a timely manner. You will also need the valuable support of internal audit. Professionals working in the sustainability function are generally experts in their field but may be less familiar with processes that can be audited by a third party. Thus support from internal audit professionals can be necessary. By carrying out all these activities, you may arrive at the conclusion that some aspects of your sustainability data are already fit for reasonable assurance.

For further information about assurance and the work undertaken by the WBCSD Assurance Project Working Group of Redefining Value, see our website.

PRINCIPLES

Conciseness

Conciseness implies focusing only on the most material information and prioritizing quality disclosure 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.

Two years on

Improved

- **The most effective reports contain just the right amount of material information while being succinct and focused.**
- **Few reporters offer a summary document and those who do sometimes make it too long or focus only on highlights without providing information on material issues and strategy.**
- **Often, despite their length, reports do not provide sufficient information on material issues and other critical aspects of effective reporting such as strategy and targets.**

Leading lights

BT

Comprehensive and concise report presenting information in a cohesive and accessible manner.

INTERNATIONAL PAPER

Separate and clear summary document structured around strategic focus areas, including goals and progress.

ADITYA BIRLA GROUP

Concise report reflecting the prioritization of identified material issues and accompanied by a short and well-designed summary document including strategy, goals and performance.

Management actions

Foundations

– Use the outcomes of materiality analysis to determine report contents, both online and offline.

Intermediate

All foundation actions, plus:

– Summarize material issues, strategy and performance in a separate communication for time-poor readers.

Good practice

All foundation and intermediate actions, plus:

– Develop a content strategy to ensure that every communication channel provides the right information to the right audience.

Reporting actions

Foundations

– Communicate in a language that is accessible to all readers and avoid using technical terms.

– Use short sentences and paragraphs.

Intermediate

All foundation actions, plus:

– Produce a summary report that provides a quick overview of material issues, strategy and performance.

Good practice

All foundation and intermediate actions, plus:

– Use a range of channels to communicate material issues according to audience needs.

CONTENT CRITERIA

Performance

Measuring and monitoring performance is critical to demonstrating progress. It is important to report specific and measurable key performance indicators (KPIs) for all material issues and distinguish them 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.

Two years on

Improved

- **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.**

Leading lights

CEMEX

Sustainability KPIs are defined and prominently displayed for all material issues, providing differentiation from general, non-material indicators presented later in the report.

mondi

Performance trends are consistently explained to provide context and data is presented both at Group and business unit level.

acciona

"Triple bottom line" performance and associated KPIs are presented across financial, environmental and social data accompanied by a narrative on performance trends.

Management actions

Foundations

- Develop key performance indicators (KPIs) for all material issues.
- Define the process for collecting data and identify the owner of data collection.
- Determine how existing data can be used.
- Collect data at least once a year.

Intermediate

All foundation actions, plus:

- Analyze performance trends and areas for improvement.
- Use industry standard KPIs to facilitate comparison with peers.
- Collect performance data at country/regional level to get insights into regional performance.
- Collect data at least quarterly.
- Seek internal validation and external assurance of the data collected.

Good practice

All foundation and intermediate actions, plus:

- Align collection of non-financial data with financial reporting cycle.
- Collect data at least monthly.
- Use IT solutions to allow automated consolidation of data.

Reporting actions

Foundations

- Report on the KPIs used to monitor progress against material issues and strategy.
- Present data in an accessible and consistent manner, e.g. company-wide performance over at least two years.

Intermediate

All foundation actions, plus:

- Differentiate between KPIs and other indicators.
- Explain performance trends.

Good practice

All foundation and intermediate actions, plus:

- Report KPIs on all material issues.
- Present data at a more granular level where appropriate.

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 is an integral part of the overall corporate governance structure and supports the further integration of sustainability into business decision-making.

Two years on

Improved

- The most effective reporters demonstrate how the company has integrated sustainability governance into its overall corporate governance structure.
- They also include specific details on the governance activities of the board committee.
- Few reporters provide details on how the board or senior executives are remunerated or incentivized upon the achievement of sustainability goals or targets.

For further discussion on the key findings, see In focus, page 29.

Leading lights

Eskom

Sustainability governance includes a useful and wide range of details on the governance structure, the sustainability responsibilities of board members, as well as the topics discussed and outcomes of meetings.

novozymes Rethink Tomorrow

Regional sustainability managers based at Novozymes' major sites are responsible for educating employees on the potential risks of human rights abuses. An annual due diligence process ensures that region-specific human rights concerns are addressed.

Sustainable development measures account for 20% of the scorecard for executive committee remuneration, which includes safety and environmental components such as operational spills, energy intensity and the use of freshwater.

Management actions

Foundations

- Establish a corporate-level sustainability group/taskforce/committee that reports to the board.
- Identify one board-level member who has sustainability-related responsibilities.
- Engage senior executives in sustainability-related discussions, including on material issues.

Intermediate

All foundation actions, plus:

- Establish a board-level sustainability governance structure that includes different functions.
- Ensure the corporate-level sustainability group/taskforce/committee: oversees and reviews the materiality outcomes; formulates targets and KPIs that are approved by the board; makes recommendation to the board on future strategic direction.

Good practice

All foundation and intermediate actions, plus:

- Assign responsibility for delivering on targets and KPIs to board members.
- Integrate measures tied to achievements of sustainability targets as part of board/executive remuneration plans, e.g. long-term incentive, bonus.
- Integrate sustainability topics into management agendas.
- Set up or expand internal audit/control to oversee non-financial data.
- Set up structures for regional/local sustainability governance.

Reporting actions

Foundations

- Publish a CEO statement or equivalent that demonstrates leadership commitment to sustainability.
- Report on the role and duties of the corporate-level sustainability group/taskforce/committee.

Intermediate

All foundation actions, plus:

- Report on the frequency of meetings, the topics discussed and the outcomes from corporate-level sustainability group/taskforce/committee.

Good practice

All foundation and intermediate actions, plus:

- Report on how board and senior executives are incentivized upon achievement of sustainability targets.
- Indicate the use of internal audit/control for reported data on material issues and underlying processes.
- Report on regional/local governance of sustainability set up.

In focus:

Governance two years on

A governance narrative can reveal a lot about how an organization approaches sustainability, yet it is often missing or understated in reports.

→ Why is governance important?

Governance is the backbone of a credible approach to sustainability. It is essential to driving the sustainability agenda and defining ownership of targets and performance. And it is the starting point for the integration of sustainability across the organization to ensure that material risks and opportunities are managed appropriately.

Our research shows that most companies establish a sustainability board or committee in charge of integrating sustainability into the company's strategy and defining sustainability targets. However, disclosure on governance activity is often boilerplate and lacking real insight.

→ Governance reporting needs to be specific and insightful

Sustainability governance starts with endorsement by the board and top management. Our research finds that 71% of companies include a statement or similar that demonstrates clear leadership commitment to sustainability in their reports. Many also report on sustainability committees and groups but disclosure on the specifics of these is often missing. Transparency on the topics and outcomes of sustainability committee meetings are valuable for report readers as they provide insight into how corporate decision-making is influenced by sustainability. However, too few companies provide this level of disclosure, instead preferring a fairly generic narrative with little in the way of company-specific information.

Beyond corporate governance arrangements, we have found that only 17% of companies report on regional or local sustainability. This disclosure is encouraged because it provides insight into how different parts of the business adapt strategy and targets to the local context and ensures that accountability for commitments is cascaded from group to local operations.

→ Linking the achievement of sustainability goals to remuneration

Only 36% of companies in our research report on remuneration arrangements that provide incentives to the board or senior managers to achieve material sustainability targets or goals, which indicates that such arrangements are generally not in place. Of the 36% that do report, most link remuneration to the achievement of metrics such as GHG emissions reductions or key performance indicators on safety. This kind of disclosure shows genuine commitment from the board to integrating sustainability into the business and further demonstrates that sustainability is an integral part of value creation.

→ Internal audit: The governance companion

An internal audit of non-financial data provides assurance that information can be used and relied upon for better decision-making. Unlike an external audit, an internal audit is addressed to the board and senior management to help them fulfill their fiduciary duties to the organization and its stakeholders. Our research finds that only 8% of companies fully report on this aspect of governance, whereas 58% partially report on this. Most companies disclose information on an internal audit in relation to financial data but it is less common to state whether this applies to non-financial data and underlying processes, despite it being a crucial element in improving reporting processes.

→ Where next for governance?

Ensuring robust sustainability governance is vital to disseminating and integrating sustainability across the company. Reporting on governance is equally important for report readers to understand the extent to which a company's approach to sustainability is genuinely embedded from top to bottom. The most effective reports show how sustainability issues are discussed at board level to inform better decision-making and ultimately integrated thinking – but too few companies provide this kind of insight. We encourage more innovation in governance reporting to provide real insight into how companies manage sustainability and especially how top management makes decisions.

CONTENT CRITERIA

Strategy & drivers

A strategic approach to sustainability clearly articulates how a company addresses material environmental, social and governance risks and opportunities. It links to the overall vision and mission of the company and supports the delivery of sustainable outcomes through targets and commitments.

Two years on

Improved

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

For further discussion on the key findings, see In focus, page 31.

Leading lights

DSM

The corporate strategy is built around four strategic pillars that embed sustainability throughout the company. A comprehensive strategy narrative explains how the strategy delivers sustainable outcomes and generates long-term value.

pwc

The description and graphical illustration of the business model complements the articulation of the strategy, supported by a long-term vision with clear targets and commitments to reinforce and execute the strategy.

Schneider Electric

The business case for sustainability is clear thanks to the useful connections made between sustainability and financial performance.

Management actions

Foundations

- Identify the business case for sustainability and communicate this to senior management.
- Develop a sustainability strategy or strategic approach to address material issues.
- Engage business to determine a long-term vision for sustainability in relation to the business model and strategy.

Intermediate

All foundation actions, plus:

- Develop targets and define action plans with clear accountability, deliverables and deadlines.
- Get top management buy-in for strategy.
- Engage the business to determine the implications of material issues on the business model and corporate strategy.

Good practice

All foundation and intermediate actions, plus:

- Integrate sustainability strategy into corporate strategy and cascade to individual business units, functions and/or country units.
- Identify where material issues have financial impacts and capture this for internal and external reporting.
- Plan for integrating non-financial reporting into financial reporting.

Reporting actions

Foundations

- Report on sustainability strategy or the strategic approach to addressing material issues.
- Report on company vision for the integration of sustainability into the business model in the long term.

Intermediate

All foundation actions, plus:

- Report on how the sustainability strategy will be delivered.
- Report on risks and opportunities arising from the strategy, including implications for the business model.

Good practice

All foundation and intermediate actions, plus:

- Report on connection between sustainability and financial performance, e.g. cost-reductions, efficiency gains, enhanced reputation.
- Report on how the strategy is implemented at business unit or regional level.

In focus:

Strategy & drivers two years on

Strategy features prominently in many of the leading reports in our research. Along with material issues, targets and commitments and governance, it is one of the disclosures that stakeholders, especially providers of financial capital, show the most interest in.

→ Why is strategy important?

Having and articulating strategy are both vital because they provide everyone in a company, from board members to employees, with a common direction. Whether the strategy is to attract the best talent, reduce environmental impacts or improve safety, it sets out the company's future ambitions and provides a basis for more detailed disclosure on actions.

Our research finds that 93% of companies report on their strategy or strategic approach to sustainability. However, few make linkages between strategy and the other essential elements of a report, especially materiality, targets and performance. Furthermore, even fewer companies present sustainability as an integral part of corporate strategy.

→ Reporting on strategy is stable despite a lack of clarity

Some companies have a sustainability strategy with focus areas that are defined and sustainability outcomes clearly explained, whereas some other companies have a sustainability strategy that is built around the company's values and mission. Regardless of the shape they take, sustainability strategies are more often than not separate from company strategy, with only a small number of companies in our research incorporating sustainability into their corporate strategy.

Our research also reveals that there are common gaps in reporting on strategy. Firstly, only 38% of companies articulate a clear vision for sustainability that supports the company's strategy. Ideally, reports include the company's vision for sustainability because it gives purpose and provides a good foundation for the development of a more concrete strategic approach.

Secondly, some reports clearly articulate a strategy but do not link it with the material issues identified or the targets defined in the report. The most effective reports disclose targets accompanied by action plans and present a roadmap to show how the strategy will develop over time. However, more than half (62%) of the reports we reviewed do not clearly show how the strategy will be delivered.

Finally, only 36% of companies producing a sustainability report provide a narrative on the business case for sustainability, despite the fact that it is increasingly important for investors to understand how the effective management of material issues brings measurable benefits to the company.

→ Integrated reports provide the foundation for robust strategy

Our research finds that companies that produce integrated reports generally have better strategy disclosure. This is more than likely because integrated reporting requires companies to systemically consider risks and opportunities in the external environment, to reflect these in company strategy, and then to subsequently report on this strategy. We have also found the integrated reports in our research generally much more focused than their sustainability report counterparts, with clearer links to the business model and value creation.

→ Where next for strategy?

It is positive that most companies report on a strategy or at least a strategic approach to sustainability, but there is more work to be done in terms of showing meaningful integration of sustainability into corporate strategy. The most effective reports show how risks and opportunities are translated into strategy. After all, this is what strategy is intended for – to enhance resilience and provide stakeholders with the confidence that a company is well placed to operate sustainably and create value in the short, medium and long term.

CONTENT CRITERIA

Commitments & targets

Targets and commitments 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.

Two years on

Improved

- The most effective reporters set ambitious, overarching aspirational goals for each material issue, which are then supported by specific and measurable targets.
- They also use interim targets to support the achievement of longer term goals.
- Some companies, however, still have only a short-term focus, typically one to two years, and set generic targets. They also do not disclose the level of achievement against past targets.

For further discussion on the key findings, see In focus, page 33.

Leading lights

Fibria

Impressive approach to long-term targets, including those that go beyond the company's direct impacts. Targets are explicitly linked to material issues and strategic pillars.

Nestlé Good Food, Good Life

Key objectives are consistently highlighted across key Creating Shared Value focus areas throughout the report, disclosing the level of achievement of past targets along with future commitments.

OLAM

Disclosure of targets by "focal areas" that cover each of the material issues identified facilitates line of sight. Commitments go beyond the company's direct impacts.

Management actions

Foundations

- Identify material issues against which targets can be set.
- Ensure targets are SMART: Specific – precise in wording to avoid ambiguity; Measureable – underpinned by KPIs to provide a comparable measure of progress year on year; Achievable – feasible but with stretch; Realistic – in line with resources available and past performance; Time bound – with a clear deadline.
- Engage internal stakeholders to ensure buy in and accountability.
- Ensure every target has an owner.
- Establish baseline year for performance.
- Benchmark against targets set by peers.

Intermediate

All foundation actions, plus:

- Develop target and actions plans that include long-, medium- and short-term milestones.
- Ensure all material issues have a corresponding target.
- Analyze performance against previous targets to inform target setting.
- Use sector-developed KPIs to standardize reporting of progress against target

Good practice

All foundation and intermediate actions, plus:

- Explore external parameters such as the Sustainable Development Goals (SDGs), planetary boundaries, accepted scientific consensus to set targets, etc.
- Set global targets within a flexible framework for business units and local operations to ensure that targets can be applied.
- Set targets to include all activities within the value chain.
- Link the achievement of material targets to remuneration and incentives (for target owners).

Reporting actions

Foundations

- Report on global targets, including baseline and target completion date.
- Report on progress against targets, including level of achievement for the previous year.

Intermediate

All foundation actions, plus:

- Report on plans to achieve targets, including challenges the company may encounter.
- Report on target progress, disaggregated at regional level.

Good practice

All foundation and intermediate actions, plus:

- Report on progress against targets in the context of external boundaries or parameters (e.g. ecological limits).
- Seek external validation for progress against targets.

In focus:

Target setting at Italcementi Group

In line with the Group's values and materiality matrix, Italcementi has defined targets and ambitions linked to executive remuneration to ensure ownership of targets among leadership.

As part of its public commitments to sustainability, Italcementi Group is an active member of the WBCSD, the Cement Sustainability Initiative (CSI) and the UN Global Compact. The Group has founded its sustainability strategy on two sets of objectives aligned with its long-term vision and mission: short-term targets and medium-term ambitions. Italcementi's materiality assessment has contributed to making the business case for sustainability by strengthening the link between profitability and planetary challenges. Materiality is a valuable tool that ensures strategic alignment and the prioritization of resources and is also used to inform target setting.

→ The process

All the Group's relevant internal functions participated in the development of Targets 2015 and Ambitions 2020, including the board and the CEO, through the Sustainable Development Steering Committee. After identifying the material issues, the committee defined objectives comprising detailed short-term targets and aspirational medium-term ambitions. To ensure that the vision set by the Group would remain valid in the future, its ambitions for 2020 were set in line with the Group's values: integrity, diversity, efficiency, responsibility and innovation. Italcementi Group's targets and status of implementation are available in its Annual Report and on its corporate website.

→ Linking remuneration to targets

Cascading the principles, commitments and objectives down through the company requires motivated management and the ability to translate the CEO's vision into daily practice. The leadership of managers is fundamental, but clear incentives are necessary to drive leadership. For more than 10 years, the Group has used a variable remuneration scheme based on incentives for performance against targets over a three-year period on top of those for reaching annual management objectives. The scheme systematically includes sustainability objectives (only safety in the very initial phase), which are supported by solid quantitative key performance indicators. The application of the scheme starts with the CEO's objectives as approved by the board and including the COO and the Group executives. It then cascades down to the Group's operations. This allows ownership of the targets to be shared among leadership positions. For example, at least 20% of the yearly variable remuneration of subsidiary managing directors is based on safety records, CO_2 performance and air emissions. This selection of targets was agreed for its comprehensive value. Safety records are not merely an ethical target but also a clear indicator of managerial skills. Similarly, CO_2 performance not only responds to a planetary challenge, but is also a meaningful indicator of industrial efficiency. Lastly, air emissions are a clear environmental issue, and a key prerequisite for local communities and social inclusiveness.

→ Monitoring progress against targets

Italcementi Group has tried to adopt existing KPIs developed by the Global Reporting Initiative (GRI) or sector-specific indicators such as those developed by the CSI. Most of these indicators are included in the expanding list of indicators submitted for third-party verification. This enhances the reliability of the data and results, which can then be fed back into the Group's materiality analysis. The company uses this strategic approach to ensure that targets, strategy, management systems, data consolidation and disclosure are all aligned. This provides managers with a fair and trusted internal benchmarking mechanism. At the same time, sustainability experts have access to improved data collection and reliability, while the wider public is offered solid and meaningful disclosure.

→ Where next?

The next steps are to renew the set of targets and ambitions, raise expectations and push the timelines ahead. The process will be informed by a number of elements: the Group materiality matrix, planetary boundaries, WBCSD and CSI joint initiatives, and the agreed set of SDGs, which are all useful references to define and deliver business-oriented sustainability strategies.

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 use of frameworks, guidelines, tools, internationally recognized management systems and certifications, as well as the stakeholder engagement activities focused on facilitating implementation by employees, suppliers and customers.

Two years on

Improved

- **The most effective reporters describe in sufficient, but not unnecessary, detail the systems and processes put in place 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 disclosure of the systems, processes and controls over reporting.**
- **Very few companies describe their internal reporting and data collection processes and frequency.**

Leading lights

AkzoNobel

A Sustainability Framework is used to integrate sustainability into all aspects of the value chain and a company-wide framework of standard processes and tools helps drive targeted improvement for multiple issues.

Bayer

Robust engagement with suppliers including the "Bayer Supplier Day", webinars on sustainability, regular sustainability and quality audits, as well as ongoing engagement with customers and product users to address indirect material issues.

SIEMENS

Interesting approach to employee engagement through intranet-based training on sustainability and an Open Innovation concept to encourage innovation from the bottom up.

Management actions

Foundations

- Identify management systems or tools and guidelines that are appropriate for the management of material issues.
- Establish clear data collection processes for non-financial reporting.

Intermediate

All foundation actions, plus:

- Engage with employees by organizing training and activities that empower them and drive innovation from the bottom up.
- Engage with suppliers on a regular basis to build capacity to reach minimum required standards.
- Engage with customers through collaboration and awareness raising activities such as campaigns and customer panels.

Good practice

All foundation and intermediate actions, plus:

- Integrate sustainability into decision-making across all operational and procurement activities.
- Align data collection processes and timing with financial reporting cycle.

Reporting actions

Foundations

- Describe the management systems and processes used to implement strategy, including policies and data collection processes.

Intermediate

All foundation actions, plus:

- Explain how the company engages with employees, suppliers and customers to implement the management approach.

Good practice

All foundation and intermediate actions, plus:

- Explain how sustainability is embedded throughout the company, including in corporate functions and operationally.

CONTENT CRITERIA

Evidence of activities

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

Two years on

Improved

- **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 anecdotal examples.**

Leading lights

LAFARGE

Relevant case studies are used to illustrate activities carried out in relation to material issues and demonstrate outcomes.

Metsä

The sustainability activities undertaken during the reporting period are well described and the report features a comprehensive sustainability timeline that provides historical context.

Unilever

Compelling backward-looking disclosure with reference to sustainability activities carried out in prior reporting years is well-used and supported by short and engaging case studies.

Management actions

Foundations

- Identify activities and programs that can help the business deliver on its objectives and improve performance.

Intermediate

All foundation actions, plus:

- Carry out sustainability-related activities that are strategic and bring value to the business and its relationships with key stakeholders.

Good practice

All foundation and intermediate actions, plus:

- Monitor progress and outcomes on the activities and programs that are material to the business.

Reporting actions

Foundations

- Report on the sustainability-related activities carried out during the reporting year.

Intermediate

All foundation actions, plus:

- Provide historical context to the activities carried out over a number of years.

Good practice

All foundation and intermediate actions, plus:

- Include case studies that are concise, material and outcome-driven.

CONTENT CRITERIA

Strategic partnerships & collaboration

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 focus on addressing a company's material issues and support the implementation of strategy.

Two years on

Improved

- 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 and for relevant stakeholders.
- Companies do not always consistently focus on establishing partnerships that are aligned with their sustainability strategy. For instance, partnerships with communities remain largely philanthropic.

Leading lights

EDF

Excellent reporting on partnerships, especially with government and intergovernmental entities.

Firmenich

A graphical representation of the company's sustainability partnerships is accompanied by a narrative that illustrates how partnerships address material issues.

SUNCOR ENERGY

Strong reporting on community partnerships in the region where the company operates and with Aboriginal businesses.

Management actions

Foundations

- Identify industry partnerships and collaborations that create value for the company.
- Establish strategic partnerships that are: linked to core business activities; create value for the business and relevant stakeholders; support the sustainability strategy.

Intermediate

All foundation actions, plus:

- Identify industry partnerships and collaboration that create value for the company and society.
- Set and monitor indicators at the outset to evaluate outcomes, cost, impacts and benefits of partnerships.

Good practice

All foundation and intermediate actions, plus:

- Join large-scale and innovative partnerships, such as the Low Carbon Technology Partnership Initiative (LCTPI), that will drive sustainable development in the future.
- Assess the macro-level impacts of partnerships and collaborations.

Reporting actions

Foundations

- Report on strategic partnerships and collaborations with a variety of actors, including other companies, governments, non-governmental organizations and communities.
- Explain how partnerships benefit the company.

Intermediate

All foundation actions, plus:

- Report on the outcomes of partnerships.
- Explain how partnerships advance the company's sustainability agenda.
- Explain how partnerships benefit the company and society.

Good practice

All foundation and intermediate actions, plus:

- Report on the economic impacts of partnerships and collaborations.

EXPERIENCE CRITERIA

Experience still matters

Building on the findings of *Reporting matters*, Radley Yeldar, our partner and reporting and communication experts, provides insight into how companies are embracing a much more communicative approach to reporting.

Anyone involved in producing sustainability reports will have wondered on more than one occasion about who actually reads them. The truth is, lots of people use sustainability reports but for many different reasons.

At the start of *Reporting matters* two years ago, we made a conscious decision to assess not only the content elements of reports, but also aspects which make up the readers' experience of those reports – primarily to gauge whether audiences' communication needs are being met.

We developed four criteria to tangibly assess aspects of experience we felt were most important:

- **Accessibility:** How easy the report is to find.
- **Content architecture:** How content in the report is organized.
- **Line of sight:** How connected the content elements are.
- **Information presentation:** The look and feel of the report.

So two years into *Reporting matters*, has experience improved? The short answer is yes, but only marginally, save a few sectors and companies that have improved significantly. We believe that many reporters are missing a trick when it comes to experience, which consequently is holding back reports from being effective engagement and accountability tools. We explore why this is the case below.

Online vs offline experience

Over the past two years, we have seen more companies producing online sustainability reports – digital versions of the PDF with video and other interactive content, either as microsites or integrated with the corporate website. This year, 31% of WBCSD members produced online reports in one form or another, alongside the full PDF.

What is perhaps less well understood by reporters is that experience needs to be approached differently depending on whether the report is primarily for online or offline audiences. When they are done well, online reports are very effective communications for audiences who want a more interactive, and often a more high level, browsing experience. However, despite a growing number of these reports, many companies continue to reproduce the whole PDF online without thinking about what their online audiences want.

Research from the investment community – arguably the most intensive users of sustainability reports – consistently shows that investors have a strong preference for PDFs because they are familiar and portable. And our research reinforces the view that the most effective reports use the PDF as the fullest source of disclosure, supported by complementary online content which contains top line information tailored for online audiences.

The implication of this is clear. To get the most from online, use it for what it is best at – creating engaging, immersive experiences rather than as a repository for every last detail of the sustainability approach and performance. But do not overlook the importance of the PDF as this is probably the go-to source of information for those wanting detailed disclosure.

Make sure people can find it

Accessibility is arguably the one area of experience that most reporters do reasonably well – making it easy for people to find the report from the corporate website homepage is a quick win. The most effective reporters typically understand what information their audiences need and will repackage it in different ways to meet those needs. Good examples of this include video content, infographics, summary versions of the full PDF for time-poor audiences, downloadable spreadsheets and separate GRI indexes for specialist audiences.

EXPERIENCE CRITERIA

Experience still matters

Organize the information

When reports are well organized, information is easy to find and user experience is enhanced. Our content architecture criteria considers issues such as hierarchy of information to meet different audience's needs – from *skim readers* to *deep divers*. It also considers how consistent structure and labeling of content can help with navigation.

We have noticed a general improvement in how reports are structured this year – but nothing that suggests a significant shift. One improvement in particular that we have observed is the growing trend towards structuring reports around material issues. We find this not only helps to make reports more focused but gives readers quicker access to the issues they care about.

Join the dots

Reports are often complex documents with lots of constituent parts. Making them work as a coherent whole and showing the outside world evidence of *integrated thinking* is not easy. We have seen lots of examples of companies creating a line of sight by anchoring their report around strategy or material issues to create a *red thread*.

Good design can help to join the dots, but it must never replace genuine linkage between key elements such as material issues, strategy, performance and future commitments – the backbone of any report. More WBCSD members are getting better at creating genuine connectivity across these elements, but there is still room for improvement.

Do not overlook good design

It is often said that good design is prohibitive for most reporters because of cost. But in actual fact, it is really just the icing on the cake after accessibility, content architecture and line of sight have been addressed. It is a bonus if the brand allows a more creative expression of content, for example through the use of powerful imagery, a varied color palette or engaging infographics and illustrations.

However far it can be stretched, viewing the report as more than just a functional document and injecting some creativity can go a long way to making the report standout from the crowd. Unfortunately, many reports in this year's sample still appear to prioritize function over form so there is more work to be done.

Where next for experience?

As this section highlights, experience is still overlooked by many reporters. However, those that get experience right – as our research analysts can testify to – get real return from their efforts as the content is not only easier to understand but easier to remember. Whether the audiences spend many hours reading the report from cover to cover or browse casually for a few minutes, experience really does matter.

Leading lights

OLAM

Creative report design presented in landscape format that visually connects Olam's core business activities – the provision of sustainable agricultural products and food ingredients – to its "landscape" sustainability approach. The report uses illustration and imagery to communicate information in a colorful and compelling manner.

VALE

Clear information hierarchy that helps with skim reading. The report features interactive search functionality to direct readers to the content they are interested in and uses colorful graphic dividers to reduce information overload.

SAB MILLER

Engaging, interactive microsite providing access to interactive performance data. The PDF version of the report uses color coding and icons to differentiate between chapters and to ease navigation.

4

WHAT'S NEXT?

IN THIS SECTION

Generating more value from reporting through promotion

For many organizations, the launch of the sustainability report marks the end of the process for the year after a significant investment of time and resource. But what happens after it goes live and how can you maximize your return on investment? In this section we explore how promotion can be used to generate more value from your reporting.

In our experience, approaching the launch of your report with a campaign mind-set can make a huge difference. By this, we mean viewing the launch not as the end of the process, but the start of a journey that involves promoting content to deliver better outcomes. This shift in perspective encourages companies to move away from arbitrary ways of defining reporting success (such as the number of downloads), to focus on more meaningful outcomes like increasing the number of employees engaged in your strategy.

Rather than allowing your report to gather dust on a shelf or be lost in the midst of your corporate website, promotion offers an ongoing opportunity to generate value from your reporting for longer. But where do you start, and how can you make the most of promotion? Here are five tips to get you started:

1. Know what you want to achieve

The first question involves defining exactly what you want to achieve with your report. Practically this means setting objectives at the beginning of the journey and working towards these as you move through the process. This may include defining who you want to read the report and what you want them to know, feel and do as a result.

If you decide that you want to use the report to engage your workforce on specific material issues, think about how you can package and promote content in ways that raise awareness of these topics among employees. If the purpose of your reporting is to enhance accountability or drive environmental performance, consider how content can be used to start conversations with relevant stakeholders and refine targets going forward.

2. Make promotion part of the process

Leading reporters see reporting as a means to an end, rather than as an end in itself. By viewing the report as an ongoing process rather than a set deliverable with an end date, the emphasis shifts from a short-term project to an ongoing commitment to transparency and engagement. This is where promotion has the opportunity to add real value. By using the report to start the right conversations internally and share your thinking externally, you are much more likely to get people on board and create genuine dialogue.

3. Go where your audience is

Engagement is imperative to building meaningful relationships with your audience. But with today's information overload, you will need to find novel means to promote content so that it reaches them in the most effective way. If you want your report to have a big impact, avoid passively launching it on your website with a generic press release. Instead develop a communications strategy that tailors your content according to the needs and preferred channels of your audience.

Building a picture of your key audiences is a useful first step. Create profiles of the individuals you want to target and ask questions about how they consume information, what they are likely to want to know, and how information can be provided to them in a way that will help them fulfill specific tasks related to their jobs or interests.

Leading reporters see reporting as a means to an end, rather than as an end in itself.

4. Pull people in

With hundreds of nuggets of information, the report is a treasure trove of content. Channels such as LinkedIn and Twitter can be helpful to share this information in digestible ways, with the added benefit of viral potential – especially videos and infographics that lend themselves to social sharing.

The key is to break up content into shareable bite-sized chunks and distribute it against an agreed plan, in a way that will appeal to your audience. Try to avoid providing information without an invitation for further engagement and always ask yourself "what's the call to action" with this content and how can I draw people in?

5. Measure your progress

Monitoring the effectiveness of your communications will help you to understand what is and is not working in terms of your promotional strategy. It could be as simple as measuring the number of downloads of the report, or as sophisticated as an in-depth media analysis measuring the uptake of content promoted through social media channels. Whatever your measurement strategy, always look to monitor whether what you are doing is working or not, and be open to experimentation.

Ultimately, making the most of your report requires you to reach out to the right audiences once published. Literally thousands of hours go into producing reports, yet many companies say that people are not reading them. The reason for this is not the content – it is what you do, or do not do, with it that makes all the difference.

Ben Richards
Consulting Director, Radley Yeldar, London

Reflections and next steps

The reporting landscape is rapidly evolving and 2015 has proven to be another milestone in this regard. With this in mind, the WBCSD has launched a new project aimed at helping the business community navigate the reporting landscape. This project complements the WBCSD's work on reporting and will drive better decision-making.

Mapping the reporting landscape: A tool for reporters

Changing corporate performance and transparency expectations have catalyzed activity around corporate sustainability reporting as new and varied perspectives seek to understand corporate performance, impacts and dependencies. Governments and stock exchanges have initiated new reporting requirements and regulations; and new organizations focused on the development of new voluntary reporting specialisms have emerged. Many other practices, initiatives, codes and guidance that ask for the disclosure of information relating to natural and social capital have also been developed.

With this plethora of new activities, standards and organizations, the reporting landscape grows ever more complex and confusing. Over the last couple of years, the corporate community, including WBCSD member companies, has been concerned that the diversity of reporting requirements and the breadth of subject matter and content are making it increasingly difficult to understand what to communicate in integrated, sustainability, mainstream or legally required corporate reports.

In response to this issue, the WBCSD Redefining Value program has launched a new project to develop a pioneering cloud-based knowledge platform that will map the reporting landscape. This tool is being developed in partnership with the Climate Disclosure Standards Board (CDSB) and Ecodesk. It will be freely available and will use a crowdsourcing model to capture the global reporting landscape as it evolves over time. This will enable companies to understand and navigate the sustainability reporting landscape at a national and international level by exploring reporting requirements and guidance that are relevant to them.

Additionally, the enhanced disclosure of sustainability information will allow stakeholders to better assess corporate performance and risk, facilitating informed and sustainable decision-making. The tool will be useful for regulators and others contemplating the introduction of non-financial reporting rules and for the investment community and financial institutions to understand what is influencing corporate sustainability reporting. It will also provide valuable information to voluntary disclosure organizations developing guidance on corporate reporting.

The first pilot of the tool is scheduled for early 2016, with an open beta version expected in autumn 2016. Organizations wishing to collaborate on this project should contact Rodney Irwin (irwin@wbcsd.org) or Andy Beanland (beanland@wbcsd.org) for further information. This project is funded by the Gordon and Betty Moore Foundation.

> The WBCSD Redefining Value program has launched a new project to develop a pioneering cloud-based knowledge platform that will map the reporting landscape.

Partners in this project

GORDON AND BETTY MOORE FOUNDATION

The Gordon and Betty Moore Foundation fosters path-breaking scientific discovery, environmental conservation, patient care improvements and preservation of the special character of the Bay Area. Visit moore.org or follow @MooreFound.

CDSB Climate Disclosure Standards Board

The Climate Disclosure Standards Board (CDSB) is an international consortium of business and environmental NGOs committed to advancing and aligning the global mainstream corporate reporting model to equate natural capital with financial capital. Recognizing that information about natural capital and financial capital is equally essential for an understanding of corporate performance, our work builds trust and transparency needed to foster resilient capital markets. Visit cdsb.net and follow us @CDSBGlobal.

Ecodesk

Ecodesk is a leading provider of sustainable supply chain management and reporting software. Its cloud-based collaboration platform acts as a hub for collecting, aggregating, storing, organizing, analyzing, presenting and communicating key sustainability data. With its combination of in-house sustainable business and software development expertise, Ecodesk offers a supportive, partnership based approach to driving fundamental change towards sustainable business. www.ecodesk.com.

5

APPENDIX

IN THIS SECTION

What we did in 2015

Reporting matters 2015 is the outcome of the third review of WBCSD member reports – including sustainability, combined and self-declared integrated reports – and covering 169 companies from more than 20 sectors and 35 countries. It aims to benefit both WBCSD members as well as the wider corporate community. Below is a summary of how we conducted this annual review.

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 confidential and bespoke feedback on their reports, including more than 100 "deep-dive" meetings.

2 Methodology review

In 2014, the WBCSD formed a Sounding Board composed of 21 member companies to collect feedback on the methodology we use. This resulted in the re-categorization of our assessment criteria into seven principles and seven content and four experience criteria to align with major reporting guidelines and frameworks. We also introduced a new reliability criterion to reflect the strategic importance of data quality for effective reporting. The updated 2014 methodology was used for the 2015 review.

3 Research

We reached out to WBCSD members, asking them for their fullest source of sustainability information. In total, 169 sustainability, combined or self-declared integrated reports were systematically reviewed against the 18 defined 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 14 weeks to complete, after which a thorough analysis was undertaken to identify trends. We also identified companies that best represented the principles, content or experience criteria.

5 Launch

The launch of the third edition of *Reporting matters* is designed to provide an overview of reporting trends within the WBCSD membership, highlighting areas of progress and improvement. Our recommendations aim to inspire companies to invest in an effective reporting process by showcasing examples of good practices.

6 Engagement

This review aims not only to engage WBCSD members in re-evaluating their reporting practices and disciplines but also to engage report preparers more widely, as well as standard setters and regulatory bodies working across the reporting landscape.

Resources

The following lists useful resources that can help companies achieve the good practice benchmark against the *Reporting matters* criteria. The list is not exhaustive and many more insights on a range of topics can be found on the websites of think tanks, non-profit organizations and consultancies that regularly produce research materials.

Materiality

- AccountAbility (2013). *Redefining Materiality II: Why it Matters, Who's involved and What It Means for Corporate Leaders and Boards*. AccountAbility.
- GRI and RobeccoSAM (2015). *Defining Materiality: What Matters to Reporters and Investors*. Global Reporting Initiative and RobeccoSAM.
- GRI (2013). *Sustainability Topics for Sectors: What do stakeholders want to know?* Global Reporting Initiative.
- SASB (no date). *Less is More: Materiality and Why it Matters*. Sustainability Accounting Standards Board.
- WBCSD (2014). *Journey to Materiality: A guide to achieve corporate goals by applying materiality to environmental, social and governance issues*. World Business Council for Sustainable Development, Future Leaders Program 2014.

Completeness

- BSR (2010). *The Business Case for Supply Chain Sustainability: A Brief for Business Leaders*. Business for Social Responsibility.
- United Nations Global Compact and BSR (2010). *Supply Chain Sustainability: A Practical Guide for Continuous Improvement*. United Nations Global Compact and Business for Social Responsibility.
- United Nations Global Compact and BSR (2014). A Guide to Traceability: *A Practical Approach to Advance Sustainability in Global Supply Chains*. United Nations Global Compact and Business for Social Responsibility.

Stakeholder engagement

- BSR (2012). *Back to Basics: How to Make Stakeholder Engagement Meaningful for Your Company*. Business for Social Responsibility.
- Krick, Thomas, Maya Forstater, Philip Monaghan, Maria Sillanpaa (2006). *The Stakeholder Engagement Manual: The Practitioners' Handbook on Stakeholder Engagement*, Vol. 2. Stakeholder Research Associates, United Nations Environment Programme, AccountAbility.
- Stakeholder Research Associates (2005). *The Stakeholder Engagement Manual: The Guide to Practitioners' Perspectives on Stakeholder Engagement*, Vol. 1. Stakeholder Research Associates, United Nations Environment Programme, AccountAbility.

External environment

- DNV GL, United Nations Global Compact, Monday Morning Global Institute and Sustainia (2015). *Global Opportunity Report 2015*. DNV GL, United Nations Global Compact and Monday Morning Global Institute and Sustainia.
- GRI (2015). *Sustainability and Reporting Trends in 2025: Preparing for the Future*. Global Reporting Initiative.

Reliability

- GRI (2013). *The external assurance of sustainability reporting*. Global Reporting Initiative.
- ICAEW (2012). *Assurance Sourcebook: A Guide to Assurance Services*. Institute of Chartered Accountants in England and Wales.
- IIRC (2015). *Assurance on <IR>: Overview of feedback and call to action*. International Integrated Reporting Council.

Performance

- Lydenberg, Steve, Jean Rogers, David Wood (2010). *From Transparency to Performance: Industry-Based Sustainability Reporting on Key Issues*. The Hauser Center for Nonprofit Organizations at Harvard University and Initiative for Responsible Investment.

Governance & accountability

- Global Compact LEAD and BSR (2011). "Board Adoption and Oversight of Corporate Responsibility" Discussion Paper. Global Compact LEAD and Business for Social Responsibility.

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Other websites where you can find useful resources:

The IIRC: **www.integratedreporting.org**

The Prince's Accounting for Sustainability Project: **www.accountingforsustainability.org**

Natural Capital Coalition: **www.naturalcapitalcoalition.org**

List of reports reviewed

Company	HQ location	WBCSD sector
3M	United States	Consumer goods
ABB Asea Brown Boveri Ltd	Switzerland	Engineering
Abril Group	Brazil	Media
Accenture	Ireland	Services
Acciona S.A.	Spain	Construction
Acer Group	Taiwan	IT & telecoms
Aditya Birla Group*	India	Conglomerate
AGC Group	Japan	Construction
Akzo Nobel N.V.	Netherlands	Chemicals
Andritz AG*	Austria	Forest & paper products
Apple Inc.*	United States	IT & telecoms
ARCADIS*	Netherlands	Engineering
ArcelorMittal S.A.	Luxembourg	Mining & metals
Bank of America	United States	Banks & insurance
Baosteel Group Corporation	China	Mining & metals
BASF SE	Germany	Chemicals
Bayer A.G.	Germany	Chemicals
BMW AG	Germany	Auto
Borealis AG	Austria	Chemicals
BP International	United Kingdom	Oil & gas
Bridgestone Corporation	Japan	Tires
Brisa Auto-Estradas de Portugal, S.A.	Portugal	Auto
British Telecommunications plc (BT plc)*	United Kingdom	IT & telecoms
Canon Inc.	Japan	IT & telecoms
CEMEX	Mexico	Cement
CH2M	United States	Engineering
Chevron Corporation	United States	Oil & gas
CLP Power Hong Kong Limited	China	Utilities & power
Coca-Cola Company (Coke), The	United States	Food & beverages
Continental AG	Germany	Tires
Cooper Tire & Rubber Company*	United States	Tires
Copersucar*	Brazil	Trading
CPC Corporation*	Taiwan	Oil & gas
CRH plc	Ireland	Cement
Daimler AG	Germany	Auto
Deloitte Touche Tohmatsu	United States	Services
DENSO Corporation	Japan	Auto
Deutsche Bank AG	Germany	Banks & insurance
Deutsche Post DHL	Germany	Logistics
Diageo plc.*	United Kingdom	Food & beverages
DNV GL	Norway	Services
Dow Chemical Company, The	United States	Chemicals
DSM N.V.	Netherlands	Chemicals
DuPont	United States	Chemicals
E.ON SE	Germany	Utilities & power
Eastman Chemical Company	United States	Chemicals
Eaton Corporation	United States	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 de Medellin ESP (EPM Group)	Colombia	Utilities & power
ENGIE	France	Utilities & power
Eni S.p.A	Italy	Oil & gas
Environmental Resources Management Limited (ERM)	United Kingdom	Services
Eskom Holdings Limited	South Africa	Utilities & power
Evonik Industries AG	Germany	Chemicals
EY LLP	United Kingdom	Services
F. Hoffmann-La Roche AG	Switzerland	Healthcare

* Companies not included in the 2013 or 2014 review.

Company	HQ location	WBCSD sector
Fibria	Brazil	Forest & paper products
Firmenich SA*	Switzerland	Chemicals
Ford Motor Company	United States	Auto
Fujitsu Limited*	Japan	IT & telecoms
Goodyear Tire & Rubber Company, The	United States	Tires
Greif, Inc.	United States	Forest & paper products
Grupo Argos	Colombia	Cement
GS Caltex Corporation	South Korea	Oil & gas
Hankook Tire Co., Ltd	South Korea	Tires
Heidelberg Cement AG*	Germany	Cement
Heineken N.V.*	Netherlands	Food & beverages
Henkel AG & Co. KGaA	Germany	Consumer goods
Hitachi Ltd.	Japan	Engineering
Holcim	Switzerland	Cement
Honda Motor Co., Ltd	Japan	Auto
IKEA*	Netherlands	Retail
Infosys Limited	India	IT & telecoms
InterCement*	Brazil	Cement
International Flavors & Fragrances Inc.*	United States	Chemicals
International Paper Company	United States	Forest & paper products
Italcementi Group	Italy	Cement
ITC Limited	India	Conglomerate
Jain Irrigation Systems Ltd*	India	Water services
JPMorgan Chase & Co.*	United States	Banks & insurance
KBC Group*	Belgium	Banks & insurance
Kellogg Company (Kellogg's)*	United States	Food & beverages
Kering	France	Consumer goods
Komatsu Ltd	Japan	Construction
KONE Oyj	Finland	Engineering
KPMG	Netherlands	Services
Kumho Tire Co., Inc.*	South Korea	Tires
Lafarge	France	Cement
L'Oréal	France	Consumer goods
Masisa	Chile	Construction
Metsä Group	Finland	Forest & paper products
Michelin	France	Tires
Mitsubishi Chemical Holdings Corporation	Japan	Chemicals
Mitsubishi Corporation	Japan	Trading
Mondi	United Kingdom	Forest & paper products
Monsanto Company*	United States	Agriculture
Natura Cosméticos S.A.	Brazil	Consumer goods
Nestlé S.A.	Switzerland	Food & beverages
Nissan Motor Co., Ltd	Japan	Auto
Norsk Hydro ASA	Norway	Mining & metals
Novartis	Switzerland	Healthcare
Novozymes A/S	Denmark	Healthcare
NRG Energy, Inc*	United States	Utilities & power
Olam International Ltd*	Singapore	Food & beverages
Osaka Gas Co., Ltd.	Japan	Utilities & power
PepsiCo, Inc.*	United States	Food & beverages
Pirelli Tyre S.p.A.	Italy	Tires
Procter & Gamble Company, The	United States	Consumer goods
PTT Public Company Limited	Thailand	Oil & gas
Public Power Corporation (PPC S.A.)	Greece	Utilities & power
PwC	United Kingdom	Services
Reliance Industries Limited	India	Oil & gas
Royal Dutch Shell plc	Netherlands	Oil & gas
Royal Friesland Campina*	Netherlands	Food & beverages

* Companies not included in the 2013 or 2014 review.

List of reports reviewed

Company	HQ location	WBCSD sector
Royal Philips N.V.	Netherlands	Consumer goods
RWE AG*	Germany	Utilities & power
S.C. Johnson & Son, Inc.	United States	Consumer goods
SABMiller plc	United Kingdom	Food & beverages
Samsung Electronics Co.	South Korea	IT & telecoms
Santander Group, The *	Spain	Banks & insurance
Sasol Limited	South Africa	Chemicals
Saudi Basic Industries Corp. (SABIC)	Saudi Arabia	Chemicals
SCG Cement	Thailand	Cement
Schneider Electric	France	Engineering
SGS S.A.	Switzerland	Services
Siemens AG	Germany	Engineering
Sika Group*	Switzerland	Chemicals
Skanska AB	Sweden	Construction
Smurfit Kappa Group (SKG)*	Ireland	Forest & paper products
SNCF*	France	Transport
Solvay S.A.	Belgium	Chemicals
Sompo Japan Nipponkoa Insurance Inc.	Japan	Banks & insurance
Sonae SGPS, SA	Portugal	Retail
Starbucks Coffee Company*	United States	Food & beverages
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
Svenska Cellulosa AB (SCA)	Sweden	Forest & paper products
Sweco Sweden AB	Sweden	Engineering
Syngenta International AG	Switzerland	Agriculture
Taiheiyo Cement Corporation	Japan	Cement
Tata Group*	India	Conglomerate
Titan Cement Group	Greece	Cement
TNT Express	Netherlands	Logistics
Toshiba Corporation	Japan	Engineering
TOTAL*	France	Oil & gas
Toyo Tire & Rubber Co., Ltd.	Japan	Tires
Toyota Motor Corporation	Japan	Auto
Trafigura Pte Ltd.*	Switzerland	Trading
Unilever	Netherlands	Consumer goods
United Technologies	United States	Engineering
UPM-Kymmene Corporation	Finland	Forest & paper products
UPS	United States	Logistics
Vale	Brazil	Mining & metals
Vedanta Resources plc	United Kingdom	Mining & metals
Veolia	France	Water services
Volkswagen AG	Germany	Auto
Votorantim Group	Brazil	Cement
Wal-Mart Stores, Inc.*	United States	Retail
Weyerhaeuser Company	United States	Forest & paper products
Yara International ASA*	Norway	Agriculture
Yes Bank*	India	Banks & insurance
Yokohama Rubber Co., Ltd., The	Japan	Tires

APPENDIX

* Companies not included in the 2013 or 2014 review.

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: 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: 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: 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 must be balanced and add value to the readers' understanding of the businesses strategy.

Combined report

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

Disclosure

Over-disclosure: 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: 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 funding that is 1) available to an organization for use in the production of goods or the provision of services; 2) obtained through financing, such as debt, equity or grants, or generated through operations or investments.

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 or G3.1 Guidelines have been applied in sustainability reporting. They communicate which parts of the Framework have been addressed and which set of disclosures. Application levels aim to reflect the degree of transparency against the GRI Guidelines in reporting.

GRI G4: The most up-to-date version of the GRI Guidelines was 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 discloses the generic disclosure on management approach (DMA) and at least one indicator.

→ Comprehensive: For each identified material aspect, the organization discloses the Generic DMA and all indicators related to the material aspect.

Governance

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

External governance: 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 refers to 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/operations; they are 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, lead to the creation of value in the short, medium and long term. An integrated report is 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.

Glossary of terms

Manufactured capital
Manufactured capital refers to 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 KPI 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
The stock of renewable and non-renewable natural resources (e.g., plants, animals, air, water, soils, minerals) that combine to yield a flow of benefits to people.

Scope and boundaries
Scope: The range of sustainability topics addressed in a report.

Boundary: 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: All direct GHG emissions.

Scope 2: Indirect GHG emissions from consumption of purchased electricity, heat or steam.

Scope 3: 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
The resources and relationships provided by people and society. This encompasses human capital (people's skills, knowledge and wellbeing), social capital (societies' shared values, norms and institutions) and relationship capital (connections and networks).

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
Value chain is the terminology 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.

Acronyms

AA	AccountAbility
ACCA	Association of Chartered Certified Accountants
CDP	Carbon Disclosure Project
CDSB	Climate Disclosure Standards Board
COP	Conference of the Parties to the United Nations Framework Convention on Climate Change
CSI	Cement Sustainability Initiative of the World Business Council for Sustainable Development
DMA	disclosure on management approach
ERM	enterprise risk management
GAAS	Generally Accepted Assurance Standards for Sustainability
GHG	greenhouse gas
GPC	Global Protocol for Cities
GRI	Global Reporting Initiative
IAASB	International Auditing and Assurance Standards Board
IIRC	International Integrated Reporting Council
IPCC	Intergovernmental Panel on Climate Change
ISAE	International Standard on Assurance Engagements
ISO	International Organization for Standardization
KPI	key performance indicator
LCTPI	Low Carbon Technology Partnership Initiative
NGO	non-governmental organization
RAFI	Human Rights Reporting and Assurance Framework Initiative
SASB	Sustainability Accounting Standards Board
SDGs	Sustainable Development Goals
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
WBCSD	World Business Council for Sustainable Development
WRI	World Resources Institute
WWF	World Wide Fund for Nature

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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 combined revenue of more than $8.5 trillion and 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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About Radley Yeldar

We're a creative consultancy that helps our clients tell their story simply, by whichever means works best. With a focus on making a positive and meaningful difference to your organization, we can help it succeed.

Together, we help unlock the toughest challenges and capitalize on the biggest opportunities. These include how to build brand reputation, make the most of our digital world and deliver sustainable change.

Coupled with deep audience insight, we help clients build more rewarding relationships with the people who matter most: customers, employees and investors.

Our experience with the brightest, bravest and best means that whether you're a multinational business, a public institution or a young, ambitious enterprise, we can help you go further.

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