

# Reporting matters

Time for a shared vision



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# Introduction



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## TIME FOR A SHARED VISION

**Our world faces unprecedented challenges in the form of the climate emergency, nature crisis and mounting inequality. Global progress on tackling these issues remains off track and we are fast approaching crucial tipping points. The pandemic focused the spotlight on how interconnected our environment and social systems are – and how vulnerable our economies can be in the face of uncertainty and change. The time is ripe to develop and implement a shared vision for the decade ahead to drive the progress that is urgently needed.**

Corporate reporting plays a key role in shaping and communicating the contribution of business – allowing companies to explain how they fit into the operating context and showcase their vision, strategy commitments and targets. These reports provide stakeholders with decision-useful information about how ambitious a company is, how resilient they may be in the future, and what progress they are making to support the transition to a more resilient and inclusive economy.

This year, *Reporting matters* focuses on the future – linking reporting to WBCSD's updated membership criteria and our longer-term Vision 2050 outlook.



## WELCOME MESSAGE

**The rules of the game are changing. The world is facing three pressing global challenges: the climate emergency, the loss of nature and mounting inequality.**



At the World Business Council for Sustainable Development (WBCSD), we are working with the global business community to accelerate the transformations needed to address these challenges in line with the Vision 2050: Time to Transform report, to achieve the shared vision for 9+ billion people living well, within planetary boundaries, by mid-century.

Business leaders must move beyond business-as-usual and adopt three mindset shifts: a focus on long-term resilience; a regenerative approach beyond doing no harm; and reinventing capitalism that rewards true value creation. Today, the result of capitalism is an economically, socially and environmentally unsustainable world. Business has to integrate the impacts, risks and opportunities not only for financial capital, but also natural and social capital, into its risk management, strategic decisions and external disclosures.

We must disband the idea that there's a difference between financial and non-financial value. Capital allocation models need to enable sustainable development, with capital markets properly valuing inclusive, impactful, sustainable business practices and rewarding the most sustainable companies. Reinventing capitalism isn't about ideology. It's about redefining value so environmental and social impacts, and not just financial performance, are part of valuation.

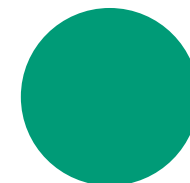
Financial actors must be able to access comprehensive and comparable data on corporate sustainability performance. Transparency is one of the most powerful drivers of change. Companies need to apply the same level of rigor to the measurement of environmental, social and governance (ESG) risks and impacts as they do to measuring financial performance. In doing so, they will be able to report quantifiable, useful, forward-looking information that informs decision-making throughout the investment chain.

We're entering a new era for the reporting landscape, one which will include a global baseline for sustainability reporting, and support companies in these steps. Standard-setters are coming together to cut the complexity, regulators are making sustainability reporting requirements mandatory and we're seeing greater rigor in reporting, driven by stakeholder scrutiny and the introduction of mandatory assurance requirements. All of this will help drive best practice.

Reporting and disclosure is no longer the purview of the sustainability or communications teams. We're seeing the CFO taking center stage – driving transformation and leading conversations around sustainability, in particular with the capital markets. It is, after all, the CFOs of corporates that must act on new practices to ensure we understand the impacts on capital allocation or valuation models. WBCSD's CFO Network is at the forefront of the changes.

We can all play a role in driving this change. Now is the time to double down on reporting efforts. To demonstrate how you are driving key system transformations. To show how these efforts will contribute to your long-term sustainable success. Business has an opportunity to help reinvent capitalism, with increasing transparency front and center of the transformation. I urge and expect our members to take the lead.

**Peter Bakker**  
President and CEO,  
WBCSD



## FOREWORD

**The pace of evolution of the ESG reporting landscape over the last 12 months against the backdrop of a global pandemic has been dizzying, even to the most seasoned pundit.**



Regulators across the world have taken ambitious steps, in many cases making reporting sustainability-related information mandatory via a range of policy instruments. At the same time, corporate commitments such as pledges to reach net zero GHG emissions have reached an all-time high. ESG activism took center stage during the 2021 proxy season as investors lost patience with the pace of corporate ESG disclosure amidst the impacts of climate change playing out not just across their portfolios, but also across the global economy.

As a corporate, reporting of risks on an annual basis to your investor is mandated by law. Yet, when the lens is applied to the reporting of financially material ESG risks and opportunities, they are viewed as optional – you can't opt out of financial reporting, so why does it continue to be okay to opt out of reporting financially material sustainability risks?

As an example, we have once again seen a dramatic increase in companies reporting against the Task Force on Climate related Financial Disclosure Recommendations (TCFD) in 2020-21. However, the vast majority continue to produce a standalone TCFD report, failing to integrate the risks and opportunities into their general-purpose reporting (annual report, 10-K, etc.) to their investors – with even fewer providing evidence of these risks and opportunities in their financial statements. We are also seeing far too many companies not telling a consistent story across all their reporting channels, leaving themselves wide open for others to make their own assessment of the companies' position, performance and long-term value creation strategy.

The alphabet soup of reporting frameworks, standards and approaches has often been blamed for companies not telling one story or even reporting in the first place. Oftentimes the complexity of navigating the space and not knowing where to start are cited to justify these shortcomings. In November this year during the 2021 COP26 in Glasgow, the International Financial Reporting Standard Foundation (IFRS Foundation) will announce the establishment of the International Sustainability Standards Board (ISSB) – a sister board to the International Accounting Standards Board (IASB). This is a once in a lifetime opportunity to build a global corporate reporting system utilizing the existing frameworks and standards of CDSB, TCFD, VRF (SASB-IIRC) and the WEF International Business Council (IBC) metrics. The ISSB will set the new global floor for reporting sustainability-related financial information to providers of capital, on which jurisdictions across the world can layer their own, more ambitious policy priorities using a building blocks approach.

With the alphabet soup gone and agencies that enforce corporate reporting rapidly upskilling to start to call out poor sustainability-related financial reporting, there is nowhere left to hide. Companies cannot continue to operate with sustainability siloed as though it is not business-critical and where environmental and social issues are acted on in piecemeal and boilerplate fashion.

With each day we are getting closer to missing the Sustainable Development Goals (SDGs) and Paris Agreement targets. Rewiring the information systems of the global economy and its incentives, of which corporate reporting plays a key role, is part of the solution. The decision is yours. Act now or face the consequences.

**Mardi McBrien**  
Executive Director,  
Climate Disclosure Standards Board (CDSB)

# TIME TO TRANSFORM

In 2010, WBCSD published the original Vision 2050, calling for a world in which more than 9 billion people can live well, within planetary boundaries by mid-century. This vision is still within reach – but we have to act faster. We have a unique, but rapidly closing window of opportunity for action in the decade ahead. The global business community has the power to turn this vision into reality.



## Time for a shared vision

We have updated Vision 2050 to provide the business community a comprehensive, reliable and ambitious guidance on how it can lead the transformations the world urgently needs. Exploring new thinking and diagnosing past failures, Vision 2050 offers a framework for action in the decade ahead that is practical, grounded in reality, and designed to help companies drive change in their sustainability planning and business strategies.

## Time for action

A workable plan needs to be actionable: Vision 2050 sets out nine pathways toward transformation. Each includes a vision of the way that societal needs will be met by 2050, a series of transitions critical to achieving each vision, and action areas for business to focus on over the next ten years.

## Time for a mindset shift

Making real progress on our pathways will depend on radical shifts across three strategic business mindsets. These mindsets will be the difference between incremental change and the accelerated transformation necessary to achieve Vision 2050.

## Time to succeed

Vision 2050 provides real clarity on how systems transformation happens, as well as guidance on how business can influence transformation, through engagement across its external stakeholders and value chains.

## Time for leadership

Shared vision and direction are nothing without action – and the type of action needed will require a form and level of business leadership we have rarely seen before, with shared vision, systems-thinking and mindset shifts at its core.

Access all the key sections of our Vision 2050 report at [www.timetotransform.biz/downloads](http://www.timetotransform.biz/downloads) to read how business can help build a better world.

## Spotlight on updated membership criteria

In October 2020, WBCSD published a set of new criteria as part of WBCSD's membership conditions. Members can watch our June 2021 member update to learn more about the criteria and how we'll monitor adherence: [slides/recording](#). Throughout this report, we have flagged connection points between *Reporting matters* indicators and the updated criteria. All criteria expect members to report on progress annually in standard, external corporate communications.

## Spotlight on capital market engagement

Vision 2050 is about redefining value. It envisions the redesign of engagement between companies and capital markets through enhanced strategic integration and reporting of ESG to facilitate sustainable capital allocation by financial institutions. For this vision to become a reality, consolidation in voluntary and regulatory sustainability reporting is required. We have seen promising advancements in the past year and are anticipating more activity in the months ahead.

You can learn more in [Vision 2050: Time to Transform](#) or visit our [CFO Network project page](#) to understand how WBCSD CFOs are engaging in this topic.



# KEY FINDINGS FROM REPORTING MATTERS 2021

## 1

### Reporting is improving

**76%** of member companies in our benchmark have improved their Overall scores since the baseline year of 2018; **30%** have improved their *Materiality* score.

## 2

### The state of SDG reporting

**90%** of reports reviewed reference specific SDGs; **35%** prioritize 5-8 Goals to focus on.

## 3

### The state of integrated reporting

**40%** of reports reviewed combine financial and non-financial information, up from 33% in 2018; **20%** are self-declared integrated reports.

## 4

### The state of GRI reporting

**82%** of reports reviewed reference the Global Reporting Initiative (GRI), similar to 83% in 2018; **83%** of these are claims to be in accordance with the Core or Comprehensive level.

## 5

### The emergence of SASB and TCFD

**48%** of reports reviewed reference the SASB Standards, up from 9% in 2018; **74%** reference the TCFD recommendations.

## 6

### The future is digital

**24%** of reports reviewed provide a digital-first experience, up from 20% in 2018; **65%** of members with an offline-first approach produce complementary online content.





## TRENDS SINCE 2018

Trends are based on a baseline of 104 member companies included in both the 2018 and 2021 review cycles.

**76%**

of members have improved their *Overall* score

**11%**

average improvement in the *Overall* score

**30%**

of members have improved their *Materiality* score

**11%**

average improvement in the *Principles* score

**11%**

average improvement in the *Content* score

**11%**

average improvement in the *Experience* score

## REPORT CHARACTERISTICS

Report characteristics represent overall trends across membership over time (168 reports in 2021, 158 in 2020, 159 in 2019 and 158 in 2018).

**46%**

of reports are titled sustainability reports  
(2018: 41%)

**40%**

of reports combine financial and non-financial information  
(2018: 33%)

**4**

average number of months between reporting period and publication  
(2018: 4)

**111**

average number of pages for stand-alone sustainability reports  
(2018: 97)

**82%**

of members reference the GRI Standards  
(2018: 83%)

**85%**

of members have some portion of their report externally assured  
(2018: 78%)

**24%**

of members provide a digital-first experience  
(2018: 20%)

**65%**

of members with an offline-first approach produce significant online content\*  
(2018: 53%)

\* Significant online content includes microsites, webpage-based reports, multimedia or downloadable data.

## WHAT'S MATERIAL?

- The clear majority (96%) of members reviewed undertake a materiality assessment that considers stakeholder inputs. Most members (80%) disclose an overview of the process and many publish a matrix of results within the report, similar to what we have seen since 2018 (82%).
- Nearly half (48%) of members have strong alignment between report content and materiality assessment outcomes, continuing a significant upward trend (2018: 38%).
- We continued to map out material topics and recategorize them into 12 topic categories in 2021. Members have more consistently discussed a broader range of material topics in the past four years, increasing the percentage of reports that have prioritized each topic category apart from "Society" and "Non-renewable resource use" since 2018.
- "Labor practices decent work" continues to be the category that is most commonly prioritized by members across all geographies (87%).
- Climate change related topics have gained prominence, with 83% of reports now prioritizing an issue in this category compared to 60% in 2018. This is slightly more common in Europe (87%) than in Asia (79%) and North America (80%) in our sample.
- Topics related to biodiversity and land use ("Ecosystem services") have also gained prominence, with (36%) of reports now prioritizing a topic in this category, roughly double the 18% of reports we found in 2018. Asian (69%) and European (68%) headquartered members are more likely to prioritize a topic in this category than North American (30%) headquartered members.
- Topics related to human rights, diversity, equality and discrimination ("Human rights") are more likely to be prioritized by North American (73%) headquartered members than European (66%) and Asian (50%) headquartered members.
- Topics in the "Society" category are more likely to be prioritized by Asian (64%) headquartered members than European (53%) and North American (50%) headquartered members.

Figure 1: materiality process disclosure (% of reports)\*



Table 1: percentage of companies with priority material issues by topic in 2018 & 2021

% of reports			% of reports		
2021	2018	Material issue topic	2021	2018	Material issue topic
87%	74%	Labor practices decent work	55%	56%	Society
83%	60%	Climate change	46%	40%	Renewable resource use
73%	49%	Product responsibility	45%	35%	Supply chain practices
72%	66%	Governance	37%	27%	Waste and effluents
70%	67%	Economic	36%	18%	Ecosystem services
64%	49%	Human rights	20%	20%	Non-renewable resource use

\* Some percentage data points may total 99 or 101 due to rounding.

## HOW MUCH IS ENOUGH AND WHAT ARE REPORTS CALLED?

- The average length of stand-alone sustainability reports increased slightly from 97 in 2018 to 111 in 2021. The shortest stand-alone report we reviewed this year was 13 pages and the longest was 553 pages.
- The average length of reports that combine sustainability and financial information was 264 pages. The shortest we reviewed was 13 pages while the longest was 842 pages. These reports continue to vary widely by ownership type (private vs. listed) and geography as they must integrate different information according to their regulatory obligations.
- As in past years, the provision of external links and complementary online content has increased. This means we have shorter documents but not necessarily less disclosure. As reports move online and become more fractured in nature, it is becoming harder to track the volume of content.
- The most common report titles in our review sample included the word "Sustainability" (46%). This is largely aligned with results since 2018. Other common titles include "Annual" report (16%) and "Integrated" report (15%). Use of "Corporate Social Responsibility" or "CSR" has dropped from 10% in 2018 to 2% in 2021 while the use of "Environment, Social and Governance" or "ESG" has increased from 1% to 6% over the same time period.
- As in past years, several members produce a combination of annual, integrated and stand-alone reports to communicate sustainability information. Our data sample refers specifically to the fullest source of information each member company asked us to review. As a result, the findings give an indication of report titles that members consider to provide the "fullest source" of sustainability information.

Figure 2: number of pages for stand-alone sustainability reports (% of reports)\*

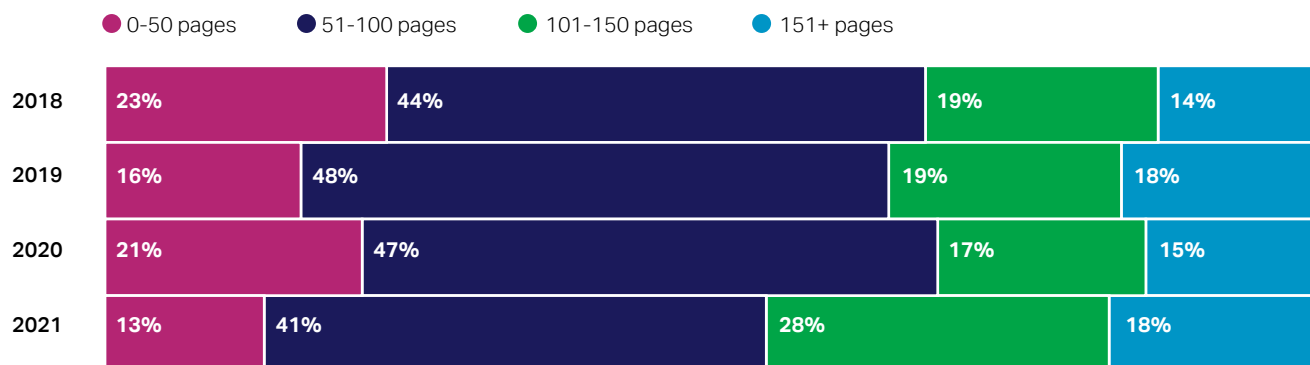
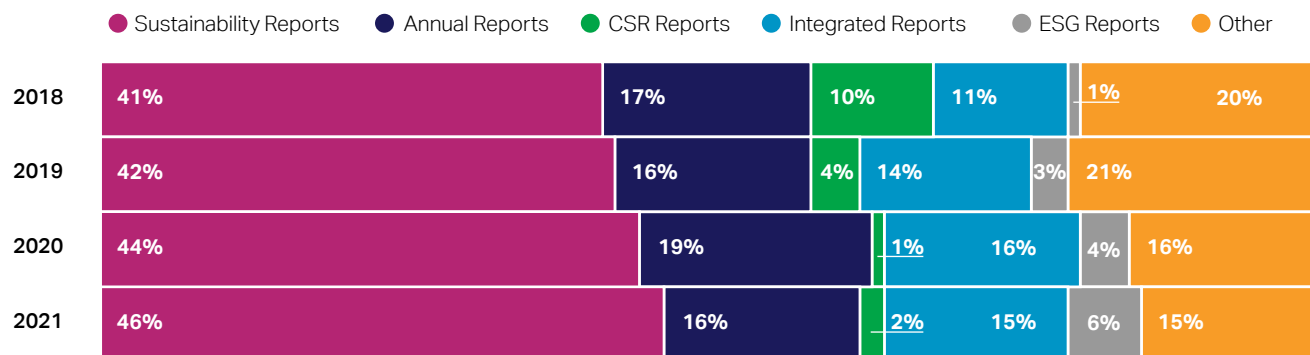


Figure 3: report titles (% of reports)\*



\* Some percentage data points may total 99 or 101 due to rounding.

## WHAT FRAMEWORKS AND STANDARDS ARE BEING USED?

- The clear majority (82%) of reports reviewed reference the GRI Standards. This is consistent across geographical headquarters and time (2018: 83%). The vast majority (87%) of combined and self-declared integrated reports reference the GRI Standards.
- Of the reports that reference the GRI Standards, 18% do not claim to be in-accordance. The majority (65%) of reports that reference the GRI Standards continue to disclose to the "Core" in-accordance option.
- We have seen a significant uptick in the percentage of reports reviewed that reference the SASB Standards (48%), up from 9% of our sample in 2018. Over half (60%) of our North America headquartered sample reference the SASB Standards.
- We have also seen an increase in the percentage of reports reviewed that reference the TCFD Recommendations (74%) since we first started tracking last year (58%).

Figure 4: reference to frameworks and standards (% of reports)\*

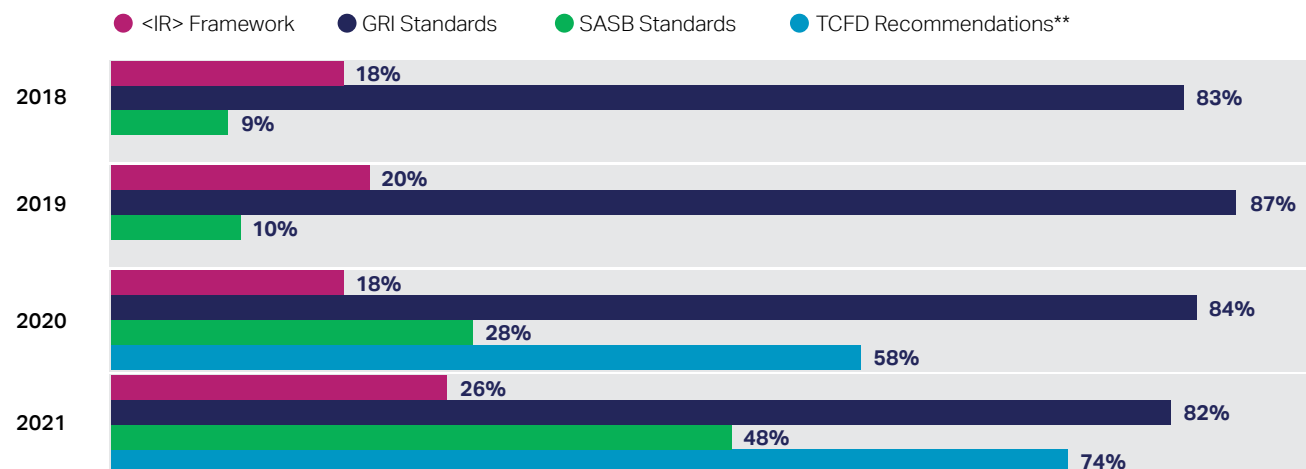
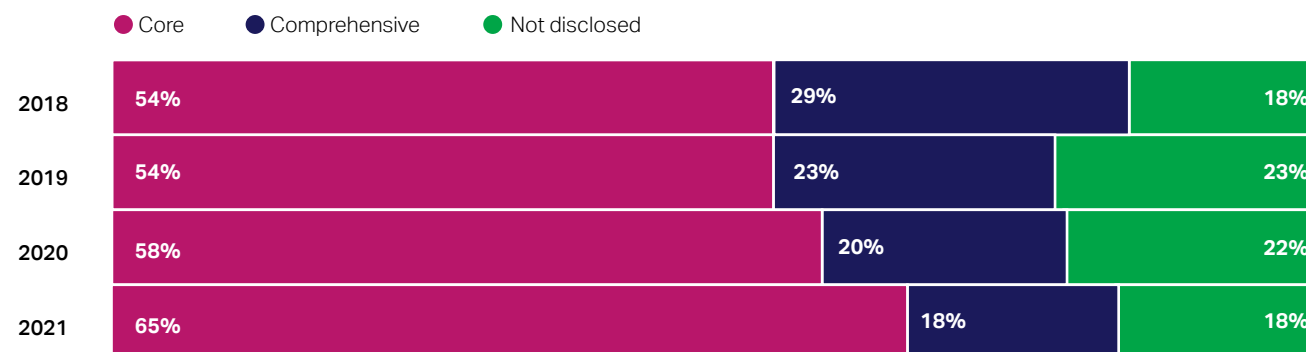


Figure 5: GRI application levels and in-accordance options (% of reports)\*\*\*



\* Reports oftentimes reference one or more frameworks. Annual results therefore do not add up to 100%.

\*\* We began tracking this data point in 2020.

\*\*\* Some percentage data points may total 99 or 101 due to rounding.

## HOW ALIGNED ARE REPORTS WITH FINANCIAL REPORTING?

- The average time between the end of the reporting period and publication remains around four months. Combined and self-declared integrated reports continue to be largely aligned with financial reporting expectations, with publication averaging 3.1 months from the end of the fiscal year. Stand-alone sustainability reports are published 4.5 months after the end of the fiscal year on average.
- The average time period between the end of the fiscal year and the publication date for reports continues to vary significantly by geography, even after accounting for different report formats. European headquartered companies published stand-alone sustainability reports 3.5 months after the close of the fiscal year on average, in line with financial obligations, whereas Asian and North American headquartered members have a much more noticeable time gap (5.9 months and 5.2 months, respectively).
- The relative percentage of stand-alone sustainability reports has dropped from 67% in 2018 to 60% in 2021. This is due to an increase in self-declared integrated reports and annual reports that combine sustainability and financial information.
- European and Asian headquartered members are much likely than North American headquartered companies to combine sustainability and financial information into a single report (54% and 43% compared with 5%, respectively).
- Reports that combine financial and sustainability information make up four of our top ten performers and about a third (37%) of top quartile reports.

Figure 6: time between end of reporting period and publication of report (% of reports)\*

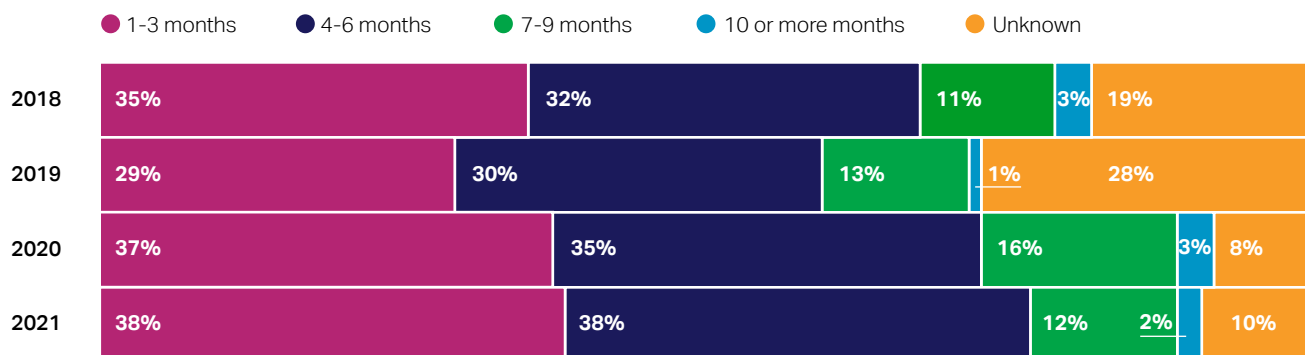
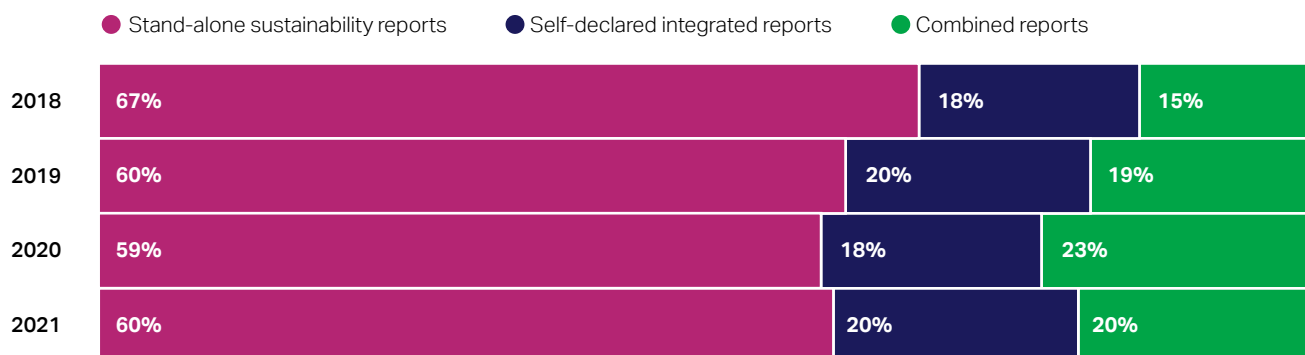


Figure 7: state of integrated reporting (% of reports)\*



\* Some percentage data points may total 99 or 101 due to rounding.

## WHO'S VALIDATING PERFORMANCE?

- Nearly all (93%) of reports reviewed have some form of assurance on their sustainability disclosures, be it external assurance or internal audit assurance (2018: 86%).
- More members sought external assurance in our 2021 sample than in our 2018 sample (85% vs. 78%).
- Of those obtaining external assurance, a limited level of assurance on specific indicators and/or the reporting process continues to be the norm (81% vs. 77% in 2018). A combination of limited and reasonable assurance (12%) and reasonable assurance covering the whole report (7%) saw moderate use in 2021.
- Europe (23%) is leading the way in terms of combined and reasonable assurance, with North American headquartered companies trailing (10%) and very limited evidence amongst the Asian headquartered members included in this year's report sample (4%).
- Reports with a reasonable or combined level of assurance continue to slightly outperform the rest of the population on average, even after accounting for the contribution of the *External assurance* indicator to *Overall* scores.

Figure 8: types of assurance (% of reports)\*

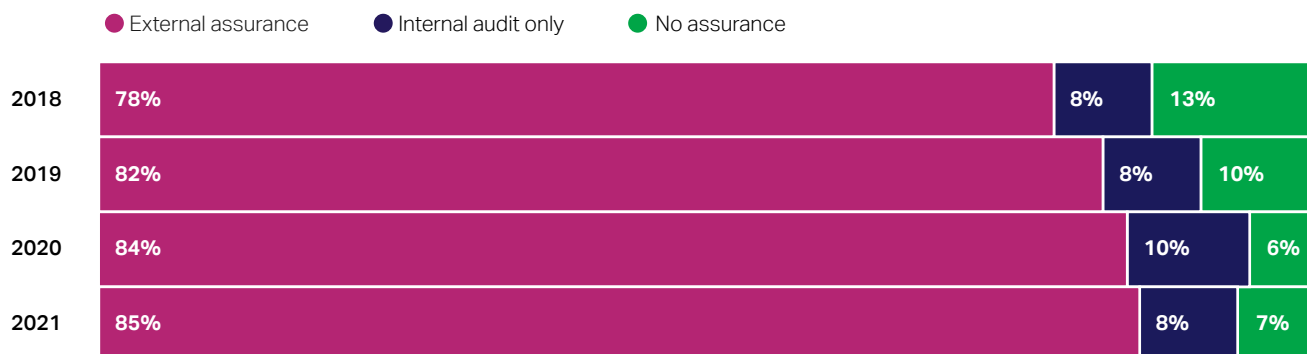


Figure 9: levels of external assurance (% of reports)\*



\* Some percentage data points may total 99 or 101 due to rounding.



# SPOTLIGHT ON THE SDGs

## How we factored the SDGs into this year's review cycle

Since the 2019 review cycle, WBCSD has collected a range of detailed data on SDG reporting. The results of this data analysis demonstrate continued inconsistency in the approach to, and detail in which, members report on the SDGs. Based on this understanding, we decided to continue to display the SDGs as a stand-alone indicator in the framework in 2021. This means the SDGs indicator still does not directly factor into Category or Overall scores.

## Detailed SDG findings

The vast majority (90%) of members reference specific SDG's in their report. About a third (35%) of members prioritize 5-8 Goals, with a relatively small number (10%) referencing 12 or more Goals. The most commonly referenced Goals were 13: Climate Action (85%), 12: Sustainable Cities and Communities (73%) and 8: Decent Work and Economic Growth (67%). Goals 1: No Poverty (23%), 14: Life Under Water (23%) and 2: Zero Hunger (30%) were the least likely to be prioritized.

European headquartered companies were more likely than Asian and North American headquartered companies to score three or four out of four on our SDGs indicator (41% of European companies vs. 29% of Asian companies and 25% of North American headquartered companies).

We have seen moderate improvement in the level of detail of SDG related information disclosed since we started tracking detailed data in 2019.

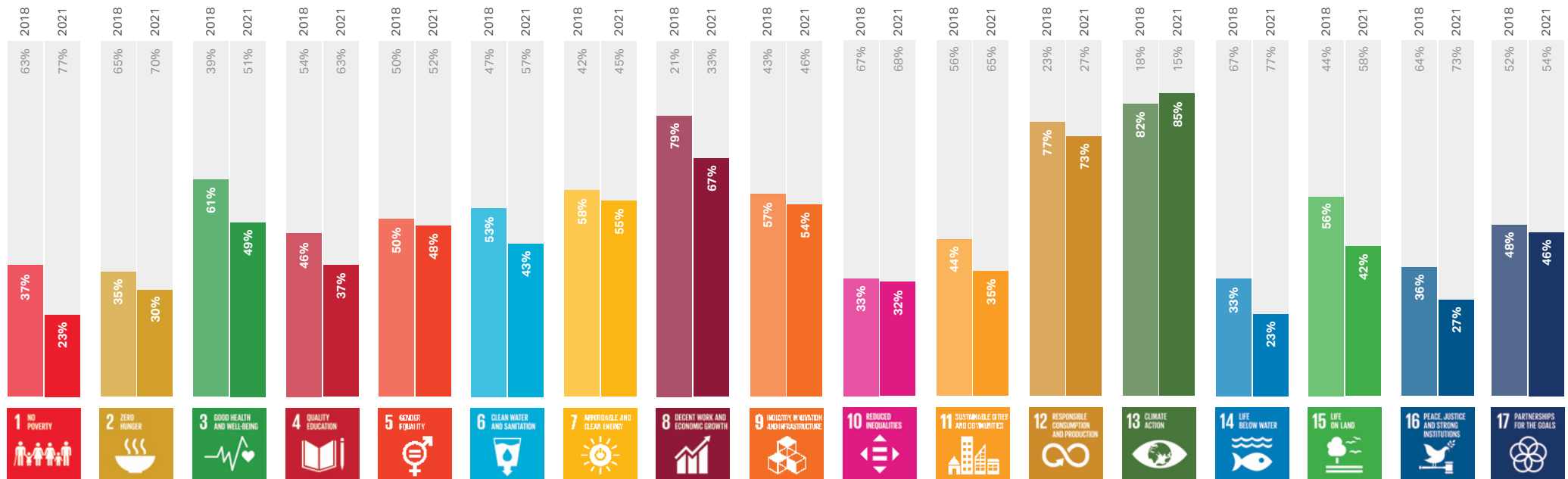
For example:

- Nearly a third (30%) discuss Target-level SDG information, with the remainder of disclosures focusing on Goal-level information. This is up from 20% in 2019.
- About a quarter of reports reference a prioritization process (24%), largely in line with 2019 (26%). Over half (51%) align the outcomes of this to strategy (26% in 2019). About a quarter explicitly discuss the ties between the materiality assessment process and the SDGs (26%), mostly in line with 2019 findings (24%).

- An increasing number of reports align key performance indicators (KPIs) (15% vs. 6% in 2019) and targets (21% vs. 15% in 2019) to the SDGs.
- About a fifth (18%) tie SDGs to case studies or detailed evidence of sustainability programs and initiatives undertaken during the reporting period, largely in line with 2019 figures (19%).

## Our plans moving forward

Similar to last year, the *Reporting matters* team will take a deeper dive into the 2021 data and will work with our project partners at RY to decide if, and how, to further integrate SDG considerations into the *Reporting matters* framework moving forward.



# SDGs INDICATOR

The SDGs represent the global agenda for sustainable development. They can be used as a contextual framework against which companies can report on the impacts – both positive and negative – that they have on the external environment.

## Key recommendations

- Prioritize specific SDGs for your company and explain the process used to determine how your organization has the potential to contribute to the realization of the goals – both through enhancing positive impacts and mitigating negative impacts on people and planet;
- Align priority SDGs and integrate them into strategy, materiality and value chain impacts;
- Demonstrate quantitative contribution to key SDGs using KPIs and specific, measurable, achievable relevant and time-bound (SMART) targets;
- Demonstrate qualitative contribution to key SDGs via detailed evidence, leadership statements, evidence of collaboration and innovation or value chain mapping; and
- Provide this information at detailed Target level rather than broader Goal level.

## Methodology notes

- As in past years, the SDG indicator does not contribute to the *Category* or *Overall* scores in 2021. We analyzed detailed data on SDG reporting from our 2019-21 review cycles and felt it was best not to integrate the SDGs into the scoring framework at this point.

## Good practice

### Accenture Plc

Accenture fully integrates the SDGs into its strategic approach and reporting. It breaks the 17 Goals into three priority tiers in its **Communication on Progress 2020**. It highlights the 15 most relevant SDG Targets for its operations at the beginning of the report and revisits relevant high priority SDGs on section divider pages. Towards the end of the report, each material ESG issue is mapped to priority SDGs. Specific Accenture goals, programs and metrics that are aligned with each SDG are also highlighted.

Material issue	5	8	9	10	12	13	16	17
Data Privacy & Cyber Security	•	•	•	•	•	•	•	•
Ethics & Integrity	•	•	•	•	•	•	•	•
Climate Change & Carbon Emissions	•	•	•	•	•	•	•	•
Responsible Technology & Innovation	•	•	•	•	•	•	•	•
Inclusion, Diversity & Equal Opportunity	•	•	•	•	•	•	•	•
Enabling Clients' Sustainability	•	•	•	•	•	•	•	•
Employee Well-being & Engagement	•	•	•	•	•	•	•	•
Working Conditions	•	•	•	•	•	•	•	•
ESG Management	•	•	•	•	•	•	•	•
Talent Attraction, Retention & Development	•	•	•	•	•	•	•	•
Human Rights	•	•	•	•	•	•	•	•
Responsible Buying	•	•	•	•	•	•	•	•
Societal Impact	•	•	•	•	•	•	•	•
Public Policy & Advocacy	•	•	•	•	•	•	•	•
Water	•	•	•	•	•	•	•	•
Community Giving	•	•	•	•	•	•	•	•
Waste, including e-waste	•	•	•	•	•	•	•	•
Nature, Biodiversity & Wildlife	•	•	•	•	•	•	•	•

## Good practice

### Iberdrola SA

Iberdrola features a detailed section on its contribution to the SDGs in its **Sustainability Report Financial Year 2020**. It provides an overview of how the SDGs inspire or are included as a fundamental impact in its bylaws, policies, governance processes and other aspects of the business. Iberdrola focuses on two main SDGs, tying SDG Targets to GRI indicators and report page numbers and providing narrative to explain why the SDG is key to the business. It goes through each of the 17 Goals, tying relevant SDG Targets to corporate goals, actions and achievements.

SDGs and related targets	Iberdrola's main actions and achievements in 2020
<p><b>7.1</b> Ensure universal access to affordable, reliable and modern energy services.</p> <p><b>7.2</b> Increase substantially the share of renewable energy in the global energy mix.</p> <p><b>7.3</b> Double the global rate of improvement in energy efficiency.</p> <p><b>7.4</b> Enhance international cooperation to facilitate access to clean energy research and technology and promote investment in energy infrastructure and clean energy technology.</p> <p><b>7.5</b> Expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries.</p>	<p><b>Goal:</b> By 2020, achieve access to energy for 16,000,000 people who previously lacked it, within the framework of the Decade for AI Programme.</p> <p><b>Goal:</b> Increase renewable installed capacity, with the commissioning of an additional 12,000 to 2022.</p> <p><b>Actions and achievements:</b></p> <ul style="list-style-type: none"> <li>Procedures to protect customers in situations of vulnerability covered 100% of Sustainable Customers in Spain, Spain Home Discount and PWR Cash programme in the United Kingdom, Operation Fuel (Germany United States).</li> <li>Iberdrola had approximately 20,000 MW of installed renewable capacity at year-end 2020, an increase of close to 5% for the year.</li> <li>Other of 100% renewable energy for customers in Spain with the "Contracted Plans" and "Green Solar" Energy efficiency more than 60 million tons of CO2 emissions avoided during the last 3 years.</li> <li>Fernando de Noronha Zero Carbon Project in Brazil.</li> <li>ScottPower, first 100% renewable electric utility in the United Kingdom.</li> </ul>
<p><b>8.4</b> Improve progressively global resource efficiency in consumption and production and encourage sustainable growth from environmental Regulation.</p> <p><b>8.5</b> Achieve full and productive employment and decent work for all and promote inclusive and equitable economic growth through formal, informal and non-formal sectors, and expand job for youth and women.</p> <p><b>8.8</b> Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.</p>	<p><b>Goal:</b> Maximize issues in the green finance market and promote a stable work environment.</p> <p><b>Actions and achievements:</b></p> <ul style="list-style-type: none"> <li>Approximately 400,000 direct, indirect and induced job positions throughout the world.</li> <li>More than €14 million in purchasing volume in 2020.</li> <li>€7,475 million in tax contributions.</li> <li>More than €24,000 million of GDP impact in the countries in which the group does business.</li> <li>Iberdrola continues to be the largest corporate issuer of green bonds in the world.</li> <li>Digital transformation applied to the business: big data, virtual reality and artificial intelligence.</li> </ul>

# Detailed findings

**This section delves deeper into each indicator, providing definitions, key recommendations and methodology notes on changes in the underlying criteria or points of emphasis in the review process.**

**Good practice examples are highlighted for each indicator. These put the spotlight on members who excel at specific aspects of reporting. We aim to include a range of geographies and sectors and to highlight different companies each year and for each indicator.**

**This section also features interviews with Nutrien and Tata Group to get their perspectives on the updated WBCSD membership criteria and the sustainability landscape.**

## In this section

The evaluation framework	20
Nutrien discusses the importance of understanding, responding to and reporting on the external environment	21
Tata Group discusses how it drives sustainability across its group structure	30
Radley Yeldar discusses their insights and perspective on the direction of sustainability reporting	39



# THE EVALUATION FRAMEWORK

## Principles

This category draws on the fundamentals of reporting found in major sustainability and mainstream reporting frameworks.



Completeness

See page 23



Materiality

See page 24



Stakeholder engagement

See page 25



External environment

See page 26



External assurance

See page 27



Balance

See page 28



Conciseness & alignment

See page 29

## Content

This category analyzes how priority material issues are managed and disclosed on in the report.



Sustainability governance

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Strategy

See page 33



Implementation & controls

See page 34



Targets & commitments

See page 35



Performance

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Partnerships & collaboration

See page 37



Evidence of activities

See page 38

## Experience

This category looks at how the report meets the needs of specialist and generalist audiences.



Accessibility

See page 41



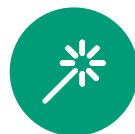
Consistent messaging

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Navigation & flow

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Compelling design

See page 44

## NUTRIEN DISCUSSES THE IMPORTANCE OF UNDERSTANDING, RESPONDING TO AND REPORTING ON THE EXTERNAL ENVIRONMENT

As the world's largest provider of crop inputs, services and solutions, Nutrien plays a critical role in enabling growers to increase food production in a sustainable way. With its headquarters in Saskatchewan, Canada, Nutrien's primary focus is on Nitrogen, Phosphate and Potash operations and it has extensive retail operations spanning over 2,000 locations worldwide. Nutrien's network reaches more than 500,000 growers globally and it has committed to leading the next wave of agricultural evolution.

We spoke with Candace Laing, VP Sustainability and Stakeholder Relations, to discuss the importance of understanding, responding to and reporting on the external environment.



**What is your perspective on the sustainability arena from both a global and North American perspective? What are some the key trends and challenges that affect Nutrien?**

Overall, we've seen an elevated interest from all stakeholders – including employees and investors – in sustainability and ESG commitments and performance. We actively track key ESG megatrends that could directly or indirectly affect our company, stakeholders and industry. Climate change is one of the most significant environmental risks and also an opportunity as we continue to help growers enhance soil carbon sequestration.

From a social perspective, food security is the most pressing challenge the world faces. Helping to feed a growing population is a role we take seriously. By 2050, there will be 10 billion people to feed with the same or fewer resources using nature positive solutions. The relative profile of the "S" in ESG has also risen significantly from an equity, diversity and inclusion perspective. Bold leadership and new opportunities are required to help stakeholders impacted by historical inequities and disparities in agriculture. We are fully committed to leading our industry in this area by providing opportunities to those who have traditionally struggled to make an impact in agriculture.

**Why is it important for Nutrien to understand this operating context? How does Nutrien integrate this information into strategy development and the materiality assessment process?**

Knowledge is power. We are committed to transforming agriculture and doing what is right for our stakeholders and our planet. We believe Nutrien is uniquely positioned to drive sustainability across the agricultural value chain for positive economic, social and environmental outcomes. The more we understand our stakeholder expectations and what our material risks and opportunities are, the more progressive and impactful our strategy can be. We've integrated sustainability across our entire business so that it is no longer siloed in one department. This has built a foundation that empowers employees at all levels to look through the lens of sustainability while going about their business. It has also become part of our capital allocation decision-making process. As a result, we can react quickly to global and local trends while ensuring we continue to use our network and size to help shape and evolve the entire sector.



**Nutrien's report features strong discussion on a range of these trends and associated risks and opportunities. What are the benefits of robust disclosure to external audiences? Are there specific audiences you are targeting?**

All stakeholders deserve transparent and timely ESG disclosures, whether that is our employees, growers, investors, rating agencies, the communities where we operate, non-profit partners and others. ESG disclosure ensures we are accountable and progressing in our sustainability efforts. It's a time stamp to demonstrate where we've been, what happened in our space and why, and to build trust in where we are going. We believe managing and disclosing ESG impacts contributes to long-term value creation, protects our reputation, enhances our resilience and helps future-proof our business.

**More specifically, Nutrien has begun preliminary scenario analysis in line with the TCFD recommendations and the updated WBCSD membership conditions. Why has this process been important and how has it impacted Nutrien's actions?**

We are digging deep into transitional and physical climate change impact scenario analysis and it has been a helpful ongoing research exercise. Scenario analysis shines a light on the entire system across Scope 1, 2 and 3 greenhouse gas risks. It also frames the discussion around "possibilities" and has opened up candid dialogue between our teams as we consider how this information impacts our value chain partners.

As we've stated in our disclosures, we are focused on both reducing the carbon footprint of our fertilizer production (primarily nitrogen) and on partnering with growers to deliver natural climate solutions that sustainably increase crop yields while reducing GHG emissions and sequestering more carbon in the soil.

We continue to advance our climate strategy and have defined several commitments and targets, identifying numerous opportunities to reduce our emissions – all of which are supportive of a low-carbon transition plan. As two of the six 2030 commitments in our Feeding the Future Plan, Nutrien intends to reduce its GHG emissions intensity by 30% from a 2018 baseline and pursue the transition to low-carbon fertilizers, including blue and green ammonia. We have also made a commitment through the Science Based Targets initiative (SBTi) to set a science-based target.

To reach our end goal, we have engaged with partners such as WBCSD as well as peers to address sectoral challenges and barriers to emissions reductions and a net zero pathway. This includes working to develop a sectoral decarbonization approach (SDA) as a method for setting targets in alignment with the Paris Agreement. Collaboration and data are critical components of our journey. Climate change is complex and there is no 'one-size-fits-all' solution. It is going to take a systems-based approach across the entire industry to make a meaningful difference.

Learn more about Nutrien by visiting [www.nutrien.com/sustainability](http://www.nutrien.com/sustainability)

**CLIMATE CHANGE AND GHG EMISSIONS**  
(continued)

**AGRICULTURE**  
IS POSITIONED TO BE A LEADING SOURCE OF CARBON CREDITS

**~1-2MT**  
CO<sub>2</sub>e/yr<sup>1</sup>  
Reduction or sequestration, depending on program protocol, could be worth \$10-20 per tonne in voluntary markets

**85%**  
OF CURRENT AG EMISSIONS EXPECTED TO BE OFFSET TECHNICALLY BY 2030<sup>1</sup>  
(including carbon sequestration, but not land use change and forestry)

**ANALYST CORNER**  
✓ TCFD Strategy at 1b  
✓ S&P BT, CH-1 10a.2  
✓ SASB EN, MA-1 10a.2

**Carbon Program development**  
The program is currently in development with an anticipated larger-scale commercial implementation in North America and other geographies beginning in 2022. Key components include:

- Conducting Grower Pilot Programs in the US and Canada
- Developing Digital Platform for Program
- Engaging Ag Value Chain Partners to Deliver Program
- Building Validation/Verification Methodology
- Finalizing Carbon Credit Transaction Process

To be developed during 2021 and brought to scale in 2022

**Grower engagement:** In 2021, we expect to conduct multiple program pilots in the US and Canada. We will partner with key accounts to build and scale program functionality through collaboration. Our sustainability solutions pilots begin in 2019 and continue to engage growers in determining and incentivizing optimal practices and products. Read more [here](#).

**Methodology:** Grower data collection will primarily use our Agribe sustainability platform. Carbon credits will be generated using existing and under development protocols/frameworks to independently verify and validate carbon performance, leveraging proven agronomic modeling and soil sampling methods to generate high-quality credits.

**Digital hub development:** Nutrien intends to develop a grower-specific "toolbox" on our digital platform, which will include features such as automated grower data collection, annual field planning, sustainability analytics, carbon outcome measurement and streamlined monetization.

**Carbon credit transaction and market:** Our intention is to create high-quality carbon credits that can be monetized in voluntary and compliance markets.

**Value chain partner outreach:** Broad partner outreach is underway with strategic suppliers, downstream partners, NGOs, academic institutions, governments and execution partners. The initial interest in our program is very promising.

It is possible that Nutrien will purchase carbon credits generated in the program and apply them against our emissions footprint. Nutrien will look to expand the Carbon Program once we have completed our initial pilot implementation and developed a pathway to scalability.

1. Estimated run-rate impact from ag industry carbon management improvements and representing the potential range of benefits from Nutrien's Carbon Program.

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# PRINCIPLES: COMPLETENESS

Company impacts are widespread and it is important to report on the broader value chain beyond a company's direct operations. Complete reports describe the scope and boundaries of the report and discuss direct and indirect material impacts along the value chain.

## Key recommendations

- Describe reporting scope and organizational boundaries such as business segments and sub-operations included in the report;
- Describe the stages of your organization's value chain or value creation process and map direct and indirect material impacts to different stages; and
- Discuss material impacts beyond direct operations, including indirect upstream and downstream impacts.

## Methodology notes

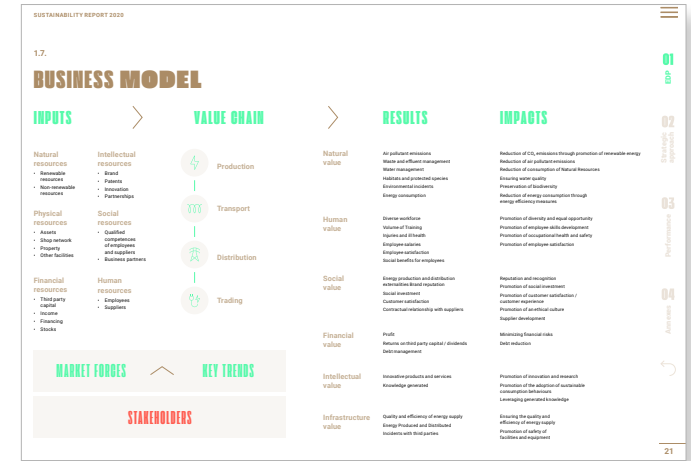
- We look for clear disclosure of value chain boundaries for material topics and a centralized narrative on value chain considerations.



## Good practice

### Energias de Portugal S.A. (EDP)

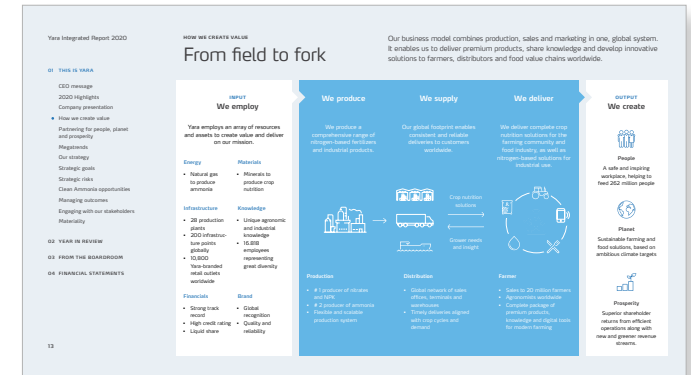
EDP begins its **Sustainability Report 2020** with a clear "This report" section that discusses organizational scope, boundaries and standards the report is prepared in accordance with. It features a clear overview of the company's geographical footprint and business units later in the report and follows this up with a value creation model highlighting inputs, value chain segments, results and impacts. Throughout the report, EDP discusses direct and indirect upstream impacts such as biodiversity, raw material supply and downstream impacts such as energy efficiency for customers, adoption of electric mobility and customer safety.



## Good practice

### Yara International ASA

Yara presents a strong value creation model focused on inputs, activities and outputs in its **Integrated Report 2020**. It features issue boundaries in a GRI index in its complementary **Sustainability Report 2020**, which is clearly crosslinked from the main report. Direct and indirect upstream impacts such as farmer practices and livelihoods, soil health and supply chain emissions are discussed in both reports. Yara also discusses downstream considerations such as consumer choice, nutrition, health and diets and shipping footprints throughout both documents.



# PRINCIPLES: MATERIALITY

A materiality process identifies and prioritizes significant ESG impacts, which in turn create both risks and opportunities for the organization, from the perspective of the organization and its key stakeholders. It looks at the relative importance of issues to stakeholders and their impact on the business to help determine priority issues. Aside from shaping the content of the report, materiality should inform the foundation for strategic decision-making, such as setting strategy, goals and KPIs.

## Key recommendations

- Describe specific steps taken to identify, prioritize and validate material topics, including how you took the perspective of your organization and key stakeholders into account;
- Include a range of factors when identifying and prioritizing issues, such as external trends, magnitude and likelihood of impacts, changes in materiality and alignment with enterprise risk management (ERM);
- Disclose a prioritized list of outcomes through a matrix or concise list of key material issues, acknowledging divisional and geographical differences where appropriate;
- Align the contents of your strategy and report with outcomes of the materiality assessment;
- Demonstrate how management is involved in the materiality assessment process and/or validation of the results; and
- Explain how third parties contributed to the assessment process and/or validation of outcomes.

## Methodology notes

- We look for this information in the body of the report and/or through clear links to additional information such as PDFs or webpages.
- We factor disclosures on the materiality assessment and outcomes into the Content analysis and they form an important part of our evaluation.
- For the 2021 review cycle, we focused on the role of management in the materiality assessment process (as opposed to just the validation of results).

## Good practice

### Stora Enso Oyj

Stora Enso outlines its materiality assessment process in a **Materiality Assessment 2020** addendum which is directly crosslinked from the **Sustainability** component of its **Annual Report 2020**. It details process steps including key stakeholder groups and information sources, timeline and approach. Stora Enso describes various levels of internal validation and participation, notes that the results were reviewed as part of its external assurance engagement, and discusses how the pandemic affected outcomes. It discloses results and changes to materiality over time as well as how material topics have informed strategy and report structure in a pull-out feature box.

## WBCSD's work

### The reality of materiality

WBCSD released **The reality of materiality** in collaboration with the Erasmus School of Economics in June 2021. The report dives into current ESG materiality assessment practice including some of the main challenges and opportunities for companies. It aims to provide insights and clarity around the main ESG materiality decisions and challenges based on an analysis of over 550 company reports, 20 company interviews and a review of existing guidance and literature. The findings are set around six challenges and seven major steps involved in conducting a materiality assessment. Key takeaways include the importance of building understanding around different materiality perspectives, ensuring transparency in decision-making and using the assessment to its full potential.



Key stakeholder group represented	Information analysed	Company or sector specific	Time period	Our approach
Investors	Stora Enso's investor-facing reports Stora Enso's ESG meetings to date Stora Enso's Enterprise Risk Reporting Standards by the Sustainability Accounting Standards Board (SASB)	Company	2019-2020 2019-2020 2019	We reviewed our meeting records for statistical analyses to see which sustainability topics are of importance for our investors. We looked at sustainability topics as part of our key financial calls as a cross-reference for our internally assessed based on environmental and social topics. We incorporated the materiality conclusions of the SASB Pulp & Paper and Forest Management sector standards into our assessment.
Customers	ESG research methodologies Stora Enso's division-specific materiality assessments Stora Enso's official supply chain system	Sector Company	Latest standards, 2019 Q4 2017 - Q4 2019 2020	We incorporated the materiality conclusions of our priority ESG rating methodologies for our sector into our assessment. Our strategic division's in-depth materiality assessments formed one of the cornerstones of the Group's desktop work. These assessments involved discussions with 50 packaging customers through interviews. We incorporated the materiality conclusions of EcoVadis for the sector into our assessment. Stora Enso participates in the assessment, which is conducted against indicators deemed material for sustainability performance in our sector. Stora Enso engaged with suppliers, customers and investors to solicit views on the Group's Supplier Code of Conduct.
Suppliers	Stora Enso's division-specific materiality assessments Stora Enso's official supply chain system	Company	Q4 2017 - Q4 2019 2020	Our strategic division's in-depth materiality assessments formed one of the cornerstones of the Group's desktop work. These assessments involved discussions with 50 packaging customers through interviews. We incorporated the materiality conclusions of EcoVadis for the sector into our assessment. Stora Enso participates in the assessment, which is conducted against indicators deemed material for sustainability performance in our sector. Stora Enso engaged with suppliers, customers and investors to solicit views on the Group's Supplier Code of Conduct.
Government, Civil Society	Sustainability Development Goals (SDGs)	Company	2016 and ongoing	Code of Conduct which was updated during 2020. Five focus group sessions had participants from 41 companies. The outcomes were related to the broader ESG materiality assessment.
Non-governmental organisations (NGOs), Consultants	Key legislation development for the company Key feedback from relevant NGOs Competitor's public materiality assessments	Company Sector Company	2020 2020 2019-2019	Stora Enso's division's in-depth materiality assessments formed one of the cornerstones of the Group's desktop work. These assessments involved discussions with 50 packaging customers through interviews. We incorporated the materiality conclusions of EcoVadis for the sector into our assessment. Stora Enso participates in the assessment, which is conducted against indicators deemed material for sustainability performance in our sector. Stora Enso engaged with suppliers, customers and investors to solicit views on the Group's Supplier Code of Conduct.
Global sustainability reports	Available surveys and analyses	Sector	2019-2020	We reviewed trends and outlooks on sustainability topics by the World Business Council for Sustainable Development (WBCSD), the annual sustainability survey by Deloitte and the global risk report by the World Economic Forum (WEF) for our assessment.





# PRINCIPLES: STAKEHOLDER ENGAGEMENT

Stakeholder engagement is an open dialogue process with people or groups who actively engage with an organization and are influenced or impacted by its activities, now and in the future. Engagement mechanisms range from business-as-usual engagement – such as surveys and questionnaires – to formal mechanisms like forums, stakeholder dialogues and advisory committees. Reporting on stakeholder engagement should demonstrate a robust process and show how the company is responding to issues raised. The overall approach should ensure stakeholders' needs are properly understood and responded to.

## Key recommendations

- Identify the main stakeholder groups your organization engages with such as investors, customers, employees and local communities;
- Disclose formal engagement mechanisms in place to engage with these stakeholder groups; and
- Outline the needs of specific stakeholder groups and provide evidence that their basic needs and interests have been considered and, where appropriate, acted on.

## Methodology notes

- We look for a centralized narrative on stakeholder engagement and clear evidence of the issues specific stakeholder groups raised, as opposed to a broad, generalized overview of stakeholder responses.



## Good practice

### Ayala Corporation

Ayala features a “Stakeholder Engagement” section in its **2020 Integrated Report** with overviews broken down by detailed stakeholder groups. It also features this information online. It outlines broad engagement channels and specific programs and activities undertaken with each group. Ayala also highlights special activities, initiatives and results related to COVID-19. It completes each stakeholder overview with the key concerns raised and Ayala’s strategic response to these concerns. Ayala uses this section to lead into its disclosure on the materiality assessment process and outcomes.

BUSINESS PARTNERS AND AFFILIATES							
HOW WE ENGAGE							
<b>Regular Channels of Engagement</b> <ul style="list-style-type: none"> <li>• Dialogues</li> <li>• Meetings (Board and Executive Committee level)</li> <li>• Partnership</li> <li>• Due Diligence</li> <li>• Business organizations and/or clubs (Maadri Business Club, MAP)</li> </ul> <b>Programs/Activities</b> <ul style="list-style-type: none"> <li>• Bespoke Ayala group corporate events days</li> <li>• Calendar of non-ideal realizations</li> <li>• Calendar of success experiences</li> <li>• Bespoke media group IR Summit</li> <li>• Company analyst coverage</li> <li>• Share buy-back program</li> </ul>	<b>Special activities or initiatives related to the pandemic (COVID-19)</b> <table border="1"> <thead> <tr> <th>INITIATIVES</th> <th>RESULTS</th> </tr> </thead> <tbody> <tr> <td> <b>Supporting Business Partners and the broader Ecosystem</b> <ul style="list-style-type: none"> <li>• Continued to support strategic partners with the focus and flexibility by rethinking their practices and assisting our partners during the pandemic</li> <li>• Supported various group-wide initiatives for the broader ecosystem of partners, clients, and regulators</li> </ul> </td> <td>                     Ayala continues to be a partner of those whose rethinking drove increased engagement and greater resilience and support for stakeholders in our ecosystem                 </td> </tr> <tr> <td> <b>Public-Private Sector Discussions</b> <ul style="list-style-type: none"> <li>• Supported our management and principals in the dialogues between public and private sector representatives in e.g. IATF, Task Force 219</li> </ul> </td> <td>                     Thought leadership enabled, importantly given the pandemic, continued greater and more frequent collaboration between the public and private sectors                 </td> </tr> </tbody> </table>	INITIATIVES	RESULTS	<b>Supporting Business Partners and the broader Ecosystem</b> <ul style="list-style-type: none"> <li>• Continued to support strategic partners with the focus and flexibility by rethinking their practices and assisting our partners during the pandemic</li> <li>• Supported various group-wide initiatives for the broader ecosystem of partners, clients, and regulators</li> </ul>	Ayala continues to be a partner of those whose rethinking drove increased engagement and greater resilience and support for stakeholders in our ecosystem	<b>Public-Private Sector Discussions</b> <ul style="list-style-type: none"> <li>• Supported our management and principals in the dialogues between public and private sector representatives in e.g. IATF, Task Force 219</li> </ul>	Thought leadership enabled, importantly given the pandemic, continued greater and more frequent collaboration between the public and private sectors
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<b>Public-Private Sector Discussions</b> <ul style="list-style-type: none"> <li>• Supported our management and principals in the dialogues between public and private sector representatives in e.g. IATF, Task Force 219</li> </ul>	Thought leadership enabled, importantly given the pandemic, continued greater and more frequent collaboration between the public and private sectors						
<b>KEY CONCERNS RAISED</b> <ul style="list-style-type: none"> <li>Management team (i.e. succession plans, transition, diversity, compensation)</li> <li>Governance</li> <li>Financial performance (i.e. COVID-19 impact on earnings, balance sheet strength)</li> <li>Business Outlook and Risk</li> <li>Network and Relationship (International)</li> <li>Growth Opportunities</li> <li>Equitable Business practices</li> </ul>	<b>OUR STRATEGIC RESPONSE</b> <ul style="list-style-type: none"> <li>Transparency and openness of processes and practices and strong governance practices</li> <li>Transparency in reporting financial performance improvement with results on revenue and customer loyalty as key drivers for long-term growth</li> <li>Active and ongoing engagement with business partners and affiliates through various activities</li> </ul>						

## Good practice

### Birla Cellulose Ltd.

Birla Cellulose features a detailed table outlining stakeholder engagement mechanisms and how often these activities occur in its **Sustainability Report 2019-20**. The engagement approach is in line with the wider Aditya Birla Group Stakeholder Engagement Policy and Technical Standards guide. It breaks down activities by stakeholder group and accompanies its disclosure with stakeholder expectations and the approach taken to responding or adapting to these expectations.

Stakeholder Group	Engagement Mechanism	Frequency	Engagement Objectives	Our Approach
Customers	Customer Feedback	Continuous	<ul style="list-style-type: none"> <li>• Customer experience</li> <li>• Solution provider</li> </ul>	<ul style="list-style-type: none"> <li>• Customer feedback is taken on continuous basis on product performance, quality control and delivery. Customer Happiness is a mission.</li> </ul>
	Visit to Customers	Regular	<ul style="list-style-type: none"> <li>• Customer value proposition</li> </ul>	<ul style="list-style-type: none"> <li>• Performance Review: Happiness based on Net Promoter Score - combination of top-down and bottom-up approach</li> </ul>
	Customer Technical Services	Need-based	<ul style="list-style-type: none"> <li>• Joint quality delivery, product release</li> </ul>	<ul style="list-style-type: none"> <li>• Products are certified globally recognized certifications which ensure product quality</li> </ul>
	Grievance Redressal	Case-to-case basis	<ul style="list-style-type: none"> <li>• Application development</li> <li>• After sales support</li> <li>• Complaint resolution</li> </ul>	<ul style="list-style-type: none"> <li>• Dedicated Customer Technical Service team actively supports customers by proactively and quality improvements and technical problem resolutions</li> <li>• Customer complaint resolution process by root cause analysis</li> </ul>
Value Chain Partners	Link Performance Programme	Continuous	<ul style="list-style-type: none"> <li>• Create value from strong product and brand for value chain partners</li> </ul>	<ul style="list-style-type: none"> <li>• L&amp;P address issues such as fashion forecasts, product perfection, innovative garment fabric, connecting partners with buyers</li> </ul>
	Fashion Forecast	Fashion Season	<ul style="list-style-type: none"> <li>• Provide visibility to future trends</li> </ul>	<ul style="list-style-type: none"> <li>• Fashion studio launches collection every season which customers use to forecast their demand</li> </ul>

## PRINCIPLES: EXTERNAL ENVIRONMENT

External environment refers to actual and potential changes to an organization's operating environment that could impact its strategy and performance. This can include ESG risks and opportunities arising from megatrends, industry-specific trends and shifts in the regulatory environment. It is important to connect potential changes in the external operating environment to the company's strategy and performance.

### Key recommendations

- Identify key megatrends, industry-specific trends and regulatory trends that may impact your organization; and
- Discuss forward-looking information on how the external environment could impact strategy, risk and performance and how it factors into the materiality assessment process.

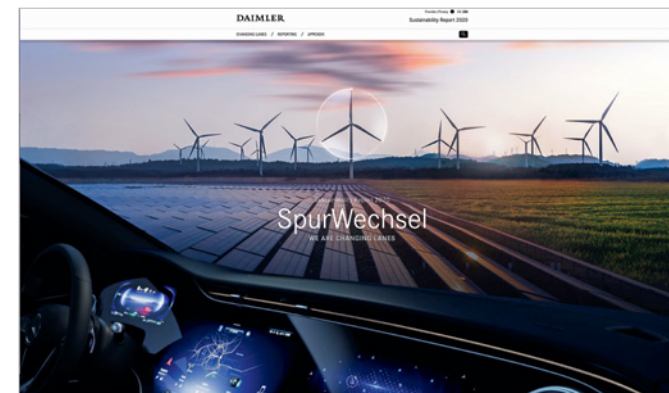
### Methodology notes

- We look for clear and varied disclosure on these trends and how they relate to material issues. For example, an oil and gas company that has a clear risk factors section on climate change but no discussion of human rights in the value chain would have potential to improve.
- For the 2021 review cycle, we will focus more explicitly on the links between the external environment and strategy, risk and performance. We expect this may lead to indicator-level score drops for some members.

### Good practice

#### Daimler AG

Daimler begins its **Sustainability Report 2020** with a section focused on three key external trends, supported by interviews and brief quotes from external experts. Daimler ties these trends into its own internal strategies and activities. Chapters in the "Reporting" section begin by discussing relevant external trends and how these affect Daimler's businesses and sustainability strategies. Later in the report, Daimler discusses how sustainability-related risks and opportunities are integrated into Group-wide planning, controlling, reporting and risk management processes.



### WBCSD's updated membership criteria

#### Criterion five

WBCSD's membership criterion five reads in part: "Align Enterprise Risk Management (ERM) processes and disclosure with environmental, social and governance related (ESG) risks." To adhere to the updated membership criteria, members are expected to explicitly disclose links between their materiality assessment and ERM processes. We also expect to see alignment between outcomes of the materiality assessment and disclosure of risk factors in annual financial filings. **Applying Enterprise Risk Management to Environmental, Social and Governance-related Risks**, developed in partnership with the Committee of Sponsoring Organizations of the Treadway Commission (COSO), provides guidance in this area.



# PRINCIPLES: EXTERNAL ASSURANCE



External assurance of sustainability information increases the credibility and reliability of the report for users. It goes beyond internal controls and audit to provide an external opinion.

## Key recommendations

- Engage an external independent assurance provider to provide assurance on a wide scope (the reporting process and material KPIs);
- Build up to a reasonable level of assurance to ensure sustainability information is financial grade; and
- Ensure the assurance statement is easily accessible, either in the report or via direct links to where it is published online. The statement should specify scope, boundaries, the applied standard and level and a statement of independence.

## Methodology notes

- We focus on scope (the range of information covered) and level (the robustness of the assurance engagement process).
- We limit scores for companies that do not undertake a materiality assessment.

## Good practice

### DSM N.V

DSM obtains a reasonable level of external assurance on sustainability information in its **Integrated Annual Report 2020**. The assurance report of the independent auditor is a separate report from the financial audit. It clearly states the scope of information covered, reporting criteria used and basis for opinion. It further highlights limitations to the scope of the audit and the responsibilities of all parties involved. The report is signed off and dated by an individual from the assurance provider. DSM began with limited assurance on sustainability information for its first integrated report in 2010 and stepped up to a reasonable level in 2018.



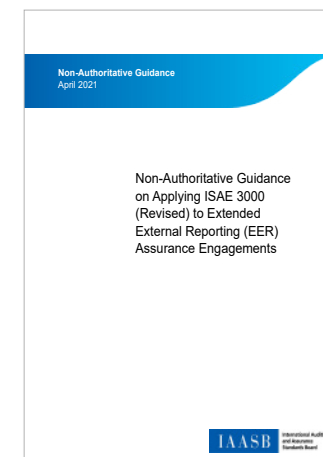
## WBCSD's work

### ISAE 3000 (Revised) guidance

The International Auditing and Assurance Standards Board (IAASB) published **Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements** in collaboration with WBCSD in April 2021.

The guidance responds to ten stakeholder-identified challenges commonly encountered in **applying ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information**. It promotes consistent, high-quality application of ISAE 3000 (Revised) in external reporting assurance engagements to:

- strengthen the influence of engagements on the quality of extended external reporting;
- enhance trust in resulting assurance reports; and
- increase the credibility of extended external reports so that they can be trusted and relied upon by their intended users.



# PRINCIPLES: BALANCE

Balanced reports are transparent about the organization's risks, successes, failures, challenges and opportunities – now and in the future. Reports should reflect positive and negative performance over the reporting period and include balanced external voices to enable the user to gain a complete understanding of the organization.

## Key recommendations

- Report on key challenges and areas of public concern encountered during the reporting cycle, including concrete examples that relate to your organization;
- Include narrative and graphics that clearly highlight and explain areas of weak performance and missed targets; and
- Incorporate balanced external voices to bring additional perspectives and highlight potential areas for improvement.

## Methodology notes

- We look at high-risk incidents from influential sources from the **RepRisk** platform to flag issues of public concern and specific incidents that relate to material issues.

## Good practice

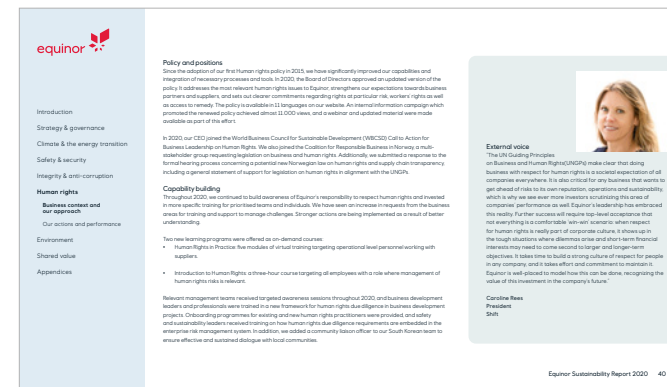
### Equinor

Equinor features strong discussion on scenario analysis and climate change-related risks in its **2020 Sustainability Report**. These topics are crucial for an energy company to acknowledge. It features charts and visuals throughout the report to highlight trends in performance over time, including areas of weak performance. Equinor addresses all areas of public concern flagged by our third-party data provider, **RepRisk**. It also features external voices throughout the report, including from NGO and intergovernmental organizations, to give independent and balanced perspectives on its activities.

## Good practice

### Mondi Group

Mondi complements discussion of big picture challenges such as worker safety and climate-related risks with an acknowledgment of areas where performance has not met expectations in its **Sustainable Development report 2020**. It uses progress tracking icons to transparently demonstrate performance over time along with supporting narrative. Mondi adopts a humble and balanced tone when discussing COVID-19 and leadership insights. It draws on external voices by interviewing partners about relevant sustainability issues shaping the paper and plastic industry and features recommendations by an external expert on how to strengthen its human rights due diligence processes.



# PRINCIPLES: CONCISENESS & ALIGNMENT



Concise reports align disclosures with outcomes of the materiality assessment and prioritize quality over quantity. Reports drafted in a concise manner avoid information overload, improve coherence and shine the spotlight on issues that are most important to the organization and its stakeholders.

## Key recommendations

- Align contents of the report to the outcomes of the materiality assessment to avoid over or under disclosure;
- Produce a summary document or clear executive summary that provides a quick overview of strategy, performance and key activities; and
- Use bullet points, short sentences, brief paragraphs and infographics to reduce word count.

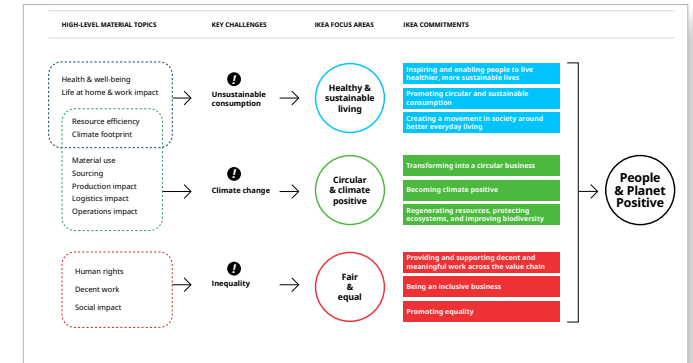
## Methodology notes

- We consider robust executive summaries, summary online content and summary PDFs when evaluating this indicator.
- We limit scores for companies that do not undertake or focus the contents of their report on the outcomes of a materiality assessment.

## Good practice

### Inter IKEA Group

Inter IKEA structures its **Sustainability Report FY20** around the three pillars of its strategy. It features a graphic that clearly demonstrates how material topics relate to key challenges and underpin focus areas and commitments. Inter IKEA publishes an online **Highlights** page which is structured in the same way as the main PDF and provides concise overviews of commitments and activities associated with each pillar. The consistent structure helps users understand how online and PDF content tie together. It utilizes imagery and white space in the main PDF to break up text.



## Good practice

### PepsiCo Inc.

PepsiCo's digital **2020 Sustainability Report** is structured around the company's six focus areas, and brings these to life through engaging stories, graphics and stakeholder quotes. For more detail, the report cross-references PepsiCo's evergreen **ESG Topics A-Z** resource, where nearly 50 sustainability topics are explored in more depth. It also provides key summary information through brief, targeted addendums such as the **2020 Sustainability Report Summary** and the **2020 Sustainability Performance Metrics**. PepsiCo's sustainability agenda extends across its value chain. Its report outlines these in a succinct Value Chain graphic, and uses graphics, bullet points, callouts and other design features to simplify and pace content.

### Scale and Reach Across Our Value Chain

Across our value chain, PepsiCo is using our global reach and expertise to drive solutions at scale.

PepsiCo's sustainability strategy targets every stage of our complex value chain to use resources more efficiently, reduce GHG emissions, replenish water, improve our products and recapture packaging materials.

**23** billion-dollar brands<sup>1</sup>

Products enjoyed **1B+** times each day

**\$70B+** net revenue in 2020

Products sold in **200+** countries and territories

**290K+** employees

123 brands that generate more than \$1 billion in net sales

**Agricultural Sourcing**

PepsiCo sources crops from 90 countries and supports more than 100,000 jobs throughout our agricultural supply chain. The standards we apply and promote can help improve the environmental, social and economic health of agricultural communities around the world.

**Distribution**

PepsiCo products are sold in over 200 countries and territories. In 2020, our company-owned fleet traveled nearly 3.3 billion miles worldwide to bring PepsiCo products to consumers.

**Post-Consumer**

PepsiCo's sustainable plastics vision is to help build a world where packaging never becomes waste by driving the shift from a linear solution to a circular economy.

**Consumption**

PepsiCo products are enjoyed by consumers more than 1 billion times a day. We're responding to changing consumer preferences by transforming our product portfolio and reformulating many of our foods and beverages to reduce added sugars, sodium and saturated fat.

**R&D and Manufacturing**

Our 291 manufacturing facilities around the world bring together innovators and operators teams who work to use water, energy and ingredients efficiently to create our foods and beverages.

# TATA GROUP DISCUSSES HOW IT DRIVES SUSTAINABILITY ACROSS ITS GROUP STRUCTURE

Tata Group is an Indian multinational conglomerate comprising 100 companies across a range of sectors. Based in Mumbai, it is one of the biggest and oldest industrial groups in India. Each Tata company operates independently under the guidance and supervision of its own board of directors and shareholders.

We spoke with Mr Siddharth Sharma, Group Chief Sustainability Officer, to learn more about how he views the sustainability landscape and how actions are coordinated across the group.



**How does Tata Group organize and implement sustainability-related actions, strategies, targets and policies across the diversified group of companies and clusters? How is reporting coordinated across the group?**

Tata Group is a conglomerate of 100 operating companies, 29 of which are listed companies. Respecting the federal structure of the group, we have created a two-tier sustainability governance structure. The apex council, called the Tata Group Sustainability Council (TGSC), is made up of CEOs & MDs of key Tata companies. It articulates the group's thinking and strategic approach to sustainability. The Tata Sustainability Policy and key metrics serve as a common rallying point and are embraced by operating companies as part of a 'common minimum agenda' on sustainability. More [here](#).

Each company is encouraged to constitute a governance structure at the board level to oversee their sustainability endeavors. The management team, under the aegis of their Board, identifies relevant sustainability issues, develops comprehensive sustainability strategies including goals, targets, mitigation and adaptation action plans, and reports periodically to stakeholders.

In summary, the Tata Group effort over the last decade can be divided into five categories: setting up group-level aspirations; creating a culture of responsible growth; identifying and managing emerging sustainability issues relevant to Tata companies; ensuring synergy and collaboration across different Tata entities to respond to societal challenges; and playing an active role in shaping sustainability policies and practice through relevant national and international forums and consortia.

**What is your view on the sustainability landscape? Are there significant differences between priorities in India compared to the roughly 100 other countries Tata Group companies operate in? How does Tata Group fit within this context?**

We see the business operating environment being increasingly influenced by two megatrends – growing social inequality and natural resource constraint coupled with environmental degradation. These issues are on the global agenda and will affect all businesses, irrespective of geography. Overcoming the challenges will require commitments, ingenuity and innovation on part of all actors in society.

At the Tata Group, our approach to business has been strongly influenced by our Founder's vision of the role of business in society. He believed that "In a free enterprise, the community is not just another stakeholder in business but is, in fact, the very purpose of its existence." We therefore believe that if the community is not successful, and if our customers, suppliers, lenders and investors are not satisfied, then our businesses are unlikely to be sustainable over the long term.

The imperative of sustainability is therefore fundamentally rooted in our organizational ethos. Continuing with this, to create sustainable value for each Tata company and its stakeholders, we are taking a long-term systemic view with our strategy and action plans focused on material ESG issues such as climate change, natural resource management, environmental damage and social inequality.

We believe sustainable action requires a certain mindset and we have immersed our C-suite executives in the subject so that they have a good appreciation of the sustainability context in which our companies operate. This enables them to take bold and informed decisions. In addition, we make a regular and concerted effort to engage Tata employees and business associates on around topics related to sustainability to embed it into our culture.

### What are some activities the Tata Group has engaged in with regards to WBCSD's updated membership conditions on climate change, nature loss and inequality?

As part of our broader sustainability agenda, we have made commitments to climate change and business and human rights. We are working to develop a clearer understanding of material issues and metrics around nature and biodiversity. Some of the outcomes worth mentioning are:

**Responding to Climate Change:** All key companies are being encouraged to identify and manage climate risks encompassing both physical and transition risks. So far, six Tata companies have announced climate goals:

- Tata Chemicals has embraced science-based targets for 2030 for all its operational sites;
- TCS is aiming for net zero emissions by 2030;
- Jaguar Land Rover wants to achieve net zero carbon emissions across its supply chain, products and operations by 2039;
- Tata Consulting Engineers is aiming for net-zero emissions by 2050;
- Tata Power will be carbon neutral by 2050, the first Indian power utility to make such a commitment; and
- Tata Steel Europe is aiming to be carbon neutral by 2050.

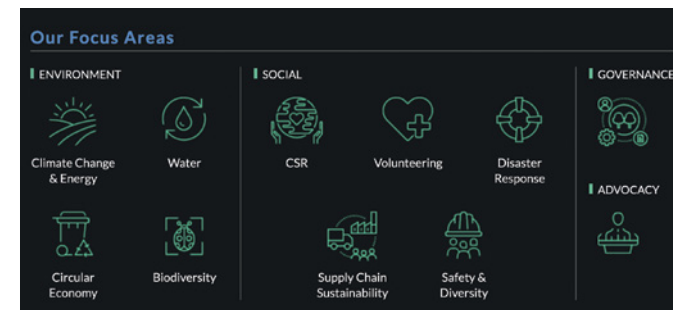
**Dealing with Inequality:** Tata Group has a uniquely differentiated ownership structure. Our parent investment holding company, Tata Sons, is majority owned by charities. These charities reinforce a culture of philanthropy. Our view of the role of business in the community and our unique ownership structure combine to deliver a very differentiated core purpose or mission: to 'improve the quality of life of the communities we serve globally through long-term stakeholder value creation based on Leadership with Trust'. We work relentlessly to promote community development and social equity through affirmative action, diversity and inclusion programs, and development of policy and guidance on business and human rights.

**Managing Biodiversity Loss:** While Tata Group took major steps when it shaped and piloted the Natural Capital Protocol in some of its companies, a universally accepted or standardized approach for measuring and understanding the business impact on biodiversity remains elusive. A globally accepted lexicon, framework and clear metrics is still required to demystify this space and we would be happy to play our part in this endeavor.

### Why is reporting on these targets, commitments and strategy important for the companies that fall under the Tata umbrella?

We recognize well the material impact of non-financial issues for the long-term success of business. Given our reputation for doing the right thing, there is clear expectation that a group like ours will demonstrate leadership both in shaping the global framework and transparent disclosure that responds to the interests and concerns of all stakeholders. This has been exemplified by leading Tata companies, for example:

- Tata Steel was the first Indian company to transition to Integrated Reporting;
- Tata Group was part of the working group which developed and piloted the Natural Capital Protocol; and
- The CFO of Tata Steel was part of TCFD, created in 2015 by the Financial Stability Board (FSB) to develop consistent climate-related financial risk disclosures for use by companies, banks and investors in providing information to stakeholders etc.



# CONTENT: SUSTAINABILITY GOVERNANCE

Sustainability governance focuses on how an organization defines its management responsibility and oversight for sustainability activities and performance. It is an integral part of the overall corporate governance structure and supports the integration of sustainability considerations into business decision-making.

## Key recommendations

- Include a clear leadership commitment to sustainability within the report;
- Describe the highest sustainability decision-making authority, how it fits into the corporate governance structure and clear reporting lines;
- Explain how sustainability is governed at a group and regional or business unit level as appropriate;
- Discuss the sustainability roles of board members including frequency of meetings, topics discussed and key decisions made by the board; and
- Disclose if and how sustainability considerations are integrated into executive remuneration

## Methodology notes

- We place a strong emphasis on board-level involvement and narrative on responsibilities and outcomes of board deliberations.
- For the 2021 review cycle, we collected shadow data on how effectively members disclose on board-level sustainability expertise. This did not affect the scoring framework but may inform an update to the framework in 2022.

## Good practice

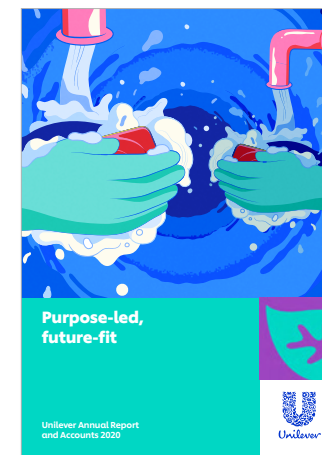
### Unilever

Unilever sets the tone with a nuanced discussion of the new Compass strategy in the CEO statement of its **Annual Report and Accounts 2020**. It later highlights how remuneration is linked to the achievement of sustainability and climate change targets for management employees. The role of the Corporate Responsibility Committee is discussed, including a detailed overview of how the Committee has discharged its responsibilities over the past year and key decisions it has made. It discusses a range of advisory boards, task forces and governance groups that help govern material issues below Committee level.

## WBCSD's work

### Boards and their stakeholders: The state of play

WBCSD launched **Boards and their stakeholders: The state of play** in collaboration with DNV to explore how leading approaches to stakeholder engagement, materiality and risk management can be brought together to support board-level decision-making. The COVID-19 pandemic has emphasized the need for companies to move beyond shareholder primacy and consider the purpose of the organization, its social license to operate and the impacts it has on society and the environment. As these needs and creating company value relies on good relationships with employees, customers, suppliers, capital providers, governments and civil society, our research with DNV dove into boards' engagement with stakeholders.





# CONTENT: STRATEGY



Disclosures on strategic approaches to sustainability clearly articulate how an organization addresses the full range of material ESG impacts, which in turn create risks and opportunities for the organization. The strategic approach should have clear links to the overall vision and mission of the company and support the delivery of sustainable outcomes through targeted action plans.

## Key recommendations

- Explain an overarching vision and strategic approach to sustainability that clearly incorporates all material issues and integrates sustainability into corporate strategy;
- Discuss the connection between sustainability and financial performance;
- Describe how the strategy will be executed via action plans, objectives and integration into business functions; and
- If the strategy is expiring, describe next steps and what the path forward looks like.

## Methodology notes

- We look for a well-developed and company-specific strategy that covers material issues. This can be through a sustainability strategy or a corporate strategy that clearly tackles material sustainability issues. We also look for defined roadmaps, action plans and paths forward.
- We limit scores for companies that do not undertake a materiality assessment or link strategy to material issues.

## Good practice

### Eni S.p.A

Eni explicitly aligns its strategic approach to sustainability with its mission and materiality assessment outcomes in its **Eni for 2020** report. Eni's strategy has a central focus on the goal of being carbon neutral by 2050, alongside plans for additional material topics. A robust roadmap for each material topic is featured throughout the report. It also provides an overview of 2020 progress alongside short-, medium- and long-term targets for the path forward for each topic.

2020 PROGRESS		SHORT- AND MEDIUM-TERM TARGETS BY 2025		
<b>GHG EMISSIONS (SCOPE 1, data referring to 100% of operated assets)</b>				
i) -26% upstream GHG emission intensity index vs. 2014; ii) -39% volume of hydrocarbons sent for routine flaring vs. 2014; iii) -90% upstream fugitive methane emissions vs. 2014 (TARGET ACHIEVED); iv) Substantially stable carbon efficiency index.		i) -43% of upstream GHG emission intensity index to 2025 vs. 2014; ii) Zero routine gas flaring to 2025; iii) -80% of upstream fugitive methane emissions to 2025 vs. 2014; iv) Average improvement of 2% per year to 2021 compared to 2014 carbon index.		
2020 PROGRESS	SHORT- AND MEDIUM-TERM TARGETS BY 2025	LONG-TERM TARGETS (2030 AND BEYOND)		
		BY 2030	BY 2040	BY 2050
<b>NET CARBON FOOTPRINT (GHG SCOPE 1+2 EMISSIONS, on equity basis)</b>				
Net Carbon Footprint (GHG emissions Scope 1+2) upstream: 11.4 MtonCO <sub>2</sub> eq. (-23% vs. 2019).	Halving the Net Carbon Footprint for Scope 1+2 upstream emissions by 2024 vs. 2018.	Net Zero Carbon Footprint for Scope 1+2 emissions of upstream activities by 2030.	Net Zero Carbon Footprint for Scope 1+2 emissions from all group activities by 2040.	
<b>NET GHG LIFECYCLE EMISSIONS (GHG SCOPE 1+2+3 EMISSIONS, on equity basis)</b>				
439 MtonCO <sub>2</sub> eq. (-13% vs. 2019)		-25% vs. 2018	-65% by 2040	Net zero by 2050
<b>CARBON INTENSITY (GHG SCOPE 1+2+3 EMISSIONS, on equity basis)</b>				
68 gCO <sub>2</sub> eq./MJ (~ 2019)		-15% vs. 2018	-40% vs. 2018	Net zero by 2050
<a href="#">Eni For 2020 - Carbon neutrality by 2050</a>   <a href="#">Eni for 2020 - Sustainability performance (pp. 8-12)</a>   <a href="#">eni.com</a> <a href="#">Eni's position on biomass</a>   <a href="#">Eni's responsible engagement on climate change in business associations</a> <a href="#">CDP Climate change questionnaire</a>   <a href="#">Methodology for the assessment of GHG emissions along the value chains of Eni products</a>				

## Good practice

### Solvay S.A.

Solvay launched a corporate G.R.O.W. strategy in 2020 and explains it in its **Integrated Report 2020**. It mandates actions and allocates resources for each of three business segments. The fourth pillar is comprised of the Solvay ONE operating model which coordinates ambitions across three key sustainability areas. Solvay features 2030 sustainability ambitions with three to four material topics for each sustainability area. It encompasses all topics determined to be a priority as a result of the materiality assessment process. Solvay focuses on increasing sustainable solutions as a percentage of Group sales to directly tie the sustainability component of its corporate strategy to financial success.



## CONTENT: IMPLEMENTATION & CONTROLS

Systems, controls and processes should be in place across an organization to manage and monitor material issues. These may include frameworks, guidelines, tools, management systems and certifications as well as activities focused on implementing programs across the value chain for employees, suppliers and customers.

### Key recommendations

- Describe and provide evidence of the systems and processes in place to manage specific material issues;
- Discuss data collection processes including internal controls;
- Describe how sustainability is embedded in operations; and
- Explain how the organization engages with employees, suppliers and customers to address direct and indirect material impacts along the value chain.

### Methodology notes

- We limit scores for companies that do not undertake a materiality assessment or do not tie specific control mechanisms to specific material issues.

### Good practice

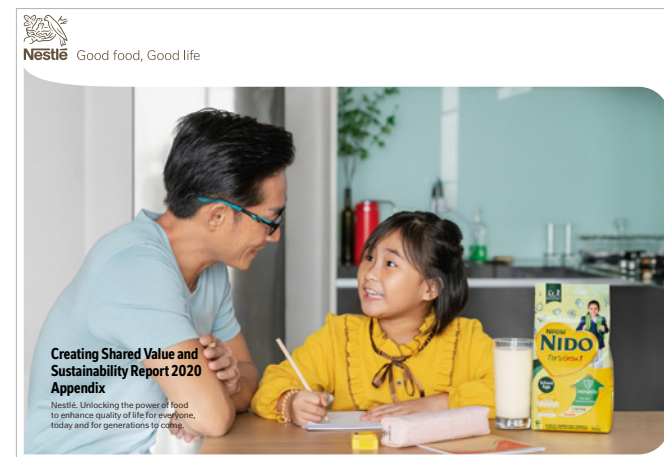
#### Nestlé SA

Nestlé provides an overview of its commitments, progress and key achievements from the prior year in its **Creating Shared Value and Sustainability Report 2020**. It uses a separate, lengthier **Appendix** to provide a detailed GRI Index and overview of its management approach to human rights and other material topics, focusing on policies and grievance mechanisms. Nestlé uses both resources to link to extensive content on the **Creating Shared Value** section of its website to highlight ways they have engaged with actors across the value chain. It has robust policies and commitments in place for a range of impacts that are material to its business, including those covered by WBCSD's updated membership conditions on human rights and diversity, equity and inclusion.

### WBCSD's updated membership criteria

#### Membership criteria three and four

WBCSD's membership criterion three reads in part: "Declare support for the UN Guiding Principles on Business and Human Rights by having in place a policy to respect human rights and a human rights due diligence process." Criterion four reads in part: "Declare support for inclusion, equality, diversity and the elimination of any form of discrimination." To adhere to the updated membership criteria, WBCSD expects members to have in place strong management approaches to these topics with clear policies and commitments. Our **CEO Guide to Human Rights** explores some of these topics.



# CONTENT: TARGETS & COMMITMENTS

Targets and commitments are specific and measurable performance goals or management actions that an organization aims to achieve over a specified timeframe. They are critical for delivering an organization's strategy and demonstrating progress over time and are increasingly combined with aspirational and long-term stretch targets.

## Key recommendations

- Develop a range of verifiable short-term (operational, interim) and long-term (aspirational, stretch) targets for all material issues, with clear baselines;
- Ensure targets are SMART (specific, measurable, achievable, realistic and time-bound);
- Include targets that go beyond direct operations and consider upstream and downstream activities and impacts;
- Incorporate context-based targets where possible, such as science-based targets for climate change; and
- Disclose progress against targets and narrative on forward-looking plans to meet targets.

## Methodology notes

- We limit scores for companies that do not undertake a materiality assessment or do not link targets to specific material issues.
- For the 2020 and 2021 review cycles, we focused on a range of target types (operational, interim vs. aspirational, stretch) in addition to timeframes. Many strategies and targets expired in 2020, making timeframe considerations difficult to assess.

## Good practice

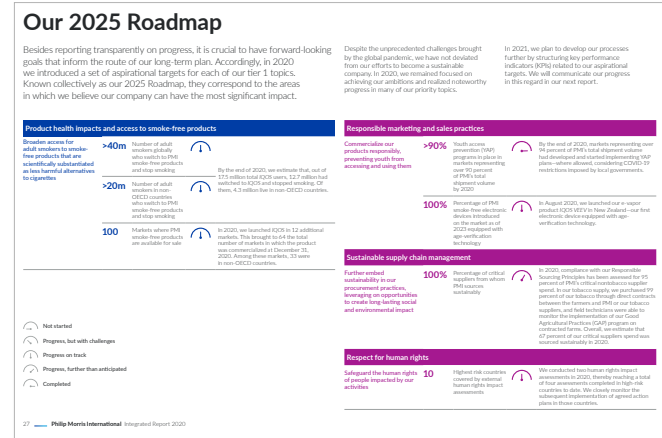
### Philip Morris International (PMI)

PMI features a 2025 Roadmap in its **Integrated Report 2020** that lays out broad commitments, SMART targets, visual progress trackers and brief narrative on performance for each priority focus area. PMI acknowledges areas for improvement, such as the need to structure KPIs to better track aspirational targets. In line with WBCSD's updated climate membership criteria, it has science-based climate targets alongside a 2050 full value chain carbon neutrality goal. Although biodiversity is listed as a "tier 2" topic, PMI's **Environmental Commitment and Zero Deforestation Manifesto** address goals to achieve zero deforestation in supply chains and to join multi-stakeholder initiatives to protect biodiversity and forests. PMI highlights a range of other measures associated with biodiversity **online**.

## WBCSD's updated membership criteria

### Membership criteria one and two

WBCSD's membership criterion one reads in part: "Set an ambition to reach Net Zero GHG emissions no later than 2050 and have a science-informed plan to achieve it, that can include Natural Climate Solutions and other carbon removal solutions." Criterion two reads in part: "Set ambitious, science-informed, short and mid-term environmental goals that contribute to nature/ biodiversity recovery by 2050." Both criteria expect members to report progress against these targets and commitments annually in standard, external communications of the company. WBCSD's Carbon Transparency Pathfinder is a new initiative dedicated to enabling widescale exchange of primary, carbon emissions data to assist members in this area. You can learn more **here**.



## CONTENT: PERFORMANCE

It is important to develop and report specific and measurable KPIs for all material issues to increase comparability and accountability. Combining quantitative metrics with narrative provides context to performance trends so they can be monitored and corrective actions taken where required.

### Key recommendations

- Disclose KPIs for all material issues with a range of indicator types (input, output, process, outcome and context);
- Present data and metrics in a visual way with at least three years' past performance data to show trends;
- Accompany the data with clear narrative on performance trends, including areas of poor performance; and
- Include a breakdown of data by region and/or division where appropriate.

### Methodology notes

- We limit scores for companies that do not undertake a materiality assessment or do not link KPIs to specific material issues.

### Good practice

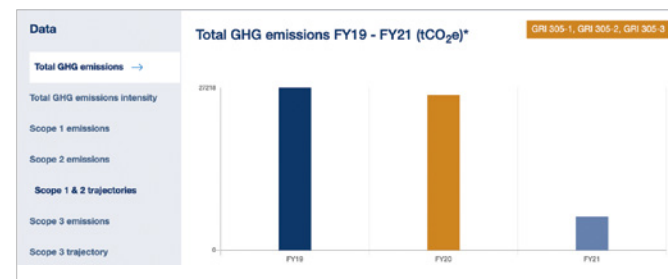
#### Environmental Resources Management Limited (ERM)

ERM features a "Targets, goals & performance results" section in its **Sustainability Report 2021** that links material topics to short-term targets and incorporates graphics to demonstrate achievement over time. It incorporates a highlight box on the landing page for each material topic which briefly shows this performance. ERM has a dedicated **Our performance data** section with multiple years' of performance data broken down by material topic. It crosslinks between the data section and material topic landing pages and references GRI disclosure elements when applicable.

### Good practice

#### Royal Philips N.V.

Philips sets out a new 2025 ESG agenda in the "Environmental, Social and Governance" section of its **Annual Report 2020** that is core to its purpose and guides execution of its strategy. It provides a mixture of charts, tables and narrative to summarize performance against various aspects of the agenda. Philips summarizes this content by providing an overview of performance against the 21 Core metrics of the World Economic Forum (WEF) ESG reporting framework and adds a layer of nuance by incorporating summaries of performance by operating country. It closes out its previous targets in the "Sustainability statements" section by comparing baseline 2015 data with 2020 targets and 2020 actuals.



# CONTENT: PARTNERSHIPS & COLLABORATION



Strategic partnerships and collaborations can accelerate action and scale up solutions by combining expertise, resources and networks among stakeholders who share a common goal. They focus on addressing an organization's material issues and support strategy implementation.

## Key recommendations

- Demonstrate key partnerships with a range of organizations such as NGOs, governments, local communities, universities and industry groups that clearly advance the organization's sustainability agenda as defined by its materiality assessment, strategy and goals;
- Disclose how these partnerships are relevant by tying them to material issues or core business;
- Describe the focus of each partnership, the organization's objectives and outcomes; and
- If certain partnerships are given more attention or detail, clarify why.

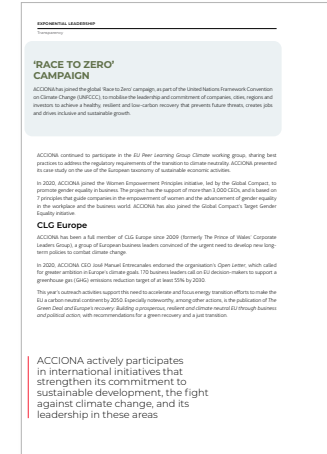
## Methodology notes

- We look for detailed information (the organization's role, objectives and outcomes) for a handful of key activities as opposed to all partnerships. We expect to understand why certain activities are focused on more than others.

## Good practice

### ACCIONA

ACCIONA publishes a summary of the collaborations it has carried out in its **Sustainability Report 2020**. The report focuses on work done with multi-stakeholder platforms, governments, local communities and academia. These partnerships and collaborations are aligned with ACCIONA's activities and material issues. At the beginning of the "Transparency" section of the report, ACCIONA provides an overview of the main partnerships developed, including its goals, role and results achieved. Other collaborations are displayed in less detail and in a more concise manner throughout the report to highlight the diversity of programs and activities ACCIONA has undertaken to advance its sustainability agenda.



## Good practice

### SCG

SCG features a "Partnership and Collaboration Towards Sustainability" section in its **Sustainability Report 2020** that discusses the importance of fostering partnerships across sectors and actors. It focuses on a range of partnerships with government agencies, business and civil society tied to SCG's strategy and material topics. SCG highlights its objectives, role and outcomes for five key initiatives in this section. It features multiple other initiatives in less detail throughout the report.



# CONTENT: EVIDENCE OF ACTIVITIES



Providing evidence of activities involves reporting on sustainability activities that occurred during the reporting period and progress of ongoing initiatives. Often expressed as outcome-driven case studies, this helps to link management approaches with actions and performance and may be used to substantiate statements and claims.

### Key recommendations

- Provide relevant examples of sustainability-related activities that advance the strategy and are tied to specific material issues;
- Provide historical context for these activities and programs where appropriate, such as when or why the activities started; and
- Develop concise, strategic, outcome-driven case studies that are balanced in tone for material issues.

### Methodology notes

- We look for context and outcomes when reading case studies. They should tell a story and demonstrate how and why a company has undertaken a program, and what the results were.
- We limit scores for companies that do not undertake a materiality assessment or do not link evidence and case studies to specific material issues.

### Good practice

#### Saudi Basic Industries Corp. (SABIC)

SABIC provides detailed evidence of activities undertaken across its operations and at specific facilities for each material topic in its **Sustainability Report 2020**. The report provides a good balance between conciseness and narrative on actions taken throughout the year. It includes concise, outcome-driven descriptions of different facility-level initiatives. SABIC also incorporates brief “Case Study” feature boxes to help focus the user’s attention on key initiatives undertaken over the course of the reporting period. Both of these elements do not significantly increase page count or hinder readability.



### Good practice

#### Swiss Re

Swiss Re provides consistent evidence of programs and activities undertaken for each material topic in its **Sustainability Report 2020**. It incorporates detailed, outcome-driven discussion for these topics with narrative on the historical context behind a range of activities. Swiss Re also uses feature boxes to highlight key content and links directly to sections of its website to provide additional insights into a range of activities.



# RADLEY YELDAR DISCUSSES THEIR INSIGHTS AND PERSPECTIVE ON THE DIRECTION OF SUSTAINABILITY REPORTING

Sustainability reporting is becoming more complex and mainstream, but is it heading in the right direction?

We sat down with Juliette Child, Sustainability Consultant at Radley Yeldar, to get her thoughts and perspectives on how an audience-led approach to reporting can bring clarity and focus on creating impact.



Juliette Child

## What's happening in the reporting space?

Sustainability reporting gets more mature, complex and demanding every year.

Regulatory requirements are intensifying across geographies. Investor interest is growing. The lines between what was historically categorized financial and non-financial information are blurring. The number and complexity of frameworks, standards, ratings and indices is increasing – even with efforts to increase harmonization. Assurance pressures are intensifying. Formats and channels are diversifying, with digitalization accelerated by the pandemic. The list could go on...

This is (mostly) extremely positive and is testament to the efforts made to accelerate the prominence of sustainability in business. Sustainability reporting is becoming increasingly rigorous and decision-useful to stakeholders. At the same time, it is more accessible and mainstream than ever before. No longer a nice-to-have, transparent reporting is an expectation of most stakeholders. But this expectation does not come without its challenges.

## What are the main reporting challenges?

As the complexity of the reporting landscape intensifies, we're seeing an increase in the quantity of information being communicated. However, whether the quality of reporting has followed suit is questionable.

Reporting teams are in a tough spot. Pulled in different directions, they tell us they are struggling to work out where information should sit: some users advocate a more integrated approach, while others prefer a more targeted and segregated style. Rather than determining what's best for them and their own audiences, reporters often find themselves preoccupied with other companies' approaches and the notion of 'best practice'. While such activity can spark ideas and change, it tends to be incremental, limiting the space for fresh thinking, tailored approaches and big new ideas.

Worryingly, we're also starting to see the value of reporting being questioned. A recent article from the Harvard Business Review highlighted a confusion between output and impact, arguing that while sustainability reporting has become widespread, environmental damage and social inequality is still growing. Are we prioritizing transparent disclosure at the expense of tangible action and change? It seems reporting needs to (re)position itself as an ally to the transformative change that is so urgently needed.

**“As the complexity of the reporting landscape intensifies, adopting a more audience-led approach can make sure we're getting more out of reporting, focusing our attention on creating impact beyond reporting itself.”**

## What's the way forward?

Ultimately, reporting needs a spring clean. We need to focus attention on the impact we need to achieve through reporting, and to critically consider our content needs. Audience-centricity is the key to unlocking the change required.

At Radley Yeldar, we've been advocating a more **audience-led approach to reporting** for a long time. But despite this concept having matured in the communications space, we've yet to see it applied consistently and effectively to reporting. We've all witnessed the ability of a well-designed and thought-out campaign to create behavior change and impact. Wouldn't it be great if reporting could do the same?

Here are some of the virtues of audience-centric reporting:

- Brings clarity by helping to rationalize content needs and format choice;
- Enhances effectiveness by ensuring reporting reaches and resonates with key stakeholders and audiences;
- Focuses attention on creating impact, rather than seeing measurement and reporting as ends in themselves;
- Enables informed decision-making that supports a rapid transition to an equitable and sustainable economy; and
- Helps create a tailored approach to reporting based on what works for the individual company, rather than relying on or following the approaches of peers and competitors.

In essence, it's all about making conscious choices with the right backing.

## What advice can you give to reporters?

Based on our experience, we've come up with four key recommendations to achieve more audience-centric reporting.

### 1. Prioritize your audiences

We often say that a report aimed at everyone will resonate with no one. This doesn't mean ignoring secondary audiences. It means making conscious choices about which audience you're prioritizing across the different channels of the reporting ecosystem. If you're prioritizing a specific audience through your main sustainability report, think about how you could leverage and personalize your website and social media to communicate with your secondary audience(s).

### 2. Determine their needs

When it comes to understanding what your audiences really want, eliminate the guessing game and ask them directly. Think about testing your ideas before launching to ensure assumptions are correct. Doing so will enable you to hit the sweet spot between what you want to say (business objectives) and what your audiences want to hear about (audience needs and expectations).

At first glance, this may feel like an additional burden for reporters. But companies already have mechanisms in place for listening to stakeholders, so why not use them to their fullest potential?

Those working in the sustainability space will be familiar with the concept of stakeholder engagement. Stakeholders and audiences can, at times, be one and the same. Meaningful engagement – such as face-to-face discussions or workshops – can help you collect key insights on what your audiences are looking for in your communications. Better yet, they can enable you to define the types of outcomes you're aiming for.

Another approach we've seen working well is forming an independent stakeholder panel that reflects your key audiences. The panel essentially acts as a critical friend, providing constructive and honest feedback to help you improve your reporting year-after-year. Making this feedback publicly available can bring balance and transparency to your communications and demonstrate your commitment to pushing your reporting forwards.

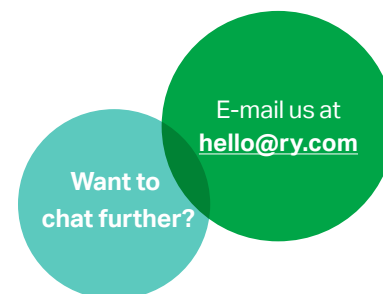
### 3. Leverage on reporting frameworks

Explore how existing and new frameworks can be used as a filtering device to tailor content for different audiences. Recently, the five leading standard setters (GRI, SASB, IIRC, CDSB and CDP) have clarified their target audience as well as the recommended format for their disclosures. While SASB and CDSB are suitable for investor-led sustainability information, GRI acts as a framework that helps meet the needs of broader audiences. Bearing that in mind when defining your content strategy will enable you to use the frameworks strategically to target content to the right audiences.

### 4. Measure the effectiveness of your reporting

Once you've understood your audience needs and adapted your reporting ecosystem to meet those needs, it's equally important to measure the effectiveness of your reporting. What do you want to achieve? What change do you want your reporting to make? Be sure to spend time upfront deciding exactly what you want to do for your audiences, and follow up with them to see whether you've been successful.

Reporting is here to stay. As the complexity of the reporting landscape intensifies, adopting a more audience-led approach can make sure we're getting more out of reporting, focusing our attention on creating impact beyond reporting itself. This is crucial if sustainability reporting is to be a driving force for the change that is needed to protect people and planet, in addition to being a successful communications strategy for business.





## EXPERIENCE: ACCESSIBILITY

Accessibility relates to the availability of sustainability information, its suitability for different audiences and how easily the content can be found. Increasingly, sustainability content is made available across several communication channels, including online and via integrated reporting.

### Key recommendations

- Ensure sustainability content is readily accessible from the homepage of your organization's website;
- Provide sustainability content across multiple formats such as video, interactive online content, topic-specific PDFs and online case studies to suit different stakeholder groups; and
- If applicable, ensure the GRI Content Index and other relevant reporting indices are easily accessible in the report or provide clear links to where they are published online. Reporting indices should use direct links so that related information easy to find.

### Methodology notes

- For the 2020 review cycle, we broadened our expectations beyond the ease of finding relevant content indices from GRI-only to include other relevant frameworks in line with reporting trends.

### Good practice

#### CLP Group

CLP features a direct link to a landing page for its **2020 Sustainability Report** from the dropdown "Sustainability" menu on the corporate homepage. It makes the report available in online and PDF formats and in the form of a summary review. CLP provides direct links to supplementary documents such as the independent assurance report, GRI Content Index and ESG Ratings. These are easy to find on the same landing page. The **online version** of the report is interactive, well organized and creative, serving a range of audience needs.



### RY's work

#### The Battle for Annual Reporting

For some, reporting should focus resolutely on communicating transparent information to investors and analysts, playing a part in maintaining the efficient functioning of markets. For others, it offers an invaluable opportunity to tell a company's story and bring together a year's worth of progress in one place.

Who has it right? What should reporting look like? Who is it for? And who should lead in its delivery? Our project partners at RY spoke to 1,000 informed citizens and business leaders to get answers to these questions – and find out exactly how and why audiences use reporting in practice.

Download RY's full report at <https://ry.com>



# EXPERIENCE: CONSISTENT MESSAGING



Having a compelling, credible and consistent theme and messaging across sustainability communications brings content to life. It helps to ensure sustainability information is connected, relevant and reflective of the organization's unique personality.

## Key recommendations

- Develop a clear, inspiring and company-specific theme to shape the narrative of the report;
- Frame content to support and reaffirm this overarching message throughout the report;
- Showcase relevant, compelling and meaningful case studies, design features or introductory sections to support the message and narrative throughout the report; and
- Avoid specialist or technical language (or provide explanations or definitions when used). Use an engaging, interesting and readable tone of voice.

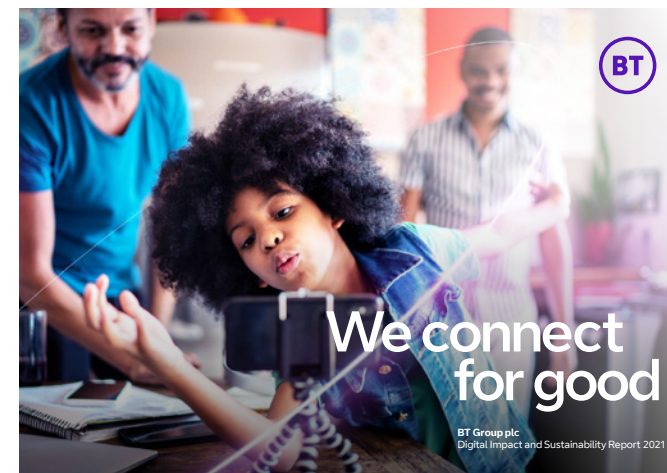
## Methodology notes

- We place strong emphasis on finding ways to weave messaging and narrative that ties to an overarching theme throughout different design elements and sections of the report.

## Good practice

### BT

BT presents its “We connect for good” theme on the cover of its **Digital Impact and Sustainability Report 2021**. This theme is directly tied to its activities in the telecommunications sector. BT explains the meaning behind the theme on the inside front cover. It echoes the connection motif in its leadership message and uses it to frame the pillars of the sustainability strategy and report sections on divider pages. The engaging tone of voice used throughout the report is suitable for a range of audiences and is complemented by links to more technical information in an appendix.



## RY's work

### Words that Work: effective language in sustainability communications

Although everyone seems to be talking more about sustainability, a lot of it has remained ineffective and unconvincing. RY's new report **Words that Work: effective language in sustainability communications**, a sequel to *How to design sustainability that sells*, diagnoses what is wrong with how sustainability is written, explores the origins of the problem, and provides practical principles for bettering sustainability writing.

Download RY's full report at <https://ry.com>



# EXPERIENCE: NAVIGATION & FLOW



The flow of a report and ability to jump between sections can make a huge impact on the user experience. It is important for the text to unfold in a logical order and for different users to be able to find relevant information quickly and easily. Signposting and cross-referencing help to link content and navigation tools enable the reader to jump quickly to required information.

## Key recommendations

- Develop a clear line of sight throughout the report by using consistent templates, design features and content groupings in each section;
- Group content appropriately and explain this grouping to ensure the report unfolds in a logical and intuitive way; and
- Include navigation tools and internal and external links so that additional information is easy to find.

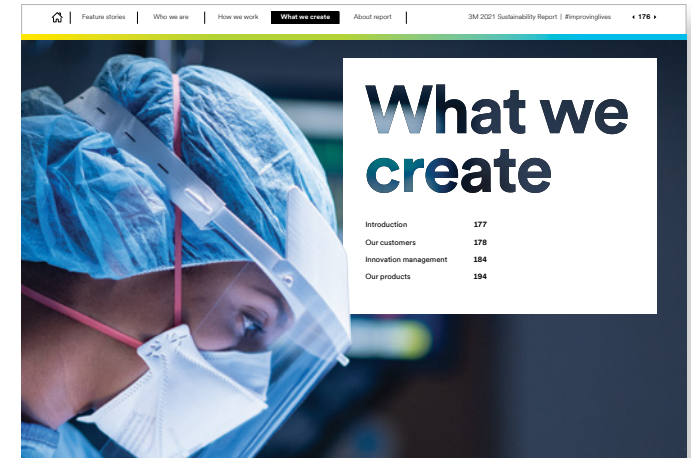
## Methodology notes

- We look for clear and consistent content groupings and navigation features.

## Good practice

### 3M

3M features an interactive “Contents” page at the start of its **2021 Sustainability Report** that provides a clear line of sight to the various sections and sub-sections in the report. An interactive navigation bar at the top of each page links back to the “Contents” page and each report section, enabling convenient access to content. 3M starts each section with a divider page that has interactive links to sub-sections. To improve digestibility and user experience for its varying audiences, 3M includes case studies in the “Feature stories” section and technical information such as reporting indices, an assurance statement and metric tables in the “About report” section.



## Good practice

### Shell

Shell allows users to filter its online **Sustainability Report 2020** content by topic or by SDG on the landing page of the report microsite. It leads users to key content through feature boxes and provides direct links to an interactive chart tool, download center and GRI Index at the bottom of the landing page. Shell features a dedicated sustainability report search function and a dropdown menu that guides readers to other reports in its reporting suite. It provides an interactive navigation bar across the top for easy navigation to different levels of content, back and next buttons to facilitate linear reading of report content, yearly data comparisons and a breadcrumb trail on each page to help users understand where they are in the report.



## EXPERIENCE: COMPELLING DESIGN

Great design serves two primary functions: bringing content to life in an engaging way and crafting an excellent user experience by ensuring information can be understood quickly and easily. Infographics help to simplify complex content; typography can emphasize key points and illustrations and photographs bring the content to life.

### Key recommendations

- Develop a clear design concept that shapes the look and feel of the report;
- Use design elements such as color, typography, graphics, illustrations, diagrams and white space to enhance the content of your report;
- Ensure design elements help amplify content, theme and key messaging;
- Avoid stock, low quality and cliché imagery; and
- Develop a look and feel for the report that reflects corporate branding and the concepts being discussed.

### Methodology notes

- For the 2021 review cycle, we have changed some points of emphasis. Members are expected to use report design to amplify the theme and key messages. If the report does not have a clear theme, members will be unable to score a "4" for this indicator.

### Good practice

#### CRH

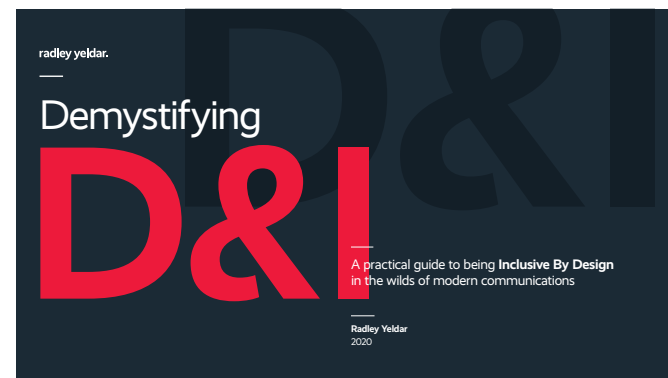
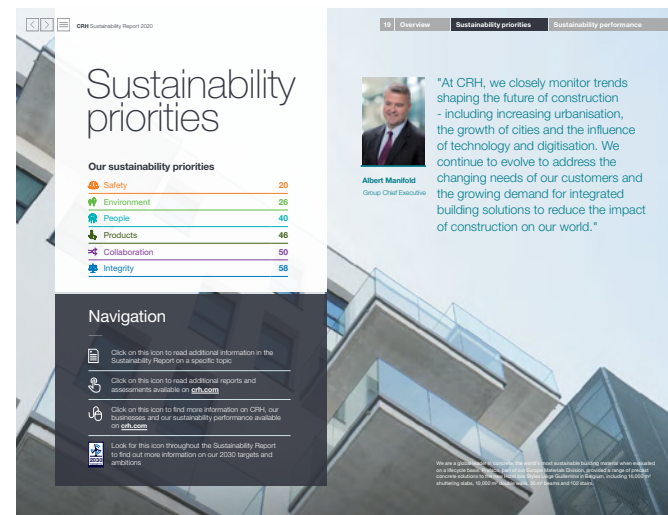
CRH features a clear creative concept that is consistently applied throughout its **Sustainability Report 2020**. It incorporates a variety of design elements to substantially reduce text while still providing a high quality, comprehensive report by emphasizing key content such as progress against targets and perspectives from internal and external stakeholders. CRH uses design to guide and enhance the user experience through color-coded report sections, section divider pages with interactive links and feature boxes that direct users to online content and other sections of the PDF. Company-specific imagery is captioned to explain the importance of the images and highlight the first-class track record CRH has within its sector.

### RY's work

#### Demystifying D&I

Diversity and inclusion (D&I) is about far more than just good intentions. Done well, it can boost loyalty and drive reputation. Attract talent. Foster innovation. Inspire. Persuade. Increase the bottom line. But there's a problem: rapidly increasing complexity. Communicators, employee engagement leaders, designers and reporters have to navigate a web of issues, nuances and causes. At a time when a simple misstep can crush a reputation or crash a share price, the pressure is on to keep up with an ever-shifting landscape. Our project partners at RY spoke to D&I and corporate communications experts from a range of sectors and backgrounds to bring together the latest thinking and exclusive new guidance on better D&I design and communications.

Download RY's full report at <https://ry.com>



# Appendix



## In this section

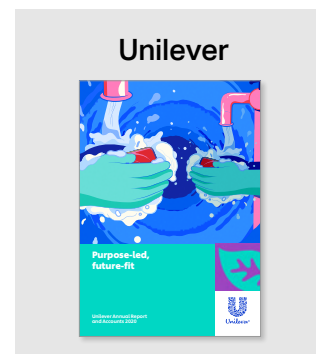
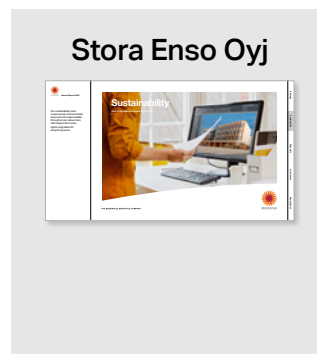
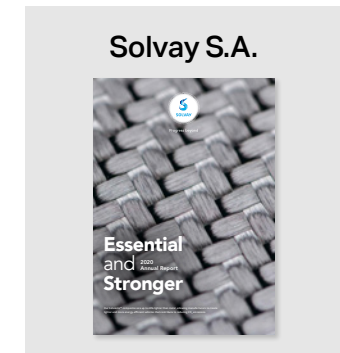
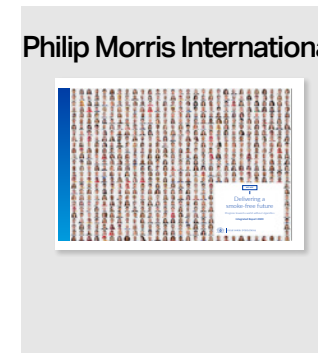
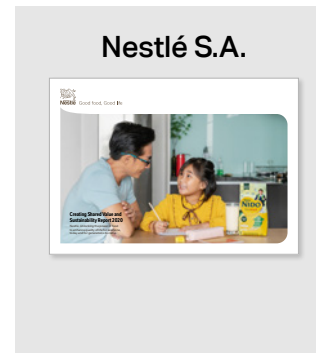
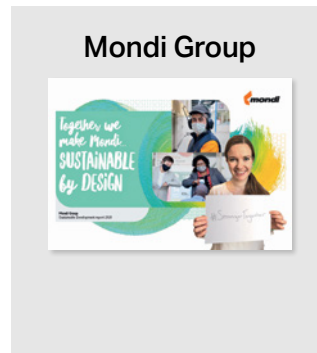
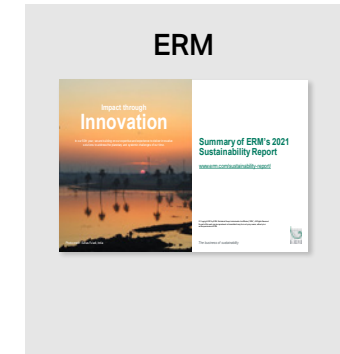
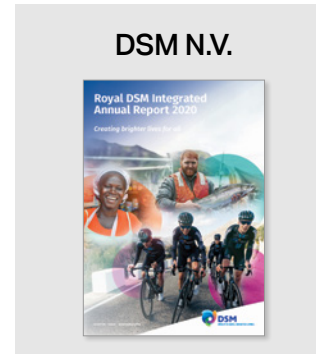
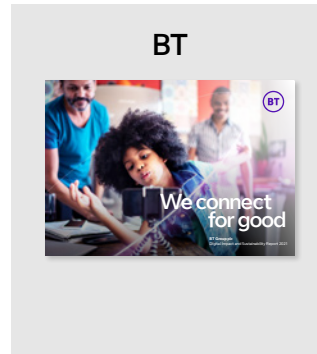
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## OUR ACTIVITIES IN 2021



# TOP PERFORMERS

The following companies listed in alphabetical order represent the top ten *Overall* scores this year.



## LIST OF REPORTS REVIEWED

You can find more complete information including report titles, supersector and region classification of each report on our [detailed project recap](#) shared with member companies.

3M	Biogen	Compass Group	En+ Group IPJSC
ABB Ltd.	Birla Cellulose	Continental AG	Enel
Abbott Laboratories	Bloomberg LP	Cooper Tire & Rubber Company	ENEOS Holdings, Inc.
Accenture Plc	BMW AG	Corteva Agriscience	ENGIE S.A.
Acciona S.A.	BNP Paribas	Covestro	Eni S.p.A
Acer Inc.	Borealis AG	CRH plc	Environmental Resources Management Limited (ERM)
Anheuser-Busch (ABInBev)	Boston Consulting Group (BCG)	Daimler AG	Enviva Management Company LLC
Apple Inc.	BP International	Danone Group	Equinor
APRIL	Bridgestone Corporation	DBS Bank	Ernst & Young (Netherlands)
Aptar Group Inc.	Brisa Auto-Estradas de Portugal S.A.	Deloitte	Evonik Industries AG
Arcadis	BT	Dentsu Inc	F. Hoffmann-La Roche AG
Arcelik	Buhler AG	DNV	Galp Energia, SGPS, S.A.
ArcelorMittal S.A.	Bunge Limited	Dow Inc.	Givaudan International SA
Archer Daniels Midland Company (ADM)	Canon Inc.	Drax Group plc.	GlaxoSmithKline (GSK)
Arkema	Cargill Incorporated	DSM N.V.	Godrej Consumer Products
Ayala Corporation	Charoen Pokphand Group (C.P. Group)	Dunea N.V.	Greif Inc.
Bain & Company Inc.	Chevron Corporation	DuPont de Nemours, Inc.	Griffith Foods
Baker & McKenzie	China Petrochemical & Chemical Corporation (Sinopec)	Eaton Corporation	Grupo Argos
Barry Callebaut	Clariant International Ltd.	EDF Group	Guidehouse
BASF SE	CLP Group	EDP – Energias de Portugal S.A.	Hancock Natural Resource Group
Bayer A.G.	COFCO	Empresas CMPC S.A.	Hankook Tire & Technology Co., Ltd.



Henkel AG & Co. KGaA	Michelin	Royal Philips N.V.	Swiss Re
Holcim	Mondi Group	S&P Global	Symrise AG
Honda Motor Co. Ltd.	National Grid Plc	Sabancı Holding	Syngenta International AG
Iberdrola SA	Natura & Co.	Saint-Gobain	Tata Motors
IBM	Neste Oyj	Santander Group	The Goodyear Tire & Rubber Company
IFF	Nestlé SA	SAP SE	The Navigator Company
Infineum	New Forests Pty Ltd	Saudi Basic Industries Corp. (SABIC)	The Procter & Gamble Company
Ingka Group	Norsk Hydro ASA	SCG	TOMRA Sorting N.V
Inter IKEA Group	Novartis	Schneider Electric	Total Energies
International Paper Company	Nutrien	Shell	Trane Technologies
Jardine Matheson	OCP group	Sika Group	Unilever
Kering	Olam International Ltd.	Skanska Ab	Vale International S.A.
KONE Oyj	PepsiCo Inc.	Smurfit Kappa Group	Veolia
KPMG (Netherlands)	Petroliam Nasional Berhad (PETRONAS)	Solvay S.A.	Verizon
Lanxess AG	Philip Morris International	Sonae SGPS SA	Viterra
LeasePlan Corporation	Pirelli & C. S.p.A.	South Pole	Volkswagen AG
LG Chem	PTT Global Chemical Public Company Limited	Stora Enso Oyj	Walmart Inc.
Louis Dreyfus Company	PTT Public Company Limited	Suez	Weyerhaeuser Company
Majid Al Futtaim Holding LLC	PwC (UK)	Sumitomo Chemical Co., Ltd.	Whirlpool
Maple Leaf	Rabobank Group	Sumitomo Forestry Co., Ltd.	Yara International ASA
McKinsey & Company Inc.	Reckitt Benckiser	Sweco Sweden AB	Yokogawa Electric Corporation

# RESOURCES

We hope these resources provide interesting opportunities for further research into the different concepts of sustainability reporting.

## Reporting landscape

- Accountancy Europe. **Interconnected Standard Setting for Corporate Reporting**. 2019.
- CDSB. **CDSB Framework 2.2**. 2019.
- De Cambourg, Patrick. **Ensuring the relevance and reliability of non-financial corporate implementation**. 2019.
- GRI. **GRI Standards**. 2021.
- IIRC. **International <IR> Framework**. 2013.
- International Organization for Standardization (ISO). **ISO 26000:2010**. 2010.
- OECD. **OECD Guidelines for Multinational Enterprises**. 2011.
- SASB. **SASB Conceptual Framework**. 2017.
- CDP, CDSB, GRI, IIRC and SASB. **Statement of Intent to Work Together Towards Comprehensive Corporate Reporting**. 2020.
- TCFD. **Final Report: Recommendations of the TCFD**. 2017.
- TCFD. **2020 Status Report**. 2020.
- **The Reporting Exchange**.
- UNGC. **The Ten Principles**.
- UN Guiding Principles on Human Rights (UNGP). **UN Guiding Principles Reporting Framework with Guidance**. 2017.
- WEF. **Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation**. 2020.
- WBCSD **Shaping Sustainable Finance Policy project**.

## Sustainable Development Goals (SDGs)

- GRI, UNGC and WBCSD. **SDG Compass**. 2015.
- GRI, UNGC. **Integrating the SDGs Into Corporate Reporting: A Practical Guide**. 2018.
- GRI, UNPRI, UNGC. **In Focus: Addressing Investor Needs in Business Reporting on the SDGs**. 2019.
- IIRC. **Aligning the SDGs with corporate strategy for value creation**. 2017.
- WBCSD. **Business and the SDGs: A survey of members and Global Network partners**. 2018.
- WBCSD. **CEO Guide to the SDGs**. 2017.
- WBCSD. **SDG Sector Roadmap Guidelines**. 2018.
- **WBCSD SDG Business Hub**.

## Materiality

- RY. **Materiality: it's time for a new mindset**. 2020.
- WBCSD. **ESG Disclosure Handbook**. 2019.
- WBCSD. **The reality of materiality: Insights from real-world applications of ESG materiality assessments**. 2021.

## External environment

- WEF. **The Global Risks Report 2021**. 2021.
- WBCSD. **Sustainability and enterprise risk management: The first steps toward integration**. 2017.
- WBCSD. **Vision 2050 Time to Transform: How business can lead the transformations the world needs**. 2021.
- WBCSD and COSO. **Applying Enterprise Risk Management to Environmental, Social and Governance-related Risks**. 2018.
- **WBCSD Enterprise Risk Management focus area**.

## External assurance

- Accountancy Europe and WBCSD. **Responding to assurance needs on non-financial information**. 2018.
- WBCSD. **Assurance: Generating value from external assurance of sustainability reporting**. 2016.
- WBCSD. **Enhancing the credibility of non-financial information: the investor perspective**. 2018.
- WBCSD. **Guidance on improving the quality of ESG information for decision-making**. 2019.
- WBCSD and ICAEW. **A buyer's guide to assurance on non-financial information**. 2019.
- **WBCSD Assurance & Internal Controls focus area**.

## Sustainability governance

- WBCSD. **The state of corporate governance in the era of sustainability risks and opportunities**. 2019.
- WBCSD. **Insights from the Reporting Exchange: Corporate governance and harmonization**. 2018.
- WBCSD and DNV. **Boards and their stakeholders: The state of play**. 2021.
- **WBCSD Board director resources microsite**.
- **WBCSD Governance & Internal Oversight focus area**.

## Targets & commitments

- **Science Based Targets initiative**.
- RY. **Sustainability goal setting beyond 2020: How to get it right**. 2018.
- **WBCSD SOS 1.5 project**.
- **WBCSD Nature Action project**.

## Experience criteria

- RY. **How to design sustainability that sells: A new visual language for sustainability**. 2018.
- RY. **Demystifying D&I**. 2020.
- RY. **Battle for Annual Reporting**. 2020.
- RY. **Words that Work**. 2021.

# ACRONYMS

<b>&lt;IR&gt;</b>	International Integrated Reporting Framework
<b>CDSB</b>	Climate Disclosure Standards Board
<b>COSO</b>	Committee of Sponsoring Organizations of the Treadway Commission
<b>D&amp;I</b>	Diversity and inclusion
<b>EER</b>	Extended External Reporting
<b>ERM</b>	Enterprise risk management
<b>ESG</b>	Environmental, social and governance
<b>FSB</b>	Financial Stability Board
<b>GHG</b>	Greenhouse gas
<b>GRI</b>	Global Reporting Initiative
<b>IAASB</b>	International Auditing and Assurance Standards Board
<b>IASB</b>	International Accounting Standards Board
<b>IBC</b>	WEF International Business Council metrics
<b>ICAEW</b>	Institute of Chartered Accountants in England and Wales
<b>IFRS</b>	International Financial Reporting Standards Foundation
<b>IIRC</b>	International Integrated Reporting Council
<b>ISAE</b>	International Standard on Assurance Engagements
<b>ISO</b>	International Organization for Standardization

<b>ISSB</b>	International Sustainability Standards Board
<b>IUCN</b>	International Union for Conservation of Nature
<b>KPI</b>	Key performance indicator
<b>NGO</b>	Non-governmental organization
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>RY</b>	Radley Yeldar
<b>SASB</b>	Sustainability Accounting Standards Board
<b>SBTi</b>	Science Based Targets initiative
<b>SDA</b>	Sectoral decarbonization approach
<b>SDGs</b>	Sustainable Development Goals
<b>SMART</b>	Specific, measurable, achievable, realistic and time-bound
<b>TCFD</b>	Task Force on Climate-related Financial Disclosures
<b>UNGC</b>	UN Global Compact
<b>UNGP</b>	UN Guiding Principles on Business and Human Rights
<b>VRF</b>	Value Reporting Foundation (SASB-IIRC)
<b>WBCSD</b>	World Business Council for Sustainable Development
<b>WEF</b>	World Economic Forum

# GLOSSARY

## Areas of public concern

Areas of negative press coverage or topics representing a reputational risk to the company based on their region, sector or activities.

## Assurance

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

## External assurance

Assurance performed by a person from an organization independent of the company.

## Limited assurance

A level of assurance that provides the user of the report with a lower level of comfort (compared to reasonable assurance) that the subject matter is not materially misstated.

## Reasonable assurance

A level of assurance that provides the user of the report with as high a degree of comfort as is possible for an assurance provider to provide that the subject matter is not materially misstated, in line with financial auditing standards.

## Case study

In the context of a sustainability report, 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.

## 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.

## Design concept

A core idea that drives both the design and content of the report.

## Enterprise risk management (ERM)

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.

## External environment

Trends within the wider social, environmental, regulatory or economic context that might affect future strategy or performance.

## Megatrends

Social, environmental and economic trends that go beyond specific industries. Examples might include climate change, demographic change, shift in economics and politics, technological shifts, trust in globalization, consumption and values, water scarcity, land use change, urbanization, etc.

## Industry-specific trends

Trends that are common within a specific industry. Examples might include customer requirements and preferences, issues affecting supply and demand, etc.

## Regulatory trends

Trends that are related to local, national or regional shifts in the regulatory context. Examples might be general such as nutrition or package labeling, reporting requirements, workplace safety or well-being, human rights, etc. or tied to specific legislation such as REACh, EU ETS, ROHs, US Dodd-Frank Conflict Minerals, UK Modern Slavery Act, EU Non-Financial Reporting Directive, Indian Companies Act 2013 revisions, etc.

## Formal engagement mechanisms

Engagement mechanisms with stakeholders that go beyond the normal execution of standard functional operations within an organization. Examples include external expert panels, stakeholder forums or working groups, etc.

## GRI Standards

Launched in October 2016, these replaced the G4 Guidelines and are the first global standards for sustainability reporting featuring a modular, interrelated structure. They continue to use the two "in accordance" levels ("core" and "comprehensive") introduced in the G4 Guidelines and are the only acceptable form of GRI reports as of July 2018.

## In accordance options

*Core:* For each identified material topic, the organization reports the management approach disclosures for that topic and at least one topic-specific disclosure.

*Comprehensive:* For each identified material topic, the organization discloses the management approach disclosures and all topic-specific disclosures related to the material topic.

## Historical context

A description of how and why various initiatives came about and why they are important. This does not always mean specific dates – it can be narrative and based on factors that led to different programs or activities.

## Impacts

### Direct

Impacts arising from or at sources that are owned or controlled by the reporting entity.

### Indirect

Impacts that are the consequence of the activities of the reporting entity but that arise from or at sources owned or controlled by another entity, e.g. further along in the supply chain or downstream in the value chain.

## Integrated report

A concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to value creation in the short, medium and long term. An integrated report is prepared in accordance with the IIRC's International Integrated Reporting <IR> Framework.

## Internal audit

The system of policies and procedures implemented by an organization to ensure its operations run effectively and that it complies with the law and all relevant regulations.

## International Integrated Reporting (<IR>) Framework

A framework developed by the International Integrated Reporting Council (IIRC) that applies principles and concepts focused on bringing greater cohesion and efficiency to the reporting process and adopting "integrated thinking" as a way of breaking down internal silos and reducing duplication.

## Key performance indicator (KPI)

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.

Examples of indicator types include:

- *Input indicators*: e.g. resources or people characteristics
- *Output indicators*: e.g. quantities and efficiency
- *Process indicators*: e.g. errors, non-compliances, audits
- *Outcome indicators*: e.g. behavior change or program outcomes
- *Context indicators*: e.g. relating to ecological boundaries/limits.

## Line of sight

A description of the consistency and clarity of content presentation throughout the report. A clear line of sight should make a report easy to read and tie detailed content to the wider report narrative.

## Materiality assessment

Different frameworks and jurisdictions have different interpretations of this concept. For our purposes, we look for an explanation of how an organization uses internal and external stakeholder input to determine key issues to address in their report.

## Planetary boundaries

In 2009, 28 internationally renowned researchers identified and quantified a set of nine planetary boundaries within which humanity can continue to develop and feel good in the future. If we cross these limits, abrupt or irreversible environmental changes can occur with serious consequences for humankind.

## Scope and boundaries

### Scope

The range of material topics and reporting period covered by the report.

### Boundary

The range of entities (e.g. subsidiaries, joint ventures, subcontracted operations, etc.) whose performance is represented in the report. In setting the boundary for the 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").

## Targets

Forward-looking, publicly disclosed goals, objectives or aspirations that an organization has committed to.

## Context-based targets

A target framed in the wider social or environmental context. These are most commonly attributed with science-based climate change targets aligned with the Paris Agreement. Other examples could include water targets based on local watersheds or biodiversity targets based on the International Union for Conservation of Nature (IUCN) red zones.

## Operational targets

A target focused on incremental gains that an organization can achieve by working a little harder or a little smarter. These are typically year-on-year or medium-term targets.

## SMART targets

Specific, measurable, achievable, relevant and time-bound targets.

## Stretch targets (long term)

A target that an organization cannot achieve simply by working a little harder or a little smarter. To achieve a stretch target, people must invent new strategies, new incentives or entirely new ways of achieving their purpose.

## Tone of voice

The communication style of the organization, i.e. formal or casual.

## Value chain

The processes or activities carried out by a company that create value, e.g. production, input efficiencies, marketing, sales.

## Upstream

Involves the early stages in the operations of a business or industry. It involves searching for and extracting raw materials. For example, sourcing raw materials characterizes the upstream process.

## Processing

Involves processing the materials collected during the upstream stage into a finished or semi-finished product.

## Downstream

Involves the sale and distribution of products made in the operations process of finished or semi-finished goods.

## Wireframe

Also known as page schematics, is a skeletal framework for a report page or website. The wireframe should be consistent for similar pages in the report.

# ACKNOWLEDGMENTS

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We would like to thank RepRisk, a Swiss-based data science company that serves clients worldwide helping them identify and monitor ESG and business conduct risks in their day-to-day business relationships, investments, and operations. They provided us complimentary access to their RepRisk ESG Risk Platform to help us more consistently flag issues of public concern for our members.

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## ABOUT THE RESEARCH PARTNERS

### This project is a collaboration between WBCSD and Radley Yeldar

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

WBCSD is the premier global, CEO-led community of over 200 of the world's leading sustainable businesses working collectively to accelerate the system transformations needed for a net zero, nature positive, and more equitable future.

We do this by engaging executives and sustainability leaders from business and elsewhere to share practical insights on the obstacles and opportunities we currently face in tackling the integrated climate, nature and inequality sustainability challenge; by co-developing "how-to" CEO-guides from these insights; by providing science-based target guidance including standards and protocols; and by developing tools and platforms to help leading businesses in sustainability drive integrated actions to tackle climate, nature and inequality challenges across sectors and geographical regions.

Our member companies come from all business sectors and all major economies, representing a combined revenue of more than USD \$8.5 trillion and 19 million employees. Our global network of almost 70 national business councils gives our members unparalleled reach across the globe. Since 1995, WBCSD has been uniquely positioned to work with member companies along and across value chains to deliver impactful business solutions to the most challenging sustainability issues.

Together, we are the leading voice of business for sustainability, united by our vision of a world where 9+ billion people are living well, within planetary boundaries, by mid-century.

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We're an independent creative consultancy working to create a world that believes in business. For over 30 years, our team of 200 experts has worked with multinationals, start-ups and public bodies to solve complex challenges through a unique blend of technical expertise, compelling communications and standout creative. As an integrated communications agency with leading sustainability expertise, we combine inspiration with evidence to create belief among all audiences. We help our clients define their strategy, bring it to life and report credibly.

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ISBN: 978-2-940521-80-7

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