Reporting matters

Six years on: the state of play

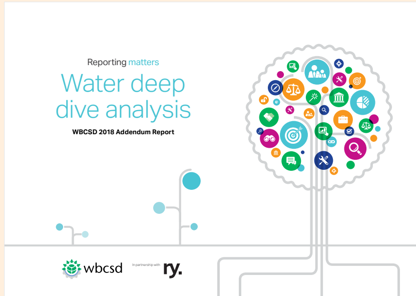
WBCSD 2018 Report

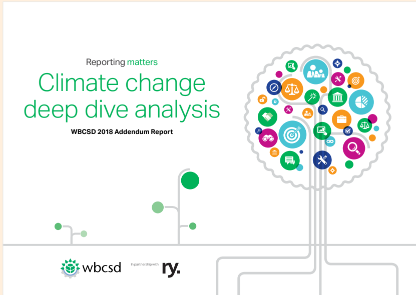
wbcsd

In partnership with ry.

Contents

Six years on: the state of play





Sustainability reporting has come a long way since we started *Reporting matters*. During this time, we've seen companies take a more balanced approach to reporting and the evolution of reporting formats to better connect with audiences beyond traditional reporting stakeholders.

Our main report continues to focus on our evaluation framework, good practice examples and interviews with members. This year, we go deeper and look in detail at the underlying processes and impact of reporters' activities on three key issues – climate change, water and human rights – through a series of deep dive reports.

These deep dives focus on the evolving regulatory and reporting context and explore the underlying processes companies are adopting to address these three key issues, backed up by member case studies which show the links between reporting performance and impact.

Introduction

Welcome to our sixth report

Corporate reporting is meant to demonstrate a company's performance and to explain the processes and activities in place to address material issues and create value over time.

Peter Bakker

Five years ago, we created *Reporting matters* in partnership with Radley Yeldar to help companies succeed on both fronts. Every year since then, we've analyzed sustainability reports from our member companies against a set of comprehensive indicators and offered customized feedback about areas for improvement.

As reporting expectations and practices continue to evolve at pace, this year's *Reporting matters* has adapted to include new elements in the analysis.

Since the launch of the Sustainable Development Goals (SDGs) in 2015, companies have started to use the Goals as a strategic framework. This year, we included an SDG score on the scoring dashboard and expanded the SDG section of the report.

This is only the beginning.

We are seeing many businesses go beyond disclosure in the areas of climate change, human rights and water. Many are taking action with an eye on having a global impact.

With respect to climate change, nearly 750 companies have made over 1,000 commitments to reduce emissions in line with the Paris Agreement under the We Mean Business Take Action initiative. Though specifically focused on climate, these companies illustrate a worldwide step-change that has followed the Paris Agreement and the SDGs – a trend that's sure to continue.

Beyond climate, we've also seen companies increase their focus on issues with regional, value chain and social impacts, such as human rights and water. This is likely driven by local regulatory changes and an evolving understanding of how to measure and value natural, social and human capital.

For this reason, we've taken a deeper dive into corporate reporting on these key issues through three topic-specific deep dives. Each analyzes the regulatory landscape using Reporting Exchange data, examines how members report on these topics and discusses how it's affected their decision-making processes through member interviews.

These deep dive reports mark the next steps in our *Reporting matters* journey as we move beyond assessing disclosure to understanding how it links to improved business decision-making and tangible positive impact.

We look forward to continuing this journey with all of you.

Peter Bakker
President and CEO,
WBCSD

Foreword

Looking back, it is clear that times have changed. Successful organizations today must actively measure, value and manage a wider range of drivers to create long-term sustainable value.

Sunny Verghese

Over the last 45 years, longitudinal study by Ocean Tomo LLC has shown the market value of S&P 500 companies is determined less by the value of their tangible assets, and more by the value of their intangible assets. Between 1975 and 2015, the percentage of market value for S&P 500 companies explained by their tangible assets actually dropped from 83% to 16%.

It's become increasingly clear that, to create value over the long-term, organizations need to actively manage a set of drivers that extend far beyond Financial and Economic Capital to include Intellectual, Intangible, Human, Social and Natural Capital. However, even though they drive a significant portion of today's market value, these non-financial Capitals are not universally assessed in current reporting frameworks for various reasons:

- There remains a disconnect between accounting profit and shareholder returns. Accounting profit is quick to recognize short-term changes in revenues and costs, but it does not account for the value likely to be derived from investments in strategic assets that drive value in the long term.
- We often measure and report what is easy, rather than what is right.
- Many companies fail to address idiosyncratic Environmental, Social and Governance (ESG) tail risks which, if materialized, diminish future cash flows and increase the riskiness of these cash flows, attracting a higher cost of capital.
- The timelines mismatch by co-mingling operating cost with different forms of long-term capital investments in strategic assets. This confuses the understanding of how well an organization is investing to maintain or enhance its long-term competitive advantage.

To be successful in the long term, companies need to be able to understand and effectively disclose information on the key strategic assets that they are building, and resulting corporate performance. This helps investors and market-participants make informed decisions about where to allocate capital and gives customers and employees access to critical information on the issues that are important to them. It is why we at Olam have begun to value a broader set of drivers and measure the various forms of capital that drive long-term value for the company; putting sustainability at the heart of our business and helping us build long-term value.

WBCSD's pioneering Redefining Value program is creating coherence and simplicity to help CEOs address these big challenges. It tackles the themes of measuring and valuing ESG information, risk, governance and performance management internally, and how to effectively audit and disclose relevant information externally. This work, crystallized by the *Reporting matters* project in partnership with Radley Yeldar is helping business understand how to truly measure and transparently disclose performance in the context of new and emerging sustainability risks and opportunities beyond technical disclosure.

As the Chair of WBCSD and the CEO of Olam – where we have embarked on this journey of redefining value – I fully support and encourage you to explore and engage with this work.

Sunny Verghese
Chair, WBCSD
Co-Founder and Group CEO, Olam International Ltd

Top tips for reporting teams

1. ## Understand the landscape

Research the external environment to understand risks and opportunities for your organization. Use tools such as the Reporting Exchange to learn about reporting requirements and resources for your industry and geography.

2. ## Get your house in order

Develop clear reporting lines and oversight structures for addressing and managing ESG issues internally. Build up internal controls for data collection and explore external assurance to enhance reliability.

3. ## Understand your audience

Identify your audiences and consider how to make content relevant for them through engaging narrative and design, a variety of formats and communication channels, and intuitive navigation features.

4. ## Define what's important

Undertake and disclose a clear materiality assessment that considers internal and external stakeholders as well as how your business contributes (positively or negatively) to sustainability issues. Align reporting contents and strategy with the outcomes.

5. ## Look to the future

Consider context-based targets and scenario analysis to communicate your organization's meaningful contributions to the wider sustainability agenda.

6. ## Find your balance

Don't shy away from addressing areas of public concern, weak performance and how your organization is addressing these issues. Include balanced external commentary on your organization's performance.

2018 key findings

1 Reporting is improving

82% of member companies in our benchmark have improved their **Overall** scores since baseline year 2014; **37**% have improved their **Materiality** score in this timespan.

2 The state of SDG reporting

89% of reports reviewed acknowledge the SDGs in some way; **53%** map their sustainability strategy to relevant SDGs and provide some evidence of activities.

3 The state of integrated reporting

33% of reports reviewed combine financial and non-financial information, up from 22% in 2014; **18%** are self-declared integrated reports.

4 The state of GRI reporting

83% of reports reviewed reference the Global Reporting Initiative (GRI); **54%** have already transitioned to the GRI Standards launched in October 2016.

5 Governance is strengthening

39% of the 115 companies in our sample with ESG data on Bloomberg Terminals have links between sustainability performance and executive remuneration.

6 The future is digital

Only 20% of reports reviewed provide a digital-first experience; but **53%** of member companies include the bulk of their report content online to complement their PDF report.

The role of disclosure in sustainable capital allocation

Robust and reliable corporate reporting is critical from an investor perspective. We sat down with Curtis Ravenel, Global Head of Sustainable Business & Finance at Bloomberg LP to discuss what investors are looking for, current limitations in reporting and how the TCFD addresses some of these gaps for reporting on climate change.

> Explaining the company's ability to adapt to new risks and opportunities that may not be present at this time can help investors in making capital allocation decisions.

How do investors use external disclosures to make decisions? What information is important to them?

Good information is the lifeblood of good investing – and investors use quantitative and qualitative company-reported information to make informed investment decisions. Context is key. Clear, consistent, decision-useful disclosure helps investors understand the risks that individual companies are facing, the processes and people they have in place to manage those risks, and the opportunities that a company is looking to capitalize on. Explaining the company's flexibility and/or resilience to adapt to new risks and opportunities that may not be present at this time can also help investors in making capital allocation decisions.

Why is disclosing on climate-related risks and other ESG information important?

Providing a wider range of information on materially important issues helps reduce "unknowns" and drive more informed capital allocation decisions as ESG risks and opportunities become better understood and increasingly important. Although ESG information was not historically considered financial information, recent research provides compelling evidence that climate change, the environment, social issues and governance can all have financial implications for companies across sectors and regions. By disclosing climate – and ESG-related information, companies can demonstrate to investors that they are – as Mike Bloomberg is fond of saying – "managing what they measure."

What are some of the current limitations to reporting on these topics?

Key limitations include a lack of comparability between companies, the need for more context-based reporting over time so that the implications of metrics and targets can be better understood and scenario analysis for climate-related reporting. These aspects of reporting are generally forward-looking and can help demonstrate how a company is positioned to respond to the landscape of ESG challenges and changing investor expectations.

For example, companies may be unsure of how to track and report on qualitative information and they may change this process over time. Some companies may choose to report on corporate responsibility activities that address ESG issues – such as planting trees as a philanthropic activity – rather than how ESG issues might affect their business planning and strategy. Companies might also focus on a short-term horizon for material risks and opportunities, looking past issues such as a transition to a low-carbon economy. In this situation, the transition may not impact the company in the next three years; however by the time the issue is material in the short-term, it will be too late for both the company and investors to adequately address the risks or act on the opportunities[1].

How does the TCFD help fill this gap?

The FSB Task Force on Climate-related Financial Disclosures (TCFD) developed recommendations for companies to communicate how climate issues are managed through scenario analysis with a sector-specific approach and the robustness expected in mainstream financial filings. While the TCFD specifically addresses climate change, the framework could be easily adapted to other emerging ESG issues. This helps companies report information that is clear, comparable and decision-useful for investors.

Specifically, scenario analysis asks companies to report on how resilient their business strategy is to a range of plausible climate scenarios. It helps contextualize a company's forward-looking strategy to address risks and opportunities around climate change, both those that are known today and possible future outcomes. Many frameworks focus on how a company affects the environment, which is useful information but does not always address the biggest risks to investors. By focusing on how the climate might impact a company's financial performance, the TCFD provides a framework for companies to better communicate with their investors on climate-related financial risks and opportunities.

[1] Breaking the Tragedy of the Horizon, Mark Carney, 2015. https://www.youtube.com/watch?v=V5c-eqNxeSQ

Background and general findings

In this section

Background and general findings

Why does reporting matter?

The 2018 edition of *Reporting matters* demonstrates that companies are embracing reporting to show their value to stakeholders.

It's one year since the launch of the Reporting Exchange, *the* global resource for corporate sustainability reporting, developed by WBCSD in collaboration with the Climate Disclosure Standards Board (CDSB) and Ecodesk. We have gained valuable insights on reporting developments from the database and we continue to help business and investors navigate the often confusing world of corporate reporting through our series of reports and case studies.

Recent trends

Last year's *Reporting matters* highlighted a 10-fold increase in ESG reporting requirements since the Rio Earth Summit in 1992. This increase has created what some consider a confusing and fragmented landscape for businesses and investors, making the case for alignment and harmonization of mandatory reporting requirements and voluntary reporting frameworks.

That said, we are seeing progress – particularly towards mainstreaming ESG disclosure. One quarter of all reporting requirements introduced between 2013 and 2017 ask companies to disclose non-financial performance in their annual report.

This is significant for two reasons:

1. It brings ESG information to the attention of investor audiences; and
2. It drives integration of sustainability within the company's strategy, management, risk and internal control processes.

There have been two significant developments in recent years in this regard:

1. The European Union (EU)'s Non-Financial Reporting Directive is now transposed into all EU member states' legislative frameworks and requires companies with over 500 employees to report on ESG aspects; and
2. The Task Force on Climate-related Financial Disclosures (TCFD) released their final recommendations last July. It recommends companies voluntarily disclose physical and financial climate-related risks through the mainstream channel.

Our research shows that the number of voluntary reporting requirements has increased from fewer than 10 to 182 in the past decade, with up to 80% of these being issued by non-governmental organizations. This is significant because, although voluntary reporting can allow for more flexibility by allowing companies time to adapt their internal processes, mandatory reporting can go further in creating a level playing field. Because of this, there have been calls for the TCFD's recommendations to be embedded in to the Non-Financial Reporting Directive review in 2019.

Global Reporting Initiative
Guidelines
International, Voluntary, 2000

United Nations Global Compact
Principles
International, Voluntary, 2000

WBCSD and World Resource Institute
Greenhouse Gas Protocol
International, Voluntary, 2001

Climate Disclosure Standards Board
Climate Change Reporting Framework
International, Voluntary, 2010

Background and general findings

Why does reporting matter? continued

What's becoming increasingly clear is that companies must understand and keep up with changes in the reporting landscape. Tools like the Reporting Exchange provide useful resources. Evidence also suggests that investors are increasingly seeking information on ESG issues when making capital allocation decisions.[2] This means companies need to show more than ever through their reporting how they are managing internal and external decision-making on ESG risks and opportunities, and how they create long-term value for stakeholders.

Governance matters

At WBCSD's Liaison Delegate meeting in 2018, WBCSD's President and CEO Peter Bakker presented a vision for sustainability transitioning from philanthropy and corporate social responsibility to integrated sustainability strategies, and eventually being fully integrated into corporate governance and fiduciary duty. This vision aligns with the TCFD's recommendations report and other recently updated governance codes such as the Dutch Corporate Governance Code and South Africa's King IV Commission, which stress the importance of having appropriate corporate governance mechanisms in place around ESG risks and opportunities.

Our research suggests that the broad landscape of initiatives may not be supporting companies in developing the appropriate governance mechanisms to manage ESG risks and opportunities. For instance, globally there are 580 reporting provisions which require disclosure or provide guidance on corporate governance topics. There are also corporate governance codes in 52 of the 60 countries in the scope of our research. These are issued by a mix of regulators, stock exchanges, business associations and standard setters, and, in some jurisdictions, multiple governance codes are issued by different organizations. This complexity may be creating confusion and inconsistency, and limiting integration of sustainability into corporate governance practices.

We see this reflected in external disclosures. Since we started *Reporting matters* in 2013, about 1,000 reports from over 250 companies have been assessed against our **Sustainability governance** criteria. During this time, only five reports scored excellent (4) on the **Sustainability governance** criteria, four of them coming in this year's review. Companies regularly score well on other criteria, which raises questions about how well sustainability issues are really being integrated into overall governance, and how effectively disclosures around sustainability governance are being communicated to stakeholders.

While there has been an encouraging shift in the quality of governance disclosures across the WBCSD membership over time, there are still laggards. In 2017, 21 members had very limited disclosure around their sustainability governance. Over a third (40%) of companies still do not disclose board responsibilities on sustainability decision-making and over two-thirds don't link executive remuneration to sustainability goals. Clearly more needs to be done. Generally, there is a positive correlation between a company's **Sustainability governance** score and overall quality of the report. This suggests that those with appropriate governance mechanisms in place also have a clear board commitment to sustainability strategies, targets and commitments.

WBCSD is launching a new Governance & Internal Oversight project that is highlighted on the **Sustainability governance** indicator page with this context in mind.

International Organization for Standardization
ISO 26000
International, Voluntary, 2010

United Nations
Guiding Principles on Business and Human Rights
International, Voluntary, 2011

Sustainability Accounting Standards Board
SASB Conceptual Framework
United States, Voluntary, 2013

International Integrated Reporting
<IR> Framework
International, Voluntary, 2014

Task Force on Climate-related Financial Disclosures
Recommendations
International, Voluntary, 2017

[2] Adams, Carol. Conceptualising the contemporary corporate value creation process Accounting Auditing and Accountability Journal 30 (4) 906-931. 2017. https://drcaroladams.net/conceptualising-the-contemporary-corporate-value-creation-process/

Background and general findings

What we found in 2018

Report characteristics

Report characteristics are based on all 158 member company reports reviewed in the 2018 review cycle and all 162 reports reviewed in the 2014 review cycle.

41%

of reports are called sustainability reports
(2014: 53%)

18%

of reports are self-declared integrated reports
(2014: 8%)

4

the average number of months between reporting period and publication
(2014: 4.5 months)

97

the average number of pages for stand-alone reports reviewed
(2014: 93 pages)

83%

of members cite GRI guidelines or standards
(2014: 86%)

54%

of members have adopted the new GRI Standards
(2017: 18%)*

78%

of members have some portion of their report externally assured
(2014: 73%)

53%

of members accompany the PDF version of their report with significant online content
(2014: not tracked)

*GRI Standards were released in October 2016

Background and general findings

What we found in 2018 continued

Trends over time since 2014

Trends over time are based on 102 member companies included in both the 2014 and 2018 review cycles. We've used a 2014 baseline instead of 2013 because several changes were made to the review process in 2014 that make it more comparable to our current framework.*

82%

of members have improved their **Overall** score

37%

of members have improved their **Materiality** score

12%

improvement in the **Overall** score across reports reviewed

15%

improvement in the **Principles** score across reports reviewed

13%

improvement in the **Content** score across reports reviewed

7%

improvement in the **Experience** score across reports reviewed**

* Excluding External assurance scores which was realigned in 2016 and resulted in major score changes
**The Experience criteria was revamped in 2017

What we found in 2018 continued

What is material?

- The clear majority (89%) of WBCSD members disclose the use of a materiality process and often publish a matrix of results within their report, continuing the upward trend (2014: 72%).
- This year, 38% of WBCSD members fully aligned the contents of their report to the outcomes of the materiality assessment, also a significant upward trend (2014: 12%).
- Combined and integrated reports (40%) continue to do a slightly better job than stand-alone reports (37%) at aligning the sustainability disclosures in their report to material outcomes. This may be because they have limited space for sustainability content and therefore must prioritize.
- This year, we systematically mapped out highly material issues and recategorized them into 13 clusters. Nearly three-quarters of member companies found an issue from our "Labor practices decent work" cluster material in 2018. Interestingly, about two-thirds of companies included issues classified as "Economic" and "Governance" as highly material outcomes of their materiality assessment, demonstrating a good understanding of how these issues are interrelated.

Figure 1: Materiality process disclosure

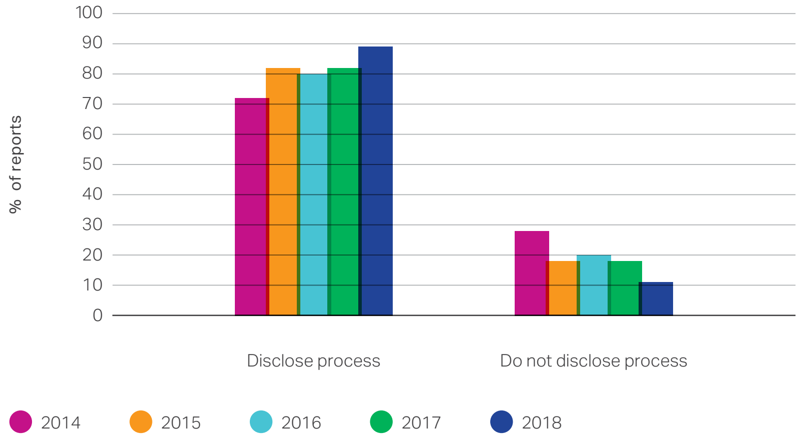


Figure 2: Percentage of companies with priority material issues by topic in 2018

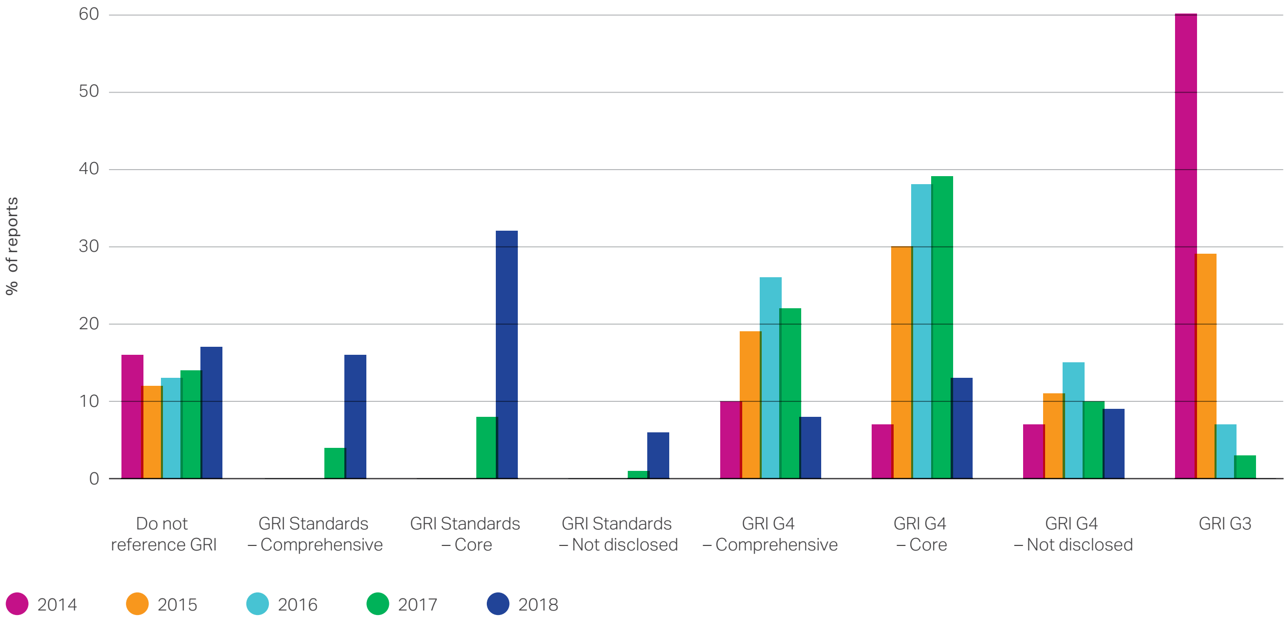
% of companies	Material issue topic
74%	Labor practices decent work
67%	Economic
66%	Governance
60%	Climate change
56%	Society
49%	Human rights
49%	Product responsibility

% of companies	Material issue topic
40%	Renewable resource use
35%	Supply chain practices
27%	Waste and effluents
20%	Non-renewable resource use
18%	Ecosystem services
11%	General "environment" or "sustainability"

What we found in 2018 continued

What's the status of GRI reporting?

Figure 3: GRI application levels and in-accordance options



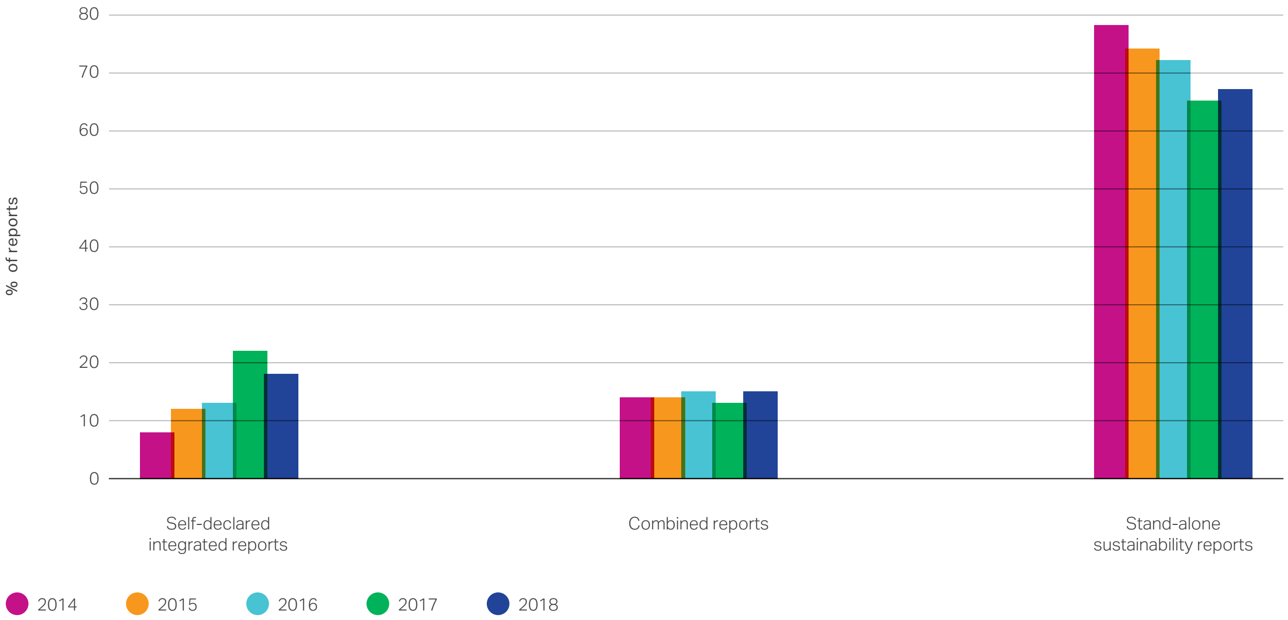
- The clear majority (83%) of reports continue to reference the GRI, including 77% of combined and self-declared integrated reports.
- A majority (54%) of members have adopted the new GRI Standards that were published in October 2016 (2017: 18%). Transition to the Standards became compulsory for all companies choosing to report against the GRI at the end of July 2018. We expect to see further uptake.
- Members disclosing to a "Comprehensive" level outperform members disclosing to the "Core" in-accordance option against our **Content** (70% vs. 65%) and **Principles** (66% vs. 59%) category scores.

Background and general findings

What we found in 2018 continued

What's the status of integrated reporting?

Figure 4: State of integrated reporting



- About a third of WBCSD members publish sustainability information in combined and self-declared integrated reports, continuing an upward trend from 2014 (22%).
- Combined and integrated reports are more prevalent in Europe (45%) and Latin America (six out of seven) and less prevalent in North America (6%) and Asia (19%).
- Reports that combine financial and sustainability information make up eight of the top ten reports and nearly half of the top quartile.
- On average, self-declared integrated reports score better than other sub-populations for **Content** (67% vs. 62%) and **Principles** (64% vs. 55%).

Background and general findings

What we found in 2018 continued

How quickly are reports published and what are members calling their reports?

Figure 5: Time between end of reporting period and public and publication of report

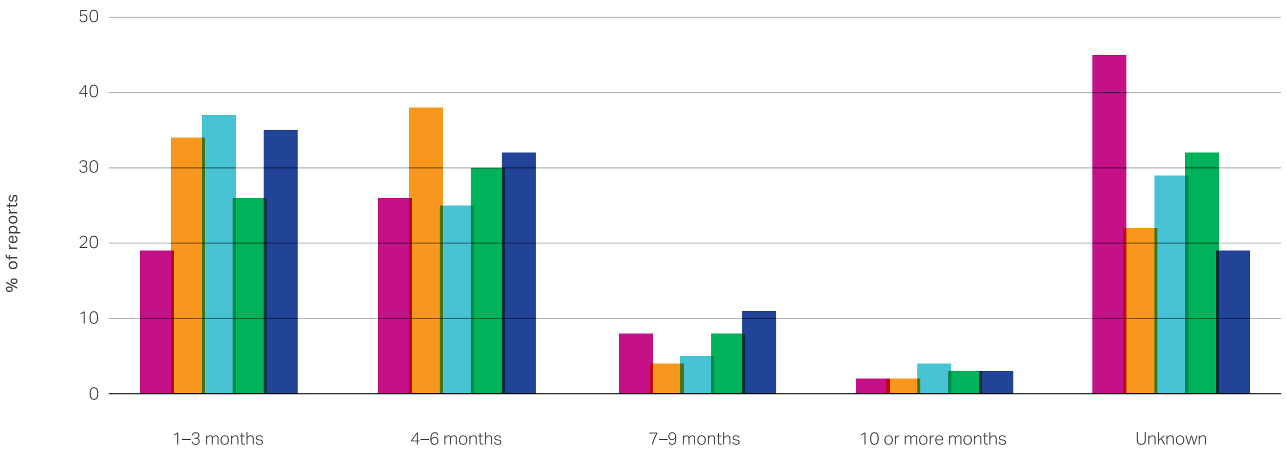
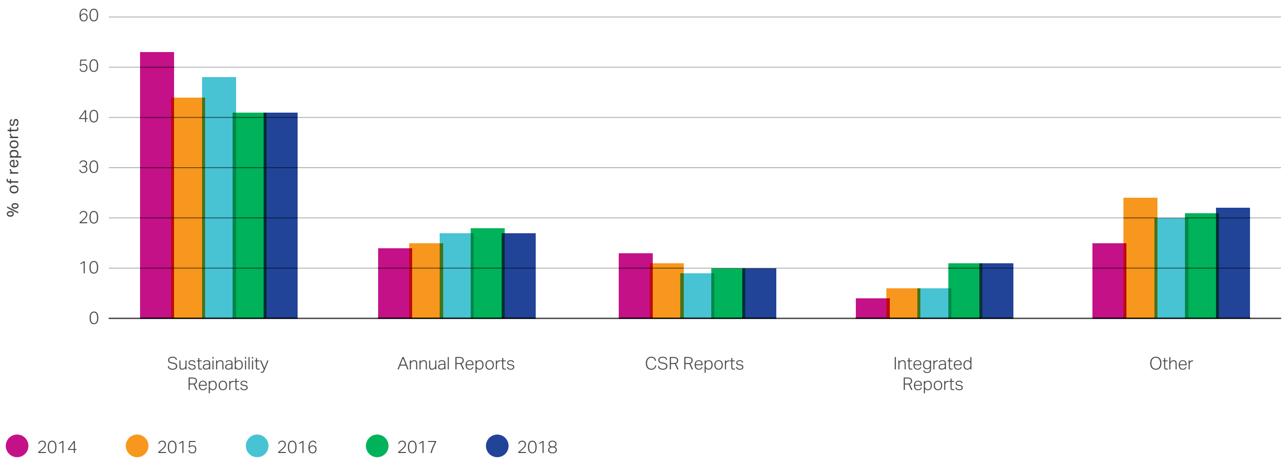


Figure 6: Report titles



- The average time between the end of the reporting period and publication continues to be about four months, down from 4.5 months in 2014.
- For stand-alone reports, the average is 4.6 months compared to 3.1 months for combined and integrated reports. This demonstrates that combined and integrated report publications are largely aligned with financial reporting expectations (typically three months), but stand-alone sustainability reports are still a bit behind.
- The most common report titles continue to include the word "Sustainability" (41%). This is similar to last year but down from 2014 (53%). Other titles include "Annual" Report (17%), "Integrated" Report (11%) and "Corporate Social Responsibility" / "CSR" Report (10%).
- It is worth noting that 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 we have been asked to review by each member company.

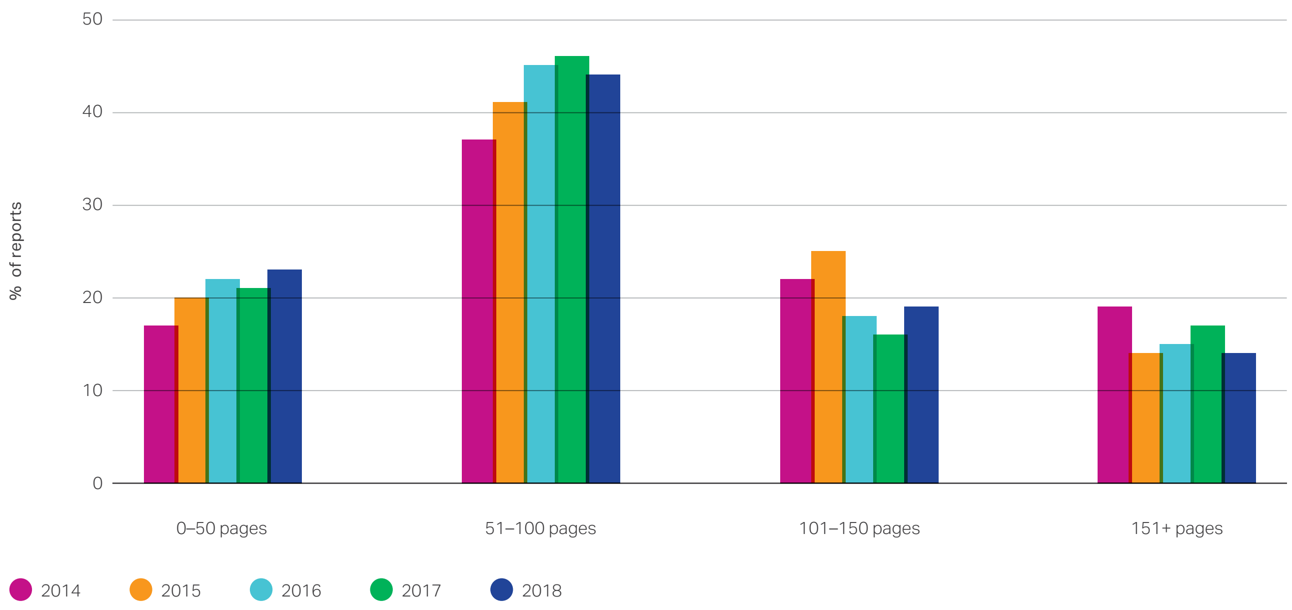
Background and general findings

What we found in 2018 continued

How much is enough?

- The average stand-alone sustainability report in our sample was 97 pages this year (2014: 93 pages). The shortest stand-alone report we reviewed was 8 pages long, the longest 336 pages.
- The average length of reports combining financial and non-financial information was 231 pages. The shortest combined report we reviewed was 29 pages long, the longest 545 pages.
- Although reports continue to be 90–100 pages on average, external links are increasing. This means we have shorter documents but not necessarily less disclosure. For example, the majority (53%) of companies publish either their primary report or complementary information about sustainability online. As reports move online and become more fractured in nature, it is harder to track the volume of content.

Figure 7: Number of pages (stand-alone sustainability reports)



Background and general findings

What we found in 2018 continued

Who's validating performance?

- We found that 86% of reports reviewed have some form of assurance on their sustainability disclosures through external assurance or internal audit assurance (2014: 81%).
- The same percentage of companies (8%) highlighted internal audit practices for ESG information in 2014 and 2018, but 5% more companies also highlighted external assurance in 2018.
- Only 13% of reports don't mention any type of audit of data, a positive improvement since 2014 (19%).
- Of those obtaining external assurance, a limited level of assurance on a handful of indicators or the reporting process continues to be the norm (77%). A combination of limited and reasonable assurance (15%) and reasonable assurance on the whole report (7%) still see moderate use.
- Europe (24%) is leading the way in terms of combined and reasonable assurance.
- Reports with reasonable or combined level of assurance score higher than 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

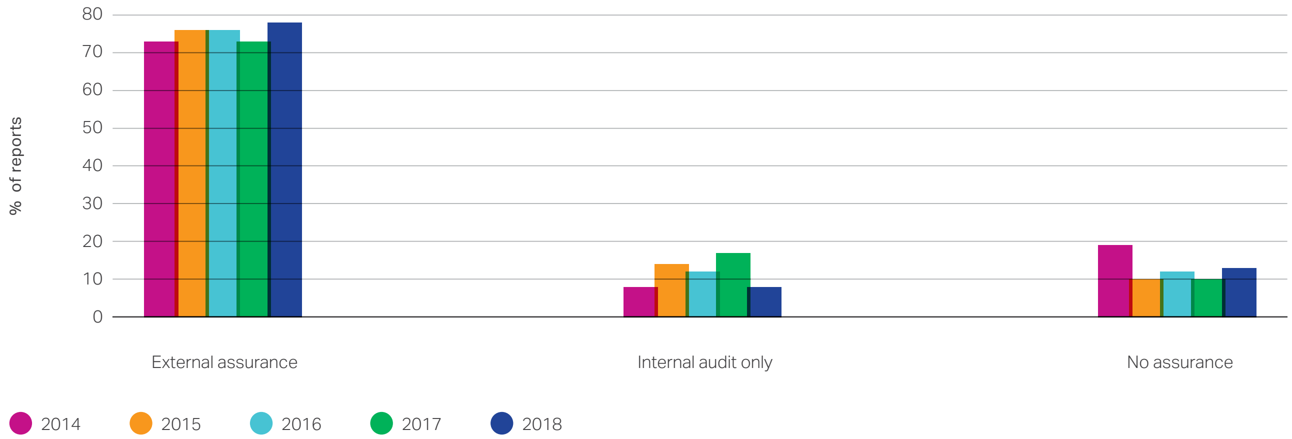
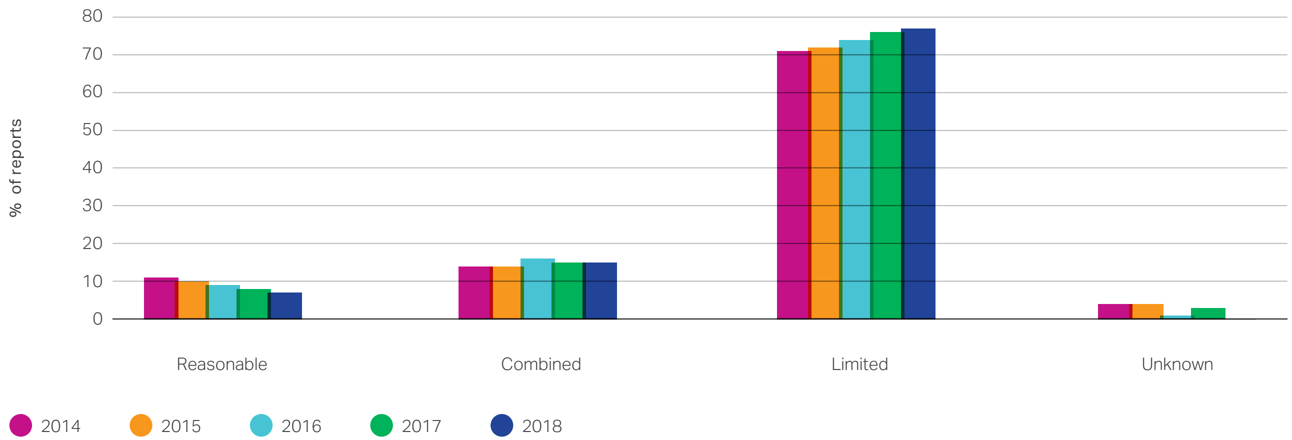


Figure 9: Levels of external assurance



Background and general findings

Spotlight on the SDGs

Recent SDG reporting trends

The SDGs bring a new dimension to corporate disclosure. While many companies already communicate about the topics covered by the SDGs, aligning disclosure with the goals and identifying progress against relevant targets provides an opportunity for businesses to sharpen their reporting and place more focus on the impacts of their activities in the context of the vital global agenda.

Upon the launch of the SDGs in 2015, there was relatively limited guidance relating to exactly how companies should report on their interactions with the goals. A number of different approaches began to emerge, making it difficult for stakeholders to assess companies' SDG impact and to compare one organization with another. Recently, the emergence of new standards and resources – such as the detailed guidelines released by the UN Global Compact and GRI in July this year – is helping companies navigate this space and to establish a firmer picture of what constitutes best practice SDG reporting. WBCSD will continue to do its part to explore and advance this agenda.

There are also a number of initiatives emerging which look set to contribute to enhanced scrutiny of corporate SDG reporting. A growing number of global investors are looking to integrate the SDGs into their portfolio analysis, while a number of governments are also starting to make more specific asks of business in this space. September 2018 saw the launch of the World Benchmarking Alliance, which will seek to establish a publicly available global benchmark to measure and compare the performance of leading companies when it comes to the SDGs.

SDGs in *Reporting matters*

Last year, for the first time, *Reporting matters* piloted a series of indicators to explore and evaluate the robustness of members' reporting on the SDGs. These indicators – similar to the practice of SDG reporting itself – are still something of a work in progress and we continue to refine our approach to assessing SDG reporting. We have included them on the customized scoring dashboards sent to all WBCSD members in the scope of our review to start conversations with members, but they do not yet contribute to **Overall** scores.

This year, we have again focused our assessment on exploring:

- The degree to which SDGs feature in corporate reporting;
- Alignment between the SDGs and corporate strategy; and
- Evidence of measurement of contributions to specific SDGs and SDG targets.

Although we are just one year into our analysis of SDG reporting, we have seen noticeable progress in member companies' acknowledgement of, and reporting on, the SDGs. Moving forward, we will continue to refine our analysis of SDG reporting and support members' efforts to further integrate this critical agenda into their disclosures.

89%

of reports acknowledge the SDGs in some way
(2017: 79%)

53%

of reports align sustainability strategy to the SDGs at goal level and provide clear evidence of activities to address them
(2017: 45%)

15%

of reports align strategy and targets to specific SDG criteria and measure contributions to key SDGs
(2017: 6%)

Spotlight on the SDGs continued

WBCSD SDG survey highlights progress and challenges

In addition to our analysis of SDG reporting, in 2018 we conducted a survey of WBCSD members and Global Network partners to explore key trends and emerging challenges with regard to SDG integration. The survey, conducted in collaboration with DNV GL, drew responses from around 250 companies across 43 countries and four continents, and presented the following key findings:

- Business is engaged and sees the SDGs as a strategic opportunity, but there is room for improvement.
- There is strong evidence of business taking a strategic approach towards the SDGs, with most companies indicating that they have taken stock of this agenda and over two-thirds noting that they see it as a critical part of their efforts to enhance their license to operate, innovate and grow.
- Many companies have scope to broaden the depth of their SDG analysis. Only a third have so far conducted a detailed examination of the SDGs at target-level, and a minority of companies seem to be considering how they can contribute to the SDGs by addressing their negative impacts or engaging with their value chains.

Key barriers to integration

Although there is mounting literature highlighting the economic argument for realizing the SDGs, many companies noted that they are struggling to articulate the business case for the SDGs within their own operations, posing a barrier to integration efforts.

A further challenge is the need for greater clarity on regulatory and policy developments, with over two-thirds of companies stating that clearer policy signals would provide greater certainty to support SDG-aligned business decisions.

Ambitions moving forward

It was encouraging to see clear ambition among companies to build on current performance. A substantial proportion of those surveyed pointed to concrete plans to further integrate the SDGs strategically, to set SDG-related business targets and KPIs, and to enhance reporting over the course of the next three years.

WBCSD and the SDGs

At WBCSD, we uphold that the SDGs provide a powerful framework to translate global needs and ambitions into business solutions. We believe companies that are able to integrate this agenda into their strategic considerations will be better placed to manage their risks, open up potential growth markets and secure an enduring license to operate.

WBCSD's work: SDGs

We have developed a number of resources to support businesses in their efforts to navigate the SDG agenda and maximize their potential to contribute to its realization. These include:

- SDG Business Hub:
  This online platform that seeks to support business by capturing and packaging latest insight, developments, emerging trends and useful tools and resources.
- CEO Guide to the SDGs:
  The WBCSD CEO Guide to the SDGs sets out clear actions that CEOs can take to begin to align their organizations with the SDGs and plot a course towards unlocking the value they represent.
- SDG Sector Roadmap Guidelines:
  This set of guidelines provide a structured framework and approach that companies can follow as they embark on efforts to come together with sector peers to plot a common vision and course for their industry on the road to 2030.

Randstad discusses the importance of the SDGs

Reporting on the SDGs is becoming more common in the corporate reporting landscape. We sat down with Marlou Leenders, Global Sustainability Manager at Randstad to discuss some of the key benefits and challenges of integrating SDGs into business decision-making and external disclosure.

Why are the SDGs relevant to your business? How do the SDGs help to inform or advance your sustainability strategy? What approach have you followed to familiarize yourself with the SDGs?

Through Randstad's core values that have been in place since the company's early days, we take our social responsibility seriously and we believe business must always benefit society as a whole. Our aim is to contribute to a sustainable future, both on a social and economic level, through facilitating the development of fair and efficient labor markets across the world. We have therefore committed ourselves to the SDGs, in particular with regard to promoting sustainable economic growth, decent work for all and reducing inequalities. As an HR services provider, Randstad specifically contributes to four goals (4, 5, 8 and 10) and their relevant sub-targets that link to our ultimate goal for 2030: to touch the work lives of 500 million people worldwide.

How have you anchored the SDGs within the business and embedded sustainability across various functions? What were some of the challenges encountered in this process and how have you overcome them?

Our ultimate goal of touching the work lives of 500 million people by 2030 is closely linked to the SDGs and commits our company to developing and realizing the true potential of organizations and people by preparing them for future work.

We wanted to set a Big Hairy Audacious Goal (BHAG) that inspires and at the same time gives enough guidance to our operating companies. We're still at the beginning of this process and have developed a roadmap, including objectives and KPIs, to achieve this ambition and provide the necessary frameworks that will enable us to meet our goal and fulfill our potential to contribute to the SDG agenda.

> The SDGs are a universal language that helps us communicate better about how we contribute to society and establish partnerships to increase our impact.

Background and general findings

Randstad discusses the importance of the SDGs continued

What are the key benefits Randstad has derived from integrating the SDGs at target-level?

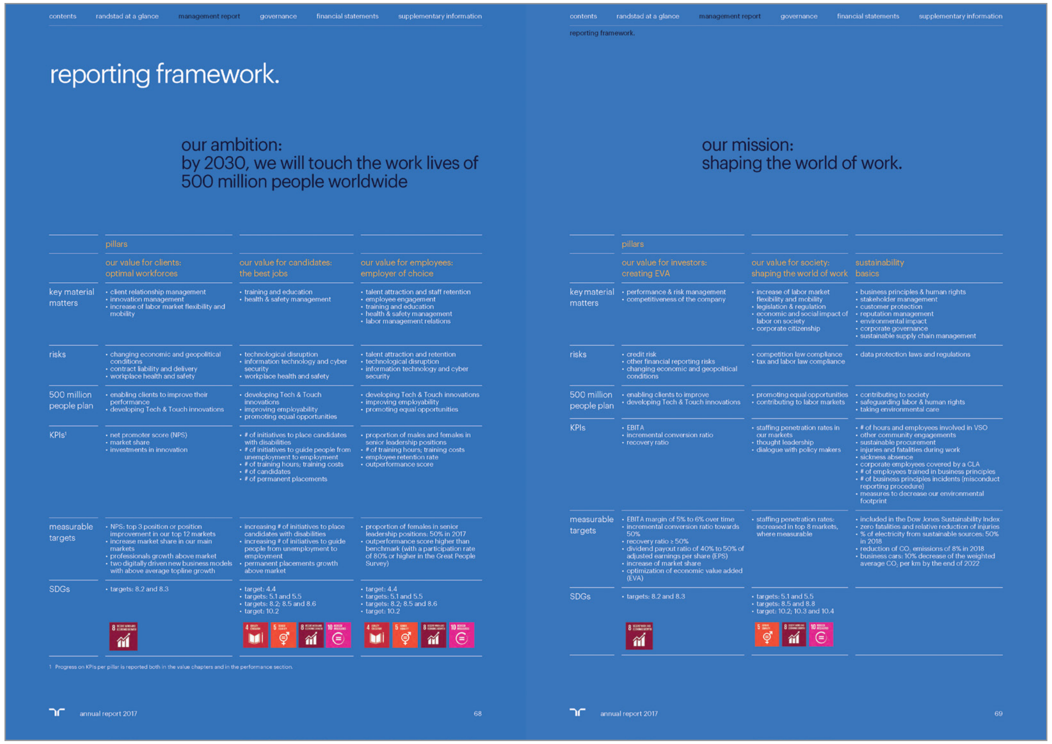
Sustainability is an integrated part of Randstad's strategy and core business. To touch the work lives of 500 million people worldwide by 2030, we need to grow in a sustainable manner. There will be no other way than to constantly innovate in order to increase our impact. And this is exactly what we are doing as part of our Tech & Touch strategy. Technology will improve our services and free up precious time which we can then use for the most important value that we have to offer to our clients and candidates: our human touch.

We know from our heritage that it is our empathy, our intuition and our passion for people that make us successful. We believe that it is the human side of our business that makes the difference. Our ultimate goal, linked to the SDGs, forces us to develop an HR experience that is more human than that of our competitors, so we can truly touch peoples' work lives.

We linked our own KPIs to the SDGs at target level, so we can be more specific on how our strategy contributes to the SDGs. This way, we can be more transparent in what we want to do and how we want to reach it, which helps in setting up partnerships.

What are Randstad's main objectives with regards to the SDGs in the near future?

We see it as our main objective to engage all our employees and our stakeholders as much as possible to support the SDGs. Our WBCSD membership can be seen as an important milestone in that direction. Randstad believes that achieving the ambitions of the SDGs is a joint responsibility and we see collaboration as an important tool to enhance the transformations that are at the heart of the 2030 Agenda.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reporting framework.

our ambition:
by 2030, we will touch the work lives of 500 million people worldwide

	pillars		
	our value for clients: optimal workforces	our value for candidates: the best jobs	our value for employees: employer of choice
key material matters	• client relationship management • innovation management • increase of labor market flexibility and mobility	• training and education • health & safety management	• talent attraction and staff retention • employee engagement • training and education • health & safety management • labor management relations
risks	• changing economic and geopolitical conditions • contract liability and delivery • workplace health and safety	• technological disruption • information technology and cyber security • workplace health and safety	• talent attraction and retention • technological disruption • information technology and cyber security
500 million people plan	• enabling clients to improve their performance • developing Tech & Touch innovations	• developing Tech & Touch innovations • improving employability • promoting equal opportunities	• developing Tech & Touch innovations • improving employability • promoting equal opportunities
KPIs[1]	• net promoter score (NPS) • market share • investments in innovation	• # of initiatives to place candidates with disabilities • # of initiatives to guide people from unemployment to employment • # of training hours; training costs • # of candidates • # of permanent placements	• proportion of males and females in senior leadership positions • # of training hours; training costs • employee retention rate • outperformance score
measurable targets	• NPS: top 3 position or position improvement in our top 12 markets • increase market share in our main markets • professionals growth above market • two digitally driven new business models with above average topline growth	• increasing # of initiatives to place candidates with disabilities • increasing # of initiatives to guide people from unemployment to employment • permanent placements growth above market	• proportion of females in senior leadership positions: 50% in 2017 • outperformance score higher than benchmark (with a participation rate of 80% or higher in the Great People Survey)
SDGs	• targets: 8.2 and 8.3	• target: 4.4 • targets: 5.1 and 5.5 • targets: 8.2; 8.5 and 8.6 • target: 10.2	• target: 4.4 • targets: 5.1 and 5.5 • targets: 8.2; 8.5 and 8.6 • target: 10.2

1 Progress on KPIs per pillar is reported both in the value chapters and in the performance section.

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reporting framework.

our mission:
shaping the world of work.

	pillars		
	our value for investors: creating EVA	our value for society: shaping the world of work	sustainability basics
key material matters	• performance & risk management • competitiveness of the company	• increase of labor market flexibility and mobility • legislation & regulation • economic and social impact of labor on society • corporate citizenship	• business principles & human rights • stakeholder management • customer protection • reputation management • environmental impact • corporate governance • sustainable supply chain management
risks	• credit risk • other financial reporting risks • changing economic and geopolitical conditions	• competition law compliance • tax and labor law compliance	• data protection laws and regulations
500 million people plan	• enabling clients to improve • developing Tech & Touch innovations	• promoting equal opportunities • contributing to labor markets	• contributing to society • safeguarding labor & human rights • taking environmental care
KPIs	• EBITA • incremental conversion ratio • recovery ratio	• staffing penetration rates in our markets • thought leadership • dialogue with policy makers	• # of hours and employees involved in VSO • other community engagements • sustainable procurement • injuries and fatalities during work • sickness absence • corporate employees covered by a CLA • # of employees trained in business principles • # of business principles incidents (misconduct reporting procedure) • measures to decrease our environmental footprint
measurable targets	• EBITA margin of 5% to 6% over time • incremental conversion ratio towards 50% • recovery ratio ≥ 50% • dividend payout ratio of 40% to 50% of adjusted earnings per share (EPS) • increase of market share • optimization of economic value added (EVA)	• staffing penetration rates: increased in top 8 markets, where measurable	• included in the Dow Jones Sustainability Index • zero fatalities and relative reduction of injuries • % of electricity from sustainable sources: 50% in 2018 • reduction of CO_2 emissions of 8% in 2018 • business cars: 10% decrease of the weighted average CO_2 per km by the end of 2022
SDGs	• targets: 8.2 and 8.3	• targets: 5.1 and 5.5 • targets: 8.5 and 8.8 • target: 10.2; 10.3 and 10.4	

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Detailed findings

This section delves deeper into each indicator. It provides 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 and put the spotlight on members who excel at particular aspects of reporting. For balance, we aim to include a range of geographies and sectors and to highlight different companies each year and across each indicator.

In this section

Detailed findings continued

Principles

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

- Completeness See page 28
- Materiality See page 29
- Stakeholder engagement See page 30
- External environment See page 31
- External assurance See page 32
- Balance See page 33
- Conciseness See page 34

Content

Elements that guide what's included as content in the report

- Sustainability governance See page 37
- Strategy See page 38
- Implementation & controls See page 39
- Targets & commitments See page 40
- Performance See page 41
- Partnerships & collaboration See page 42
- Evidence of activities See page 43

Experience

Elements that improve the readers' overall experience of the report

- Accessibility See page 46
- Story & messaging See page 47
- Navigation & flow See page 48
- Compelling design See page 49

Nestlé discusses risk management, materiality and stakeholder engagement

Risk management, materiality and stakeholder engagement are critical aspects of effective sustainability reporting. We sat down with Christian Frutiger, Global Head of Public Affairs at Nestlé to discuss how the company addresses these areas of reporting.

In your report, you mention that, "After extensive consultation, ESG issues of concern are identified and evaluated to determine associated risks and opportunities for Nestlé's reputation, revenues and costs." How closely is your materiality assessment process linked to enterprise risk management? What are some of the benefits of this approach?

The Nestlé Group Enterprise Risk Management Framework (ERM) is designed to identify, communicate and mitigate risks in order to minimize their potential impact on the company and ensure the achievement of Nestlé's long-term goals. A top-down assessment is performed at company level once a year to create a good understanding of the company's mega risks, to allocate ownership to drive specific actions around them and to take relevant steps to address them. A bottom-up assessment occurs in parallel, resulting in the aggregation of individual assessments by all markets and Globally-Managed businesses. Additionally, Nestlé engages with a set of external groups ranging from consumers, shareholders, non-governmental organizations to academia, in order to better understand the issues that are of most concern to them. For each issue, the materiality matrix rates the degree of external concern and potential business impact. These two risk mappings allow the company to make sound decisions on the future operations of the company.

Your report provides a detailed mapping of material issues across five stages of your value chain and the SDGs. What are the benefits of this mapping exercise?

Creating Shared Value (CSV) is our belief that for a company to be successful over the long term and create value for shareholders, it must also create value for society. This is the way we do business. We participated in the development process of the SDGs. This allowed us to map our material issues against the 2030 Agenda for Sustainable Development, and identify the intersection between our business and the Global Goals.

KEY: ○ Moderate ● Significant ● Major

Material issues and sub-issues	Agriculture	Tier 1 suppliers	Nestlé	Retail/business channels	Consumers
For individuals and families					
Food and nutrition security Contributing to the availability of, and affordable access to, sufficient, safe, nutritious food. **Sub-issue:** • Affordability	Major	Significant	Major	Significant	Major

Nestlé discusses risk management, materiality and stakeholder engagement continued

We have since aligned several of our key initiatives with the 2030 Agenda, such as Nestlé for Healthier Kids, Nestlé needs YOUth, Caring 4 Water and the work on environmental stewardship.

Stakeholder engagement continues to have a prominent feature in your report and on your website. What is the basis for selecting stakeholders for your CSV Global Forum? What are some of the benefits to this approach?

Our global stakeholder network includes people we engage with regularly through our operations and those who influence our activities. They are consumers, shareholders, employees, suppliers, communities, governments, non-governmental organizations, trade associations and academia. Our annual program of stakeholder convenings and CSV events provides opportunities to intensify that dialogue, building on our understanding of important societal issues. The interaction develops the capability of our people, facilitates collective action, and promotes trust and mutual respect. Outcomes from such dialogue are fed back to senior management through the Nestlé in Society Board.

The biennial Creating Shared Value Global Forum is a day-long event that brings together development and business experts from around the world. It is designed to stimulate thinking about the increasingly important role of business in addressing major socio-economic challenges in the context of limited natural resources and climate change. The most recent CSV Global Forum was held in Brasilia in March 2018 under the theme of "Water as a driver for the Sustainable Development Goals".

How do you balance the need to have detailed and technical disclosures with attempts to have a concise and accessible document that be can be used by a range of stakeholders?

Materiality and engagement with external stakeholders help us set priorities for reporting. However the continuous push by some stakeholders for increasing detail can indeed make it challenging to achieve concise and accessible reporting.

Materiality and the Sustainable Development Goals

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Individuals and families																	
Food & Nutrition Security	●	●	●		●					●			●	●	●		●
Over- & Under-Nutrition		●	●		●					●		●					●
Responsible Marketing and Influence			●	●								●	●				●
Food & Product safety			●														●
Communities																	
Animal Welfare			●														●
Rural Development & Poverty Alleviation	●	●		●	●	●		●	●	●						●	●
Responsible Sourcing and Traceability												●		●	●		●
Women's Empowerment	●	●	●		●			●		●							
Business Ethics								●								●	●
Human Rights	●				●			●		●						●	●
Fair Employment and Youth Employability	●			●	●			●		●						●	●
Employee Safety, Health & Wellness			●			●		●									●
Planet																	
Water Stewardship						●						●		●			●
Water, Sanitation & Hygiene	●	●	●			●								●			●
Natural Resource Stewardship		●				●						●	●	●	●		●
Climate Change		●				●	●		●			●	●		●		●
Resource Efficiency, (Food) Waste & the Circular Economy		●					●		●		●	●	●	●	●		●

● Indicates where Nestlé activities under a material issue have an impact (direct or indirect) on achieving the SDGs. Does not indicate scale of Nestlé's contribution.

Detailed findings

Principles: Completeness

Complete reports describe the scope, boundaries and direct and indirect impacts of the report. This requires an understanding of the organization's value chain, including material impacts that go beyond direct operations.

Key recommendations

- Describe reporting scope and boundaries for material issues;
- Disclose organizational boundaries such as business segments and sub-operations included in the report;
- Describe the various stages of your organization's value chain and indicate direct and indirect material impacts at each stage; and
- Discuss material impacts beyond direct operations, including upstream and downstream considerations.

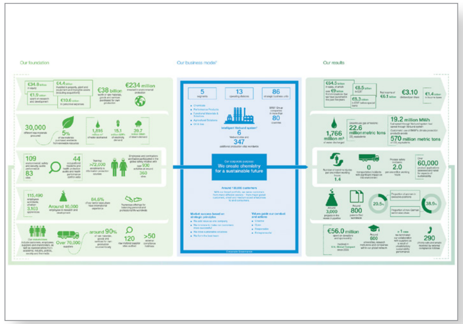
Methodology notes

- We placed additional emphasis on the disclosure of value chain boundaries for material topics.

Good practice

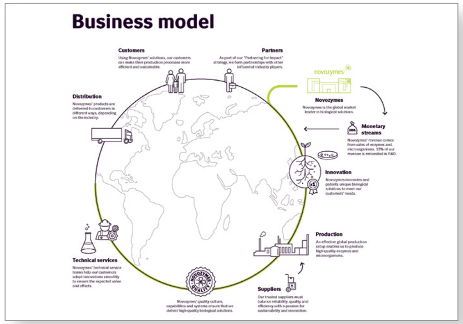
BASF

BASF provides extensive information on scope and boundaries in its report. The "How we create value" page features a video and interactive table with impacts at each stage of the value creation journey. The table links to content pages in the "Responsibility along the value chain" section of the report. This section provides clear descriptions of upstream and downstream activities and impacts and includes a simplified value chain graph that shows which stages of the value chain are impacted by each topic.



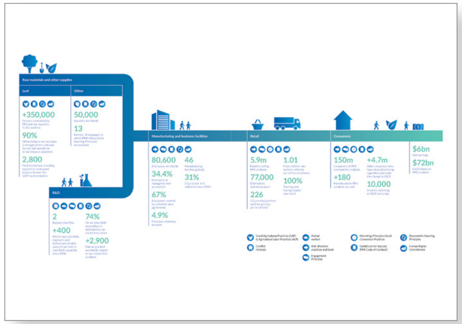
Novozymes

Novozymes presents its business model towards the beginning of its report, accompanied by macro trends that impact the business model. For each stage of the business model, it describes how the stage impacts the business. This is linked to its materiality analysis, which demonstrates that direct and downstream impacts are the most material issues faced by Novozymes, and these are the focus of the main publication. They disclose their management approach and position on all material issues.



Philip Morris International (PMI)

PMI opens its report with a two-page spread that depicts the value chain – from raw materials and research and development through to consumers – with direct and indirect impacts at each stage. Nine policies and practices have dedicated icons that show up at each stage of the value chain to demonstrate management approach at each stage. The report extensively highlights upstream and downstream considerations with evidence, control mechanisms and targets to highlight progress on material issues.



Detailed findings

Principles: Materiality

A materiality process identifies and prioritizes the most significant environmental, social and economic risks and opportunities from the perspective of the organization and its stakeholders. Materiality forms the foundation for effective strategic decision-making, such as setting strategy, goals and KPIs.

Key recommendations

- Describe specific steps taken to identify, prioritize and validate material issues, including how the perspective of your organization and stakeholders were taken into account;
- Include a range of factors when identifying and prioritizing issues, such as external trends, the magnitude and likelihood of impacts, changes in materiality and alignment with enterprise risk management;
- Disclose a prioritized list of outcomes through a matrix or concise list of highly material issues;
- Where appropriate, acknowledge divisional and geographic differences;
- Align the content of your report including strategy, targets, performance indicators, evidence of activities and details on implementation and control mechanisms with outcomes of the materiality assessment; and
- Demonstrate internal and external validation of the results of the materiality assessment.

Methodology notes

- We placed additional emphasis on demonstrating consideration of geographic and divisional differences and disclosing board-level validation of the outcomes.

Good practice

F. Hoffmann-La Roche (Roche)

Roche clearly cross-links from its report to a detailed explanation of the materiality assessment on its website. This allows them to keep the body of the report concise while providing easy access to technical content. The webpage provides detailed information on distinct stages of the assessment process and categorizes material issues into three tiers based on how crucial they are to deliver on Roche's long-term core purpose. Each topic has an explanation and cross-links to relevant sections of the annual report, aspect boundaries and associated GRI reporting provisions.

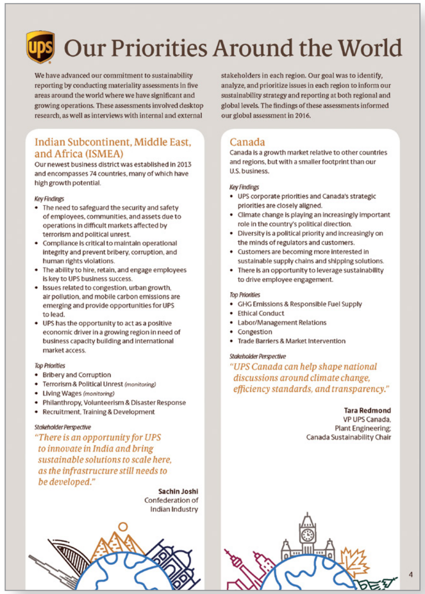
Our 21 material topics

Tier 1—Fundamental drivers of our ability to deliver on our core purpose in the long term

· R&D pipeline strategy and personalised healthcare
· Employee engagement and talent retention
· Growth strategy in emerging and developed markets
· Product portfolio strategy
· Patent policies
· Leadership Commitments

UPS

UPS presents a six-page PDF that highlights its approach to materiality. It outlines the process performed with BSR, categorizes priority topics into four strategy pillars and maps issues to the SDGs and corresponding GRI Standards Material Topics. The document also covers the results of local materiality assessments conducted in 2016, with insights, top priorities and stakeholder perspectives across five of UPS's key business regions.



Our Priorities Around the World

We have advanced our commitment to sustainability reporting by conducting materiality assessments in five areas around the world where we have significant and growing operations. These assessments involved desktop research, as well as interviews with internal and external stakeholders in each region. Our goal was to identify, analyze, and prioritize issues in each region to inform our sustainability strategy and reporting at both regional and global levels. The findings of these assessments informed our global assessment in 2016.

Indian Subcontinent, Middle East, and Africa (ISMEA)

Our newest business district was established in 2013 and encompasses 74 countries, many of which have high growth potential.

Key Findings
- The need to safeguard the security and safety of employees, communities, and assets due to operations in difficult markets affected by terrorism and political unrest.
- Compliance is critical to maintain operational integrity and prevent bribery, corruption, and human rights violations.
- The ability to hire, retain, and engage employees is key to UPS business success.
- Issues related to congestion, urban growth, air pollution, and mobile carbon emissions are emerging and provide opportunities for UPS to lead.
- UPS has the opportunity to act as a positive economic driver in a growing region in need of business capacity building and international market access.

Top Priorities
- Bribery and Corruption
- Terrorism & Political Unrest *(monitoring)*
- Living Wages *(monitoring)*
- Philanthropy, Volunteerism & Disaster Response
- Recruitment, Training & Development

Stakeholder Perspective

"There is an opportunity for UPS to innovate in India and bring sustainable solutions to scale here, as the infrastructure still needs to be developed."

Sachin Joshi
Confederation of Indian Industry

Canada

Canada is a growth market relative to other countries and regions, but with a smaller footprint than our U.S. business.

Key Findings
- UPS corporate priorities and Canada's strategic priorities are closely aligned.
- Climate change is playing an increasingly important role in the country's political direction.
- Diversity is a political priority and increasingly on the minds of regulators and customers.
- Customers are becoming more interested in sustainable supply chains and shipping solutions.
- There is an opportunity to leverage sustainability to drive employee engagement.

Top Priorities
- GHG Emissions & Responsible Fuel Supply
- Ethical Conduct
- Labor/Management Relations
- Congestion
- Trade Barriers & Market Intervention

Stakeholder Perspective

"UPS Canada can help shape national discussions around climate change, efficiency standards, and transparency."

Tara Redmond
VP UPS Canada,
Plant Engineering;
Canada Sustainability Chair

4

WBCSD's work: Purpose-driven Disclosure

The Purpose-Driven Disclosure project seeks to understand how ESG information influences management decisions and actions in business and among investors. We call it "purpose-driven disclosure" because it looks at the link between companies' external ESG disclosures and investor actions, and how these influence sustainable outcomes. Our goal is to help companies disclose relevant, decision-useful information – or information with a purpose – to encourage the flow of capital to more sustainable companies and outcomes.

The project will support the development and promote a shared understanding of materiality processes in ESG decision-making and reporting, with two specific outcomes:

- Guidance on applying materiality and judgement to provide decision-useful information when making ESG disclosures; and
- A Library of ESG indicators for measuring, monitoring and communicating ESG performance published on the Reporting Exchange platform.

Learn more here.

Detailed findings

Principles: Stakeholder engagement

Stakeholder engagement is an open dialogue process with people and/or groups who actively engage with an organization and are influenced or impacted by their activities, now and in the future. Engagement mechanisms can range from business-as-usual engagement – such as surveys and questionnaires – to formal mechanisms like forums, stakeholder dialogues and advisory committees.

Key recommendations

- Identify the main stakeholder groups your organization engages with, including 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 upon.

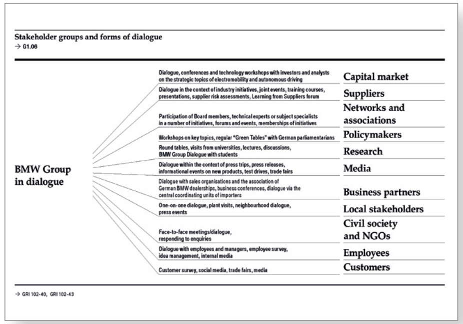
Methodology notes

- We defined a minimum list of stakeholders we expect to see discussed and placed increased emphasis on identifying the specific issues raised by each stakeholder group.

Good practice

BMW Group

BMW presents an exhaustive list of stakeholder categories with whom it engages. This list includes engagement mechanisms, some of which go beyond business-as-usual such as stakeholder forums and "Green Tables" with parliamentarians. The five most pressing topics that surfaced are highlighted in the main report. Further information is covered via a clear cross-link to a webpage that hosts additional information on Group Dialogue events, including which stakeholder groups were represented and which topics they discussed.

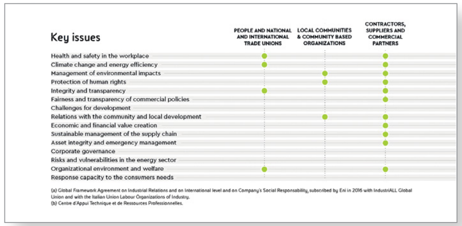


CLP Group

CLP details how it creates value for stakeholders in its main report. A separate document in the reporting suite summarizes stakeholder engagement mechanisms. The addendum provides a detailed overview of 11 stakeholder groups and breaks them down by region and business level. The table includes an in-depth look at the key concerns of each sub-group, how CLP engages with them and how the company is responding in concrete ways. These extensive engagement mechanisms demonstrate good business management practice.

Eni

Eni has developed the innovative web-based platform called SMS that maps stakeholders, monitors their requests in real time and manages necessary response actions at both headquarter and subsidiary level. Eni made a big step in its reporting this year by providing a comprehensive description of key stakeholder groups at the beginning of the report. Key issues are mapped across each stakeholder group, detailing the specific engagement mechanisms in place.



Detailed findings

Principles: External environment

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

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 and performance.

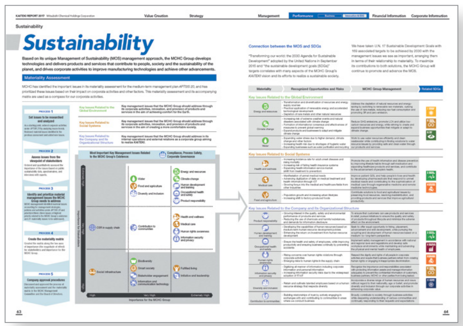
Methodology notes

- We clarified a handful of ways that organizations can discuss legislation and regulatory trends to make this indicator easier for our analysts to evaluate consistently.

Good practice

Mitsubishi Chemical Holdings

Mitsubishi Chemical Holdings surfaces a number of megatrends and industry-specific trends and discusses how they impact performance. It has created a Global Risk Map that includes publicly available case studies to describe significant problems and legal violations that have occurred in each country. They improved their reporting this year by directly tying material issues to recognized opportunities and risks, associated SDGs and how MCHC Group Management is responding.


Sustainability

Stora Enso

Stora Enso divides its sustainability report into groupings based on material issues. Each grouping includes a brief section on opportunities and challenges that tie the operating environment to material issues and associated trends. This is followed by policies and a commentary on how the company works to demonstrate the links between the external environment and its strategy. The financial report complements this with a formal Risk Management Assessment that highlights key sustainability risks and mitigation measures incorporating environmental and social topics.


Business ethics

For Stora Enso, business ethics means more than complying with regulations. Promoting an ethical company culture helps us enhance our reputation and succeed in business as a reliable partner.

WBCSD's work: Enterprise Risk Management

Ten years ago, the top global risks in terms of impact and likelihood didn't include social or environmental issues for the most part. But today, four of the top five business risks are social or environmental. Historically, companies haven't been able to deal with these kinds of risks very well. We researched the alignment between sustainability report risk disclosures and risk disclosures in mainstream filings and found a large disconnect.

This needs to change, and that is the aim of this project. A robust Enterprise Risk Management (ERM) framework preserves value and reduces downside exposure, helping to connect risk, strategy and decision-making while enhancing corporate performance. Leveraging and enhancing a company's ERM framework is an effective way to reduce potential risk and capture opportunities.

We have worked with a leading ERM framework producer, the Committee of Sponsoring Organizations of the Treadway Commission (COSO), on guidance to help organizations align ERM to ESG risk.

Learn more here.

Detailed findings

Principles: External assurance

External assurance of sustainability information increases the credibility and reliability of the report for users. The robust disciplines and controls needed for assurance contribute to the value that sustainability reporting offers to the organization and its stakeholders.

Key recommendations

- Engage an external independent assurance provider to a limited or reasonable level on the most material issues; and
- Ensure that the assurance statement is easily accessible in the report, or with clear links to where to find it online. It should also specify the scope, boundaries, applied standard and a statement of independence.

Methodology notes

- We revamped this indicator in 2016 to align criteria with the recommendations of our Assurance Working Group and renamed it (2014–2017: **Reliability**) to avoid confusion with the GRI principle of Reliability.

Good practice

TITAN Group

TITAN Group features an Independent Assurance Statement from an external assurance provider towards the end of its integrated report. The engagement summary section clearly spells out the assurance scope, reporting criteria, assurance standard, assurance level and responsibilities of TITAN and the assurance provider.

A reasonable level of assurance provides strong confidence for users of the report, and the opinion clearly addresses each aspect of the scope. An overview of the assurance activities, limitations of the engagement and observations that do not affect the conclusions presented are clearly explained.

WBCSD's work: Assurance & Internal Controls project

Independent assurance enhances credibility and trust in the sustainability information that companies disclose in their corporate reports.

Despite recent initiatives, frameworks and standards from various assurance standards setters, there is still no global consensus on the application of assurance to sustainability reporting. This makes it tough to tell how much we can trust external sustainability assurance engagements.

Building on work with members and the Assurance Working Group, we're working to help companies generate value through robust internal controls and obtaining external assurance on their sustainability disclosures.

The project includes three work streams that address:

- Assurance challenges for companies;
- Understanding the sustainability assurance information investors need; and
- Providing guidance for assurance providers in collaboration with the International Auditing and Assurance Standards Board (IAASB).

Learn more here.

Detailed findings

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;
- Include narrative on areas of weak performance and missed targets; and
- Incorporate balanced external voices to bring in additional perspectives and highlight potential areas for improvement.

Methodology notes

- We incorporated RepRisk research to flag issues of public concern and to make this indicator easier for our analysts to evaluate consistently.

Good practice

Norsk Hydro ASA

Hydro faced challenges related to its Alunorte operations in Brazil during the reporting year. In a letter to shareholders presented towards the beginning of its annual report, President and CEO Svein Richard Brandtzæg directly addresses the Alunorte situation, saying it is an example of unfinished work and explaining how they plan to resolve it. Hydro addresses other areas of public concern throughout the report, discloses on fines and cases that came up in their "Alert Line", and highlights areas where performance more generally could be improved.

Solvay

Solvay proactively addresses several issues of public concern in the body of its report and does not shy away from explaining areas of poor performance and missed targets. This year, it introduces compelling, balanced stakeholder interviews, including employees, customers, the United Nations, NGOs, suppliers and investors, that appear in different sections of the report. Crucially, many of these stakeholder statements integrate areas for improvement specific to Solvay which contributes to a balanced tone.

Votorantim Cimentos

Votorantim Cimentos maps the positive and negative impacts of its activities, products and services for each material issue in an interactive table. Impacts are categorized as environmental, economic and social and are tied to stakeholder engagement, trends, risks, strategies, resources and goals. Towards the end of the report, it features independent external readers from the sustainability world who comment on the report's strengths and areas for improvement. These voices rotate on two-year intervals to allow for reflection on progress made over time.

Principles: Conciseness

Concise reports focus disclosures on material issues and prioritize quality over quantity. This is one of the most challenging criteria to get right. Reports drafted in a concise manner help avoid information overload, improve coherence and shine on a spotlight on issues that are the most important to the organization and its stakeholders.

Key recommendations

- Avoid over-disclosure by aligning contents of the report to the outcomes of the materiality assessment;
- Avoid under-disclosure by covering the range of indicators included in our framework;
- Produce a summary document or clear executive summary that provides a quick overview of strategy, performance and key activities;
- Avoid overly specialist or technical language. If used, provide explanations or definitions; and
- Make use of bullet points, short sentences, brief paragraphs and graphics to reduce word count.

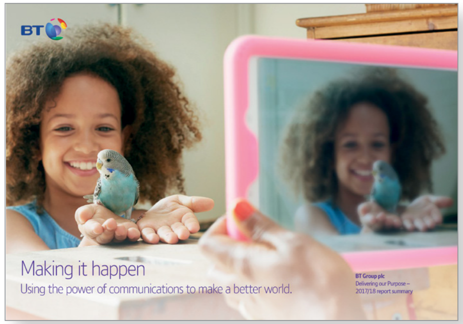
Methodology notes

- We clarified that a robust executive summary or summary online content can take the place of stand-alone PDF summary documents.

Good practice

BT Group plc

BT groups all material issues into three strategic priorities then structures its report around these areas. The tone of the report is very accessible to meet a range of audience needs and avoids overly technical jargon. The reporting "Download Centre" provides the option to download either the full report, concise summaries for each strategic priority or an overall summary report that combines the priority area summaries.



Novartis

Novartis centers the contents of its report around four "CR clusters" that cover all material issues. It uses the GRI Index to provide cross-links to more detailed information on topics that have not been considered material but are of interest to stakeholders, such as several environmental issues. This effectively limits the report contents while providing a clear path to content for interested specialists.

Saudi Basic Industries Corp. (SABIC)

SABIC clearly focuses the content of its report on the five most material issues. It reduces word count using infographics and focused narrative. A technical supplement can be downloaded separately for users looking for more detailed information on material issues. An executive summary that provides users a quick overview of strategy and performance is also available as a stand-alone PDF.

Kering discusses their Environmental Profit and Loss (EP&L) account

Kering is a pioneer in integrating information into performance management practices – most notably through its natural capital assessment and resulting EP&L account. We sat down with Michael Beutler, Director of Sustainability Operations at Kering, to learn more about the company's EP&L account.

In order to move beyond disclosure for disclosure's sake, it's critical for companies to find ways to integrate information into their performance management practices. What is an EP&L and what are some of its key benefits for Kering?

An EP&L allows a company to measure – in monetary value – the costs and benefits it generates for the environment. This information helps companies make more sustainable business decisions and allows for better risk management.

Internally, the EP&L is used as a day-to-day decision-making tool and is fully embedded into the business. Externally, it is published on an annual basis as a quick way to digest and understand our impacts on the environment. It complements our Integrated Report and Reference Document in terms of external disclosure on pre-financial information.

The EP&L analysis reveals the true impacts resulting from our business activities and helps us find effective solutions to mitigate our footprint. In turn, this allows us to better address climate change and develop more resilient business models. It also helps us provide transparency to our stakeholders along the way.

What were some of the key challenges in developing Kering's EP&L and how did you overcome them?

Like any new innovation, developing a new reporting approach has its inherent challenges. The absence of any natural capital accounting standards – or even another practical example – meant we needed to build our EP&L accounting from the ground up. Given the complexity of supply chains and the many players involved, this was no easy task at the outset. Challenges like collecting primary information proved difficult initially and we have fine-tuned this over the years, whereby we now have an automated tool. As well, valuing esoteric resources and impacts – such as business impacts on biodiversity – requires a robust methodology and consensus with the scientific and academic communities. Along the way, we have continually evolved and upgraded the EP&L's methodology and scope to ensure it can be used effectively in our own business and also so that it is "best in class" in order for the EP&L to be adopted by other companies who are interested in natural capital accounting.

We were successful in overcoming our key challenges for many reasons, but it was critical for us to have top-down support from our CEO, François-Henri Pinault, which empowered us to continue down the path towards the EP&L and its evolution.

Kering discusses their Environmental Profit and Loss (EP&L) account continued

What are some of the key benefits of your EP&L and how does it link between business decision-making and external disclosure?

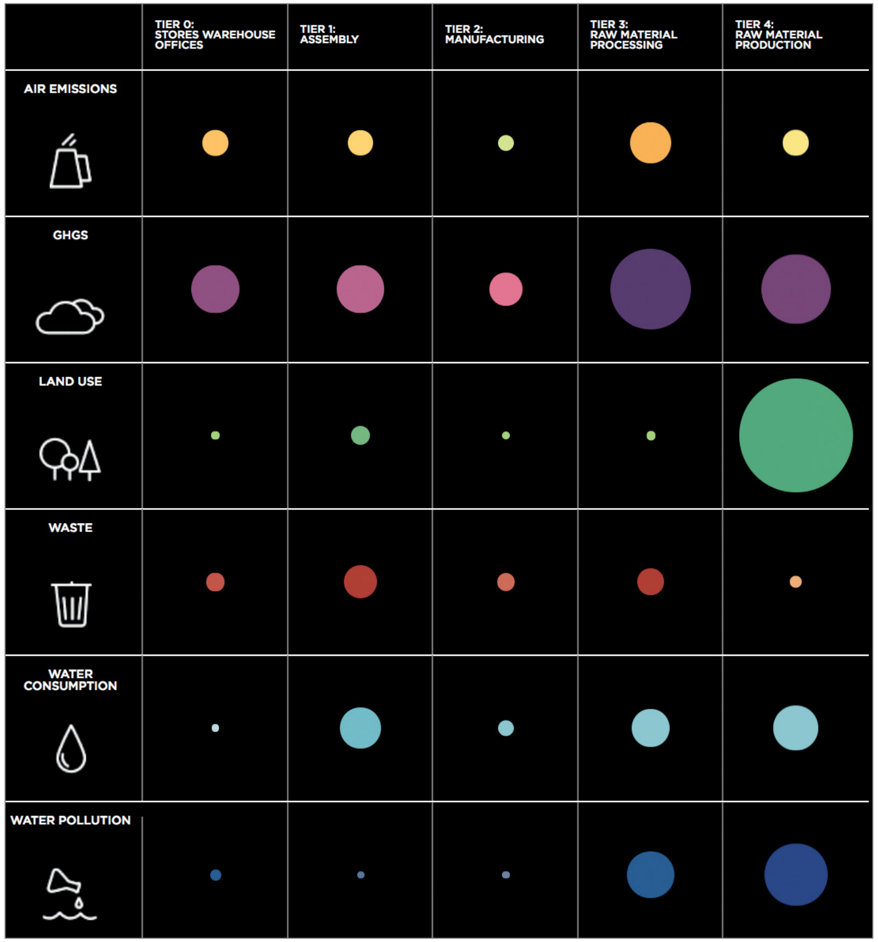
Expressing the scale of our environmental impact in monetary terms enabled us to consider them alongside conventional business costs. Ultimately, this helps us place sustainability at the core of our business decisions. Conducting an EP&L unlocked new insights into our business and supply chain – exposing potential risks and uncovering opportunities. Critically, the EP&L helped us discover potential efficiencies, innovations and improvements that we feel give us a real edge.

It also contributes to progress monitoring, materiality assessment, external benchmarking and improved understanding of interdependencies. The key for us was comparing the relative orders of magnitude of potential impacts, instead of being over-focused on individual numbers. It puts everything into better perspective.

How do you see this space evolving?

This field is only just beginning. Kering's EP&L methodology contributed to the Natural Capital Protocol, which is being adopted by dozens of companies. In open-sourcing our methodology, we hope to advance the inclusion and adoption of natural capital accounting into mainstream decision-making and corporate reporting. We think there will be more and more companies who will take this approach on a voluntary basis.

The recently passed EU NFI made it mandatory for public interest entities (PIEs) to disclose on certain pre-financial information such as social and environmental impact. We believe that, because of this and other developments, we may see a further evolution in terms of mandatory disclosures in this area, and we have already seen interest in certain countries such as the Netherlands, the United Kingdom and Japan.



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

- Describe the highest sustainability decision-making authority, how it fits into the wider corporate governance structure and clear reporting lines;
- Explain how sustainability is governed at a group and regional level where appropriate;
- Avoid boilerplate reporting by discussing the sustainability roles of board members and frequency of meetings, key topics discussed and key decisions made by the board; and
- Disclose if and how sustainability information is integrated into executive remuneration.

Methodology notes

- We placed more emphasis on disclosure around the frequency of meetings, key sustainability topics discussed and key sustainability decisions made this year.

Good practice

DSM

DSM provides a clear narrative on the Sustainability Governance Framework that is a responsibility of its Managing Board. It specifies the sustainability responsibilities of board members and discusses how often the Sustainability Committee meets, the topics they discuss and specific responsibilities they hold. It also discusses the remit of the External Sustainability Advisory Board and this narrative continues through the Sustainability Leadership Team and regional operational sustainability networks. They provide detailed information on how sustainability is integrated into executive remuneration.

Mondi

Mondi includes a concise graphical representation of the governance structure for sustainability issues, including reporting lines. It highlights various levels in which sustainable development issues are guided and monitored, including at executive level. Crucially, it provides narrative on key topics discussed by the board with outcomes, and how health and safety performance is integrated into senior management's bonus schemes.


Key sustainability topics discussed by the Boards

WBCSD's work: Governance & Internal Oversight project

Governance & Internal Oversight is a new project in our Redefining Value's Business Decision-Making Program Area. It seeks to address the role of the board through the lens of long-term value creation, and to drive integration of material sustainability risks and opportunities as part of the governance process.

The outputs of the project will be:

- A review of the existing governance landscape;
- Research to understand why some boards are integrating sustainability issues into their mainstream governance and others are not; and
- A toolkit of training materials to enable boards to modernize the approach to governance to better reflect the challenges facing businesses today.

Learn more here.

Detailed findings

Content: Strategy

Strategic approaches to sustainability clearly articulate how an organization addresses the full range of material ESG risk and opportunities. It should have clear links to the overall vision and mission of the company and support the delivery of sustainable outcomes through clear 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; and
- Describe how the strategy will be executed via action plans, objectives and integration into business functions.

Methodology notes

- There were no substantial changes to the criteria this year.

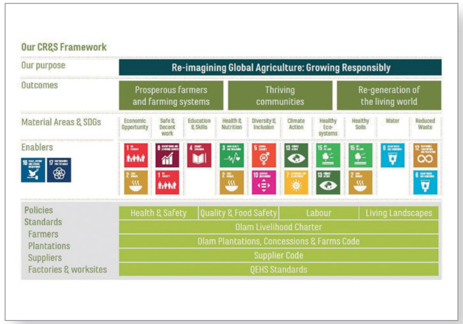
Good practice

CRH

CRH provides a business case for its sustainability agenda that is focused on competitive advantage, managing risk, attracting talent and long-term value creation. Conducting business responsibly and sustainably is one of the cornerstones of the broader business strategy. They detail how sustainability principles are embedded in all areas of business strategy by highlighting a sustainability framework based on policy aims that are fully embedded into key board priorities.

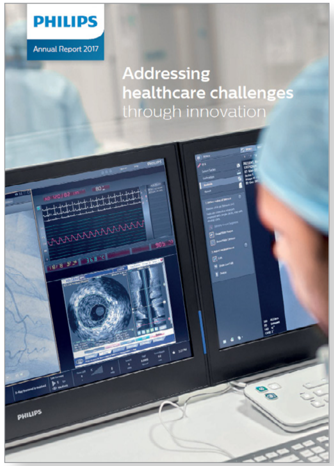
Olam International Ltd

Olam features sustainability as one of six group-wide priorities in its refreshed corporate strategy. Their report details the rationale for this commitment and provides a business case for the sustainability agenda. The refreshed Corporate Responsibility & Sustainability (CR&S) Framework has three pillars (outcomes). Material areas, SDGs and policies and standards are clearly outlined to demonstrate strategic direction for each pillar. Sustainability is framed as a long-term value driver throughout the report to demonstrate how sustainability is tied to financial success and value creation.



Royal Philips

Philips published its five-year "Healthy people, sustainable planet" program with updated sustainability commitments divided into three pillars. The program has a clear mission and approach that considers both social and environmental topics. Philips presents extensive evidence of how sustainability is embedded in core business processes. The strategy is tied to financial performance through its Environmental Profit & Loss statement and circular economy work.



Detailed findings

Content: Implementation & controls

Systems, controls and processes should be in place across an organization to manage and monitor material issues. They 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 material issues;
- Discuss data collection processes, including internal controls; and
- Explain how your organization engages with employees, suppliers and customers to address direct and indirect material impacts along the value chain.

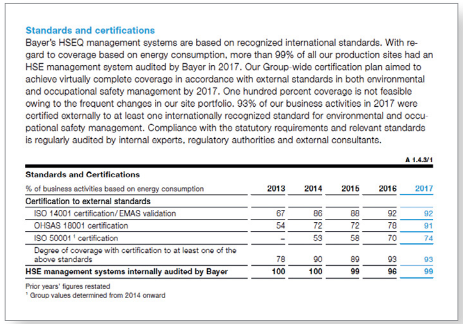
Methodology notes

- We renamed this indicator (2013–2017: **Management approach**) to avoid confusion with GRI's concept of Management Approach; and
- We clarified that internal controls and audit should be considered.

Good practice

Bayer

Bayer provides a direct link to a range of Group regulations and policies that guide efforts internally. It also highlights a number of external certification schemes that are used to manage and control health, safety, environmental and quality issues tied to material topics. In terms of engagement with stakeholders, they discuss mechanisms to verify the observance of code requirements by suppliers through online assessments and site audits by third-party auditors and various means of engagement with employees.



Standards and certifications

Bayer's HSEQ management systems are based on recognized international standards. With regard to coverage based on energy consumption, more than 99% of all our production sites had an HSE management system audited by Bayer in 2017. Our Group-wide certification plan aimed to achieve virtually complete coverage in accordance with external standards in both environmental and occupational safety management by 2017. One hundred percent coverage is not feasible owing to the frequent changes in our site portfolio. 93% of our business activities in 2017 were certified externally to at least one internationally recognized standard for environmental and occupational safety management. Compliance with the statutory requirements and relevant standards is regularly audited by internal experts, regulatory authorities and external consultants.

A 1.4.3/1

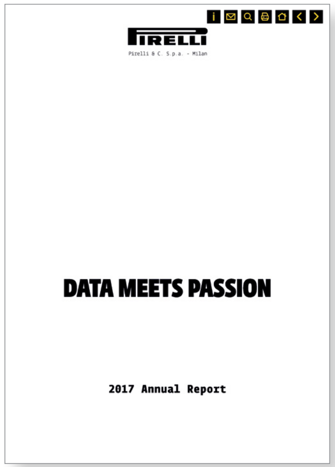
Standards and Certifications

% of business activities based on energy consumption	2013	2014	2015	2016	2017
Certification to external standards					
ISO 14001 certification/ EMAS validation	67	86	88	92	92
OHSAS 18001 certification	54	72	72	78	91
ISO 50001 [1] certification	–	53	58	70	74
Degree of coverage with certification to at least one of the above standards	78	90	89	93	93
HSE management systems internally audited by Bayer	**100**	**100**	**99**	**96**	**99**

Prior years' figures restated
[1] Group values determined from 2014 onward

Pirelli

Pirelli features a list of Group policies that tie directly into its Sustainable Management Model. The contents of policies and implementation methods are integrated into sections of the report that deal with material issues. External certification schemes are referenced where appropriate to complete the narrative. They also excel at highlighting how they engage with the full value chain – including suppliers, employees and customers – using a variety of policies and processes such as training and consultation sessions.



TOTAL

TOTAL clearly discloses its internal systems and frameworks as well as external certifications and audits to manage direct material sustainability issues and impacts along its value chain. Its report features an appropriate description of internal control mechanisms and reporting scope and methods that add to the sense of reliability of reporting data and contents. Evidence of training and capacity building with a range of stakeholders demonstrates its commitment to sustainability issues.

Detailed findings

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. They are increasingly combined with more aspirational and long-term stretch targets.

Key recommendations

- Develop a range of short-, medium- and long-term targets for all material issues with clear baselines, where appropriate;
- Ensure the targets are SMART (specific, measurable, achievable, realistic and time-bound);
- Include targets that go beyond direct operations and consider upstream and downstream activities; and
- Clearly disclose progress against targets and accompany them with narrative on future plans to meet targets.

Methodology notes

- We highlighted the need for baselines for certain types of targets; and
- While not a requirement, we consider science-based targets good practice and are considering if and how to formally integrate them into our framework in the future.

Good practice

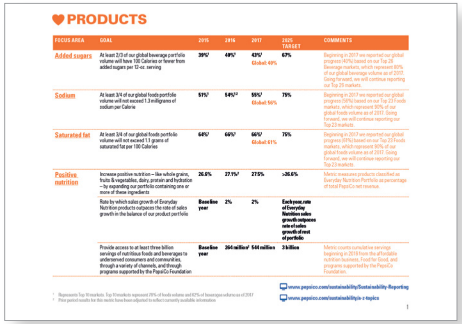
ITC Limited

ITC features a mix of short-, medium- and long-term targets for material issues. Targets relate to upstream and downstream considerations and progress against targets over time is disclosed through graphics. Its report clearly aligns the outcomes of the materiality assessment with targets. This helps readers understand how various elements are linked to each other and demonstrates that the most material issues are being dealt with strategically.


Enduring Value
ITC SUSTAINABILITY REPORT 2018
ITC LIMITED
GRI STANDARDS: IN ACCORDANCE - COMPREHENSIVE

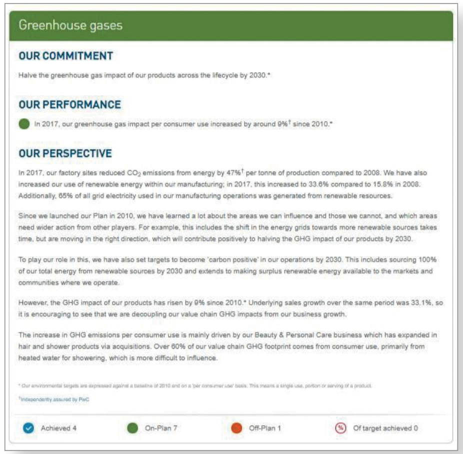
PepsiCo

PepsiCo highlights specific, measurable, achievable, relevant and time-bound (SMART) targets for most of its highly material topics. Targets go beyond direct operations to consider upstream and downstream impacts, and are organized into the three pillars of its "Performance with Purpose" strategy. The performance metrics addendum directly ties targets to KPIs, shows three years of progress alongside 2025 targets and provides commentary on trends. Where appropriate, baseline years are highlighted.


PRODUCTS

Unilever

Unilever sets a variety of interim and long-term targets that are clearly aligned with material issues and easily accessible in its report. The report landing page highlights targets in the context of the three pillars of Unilever's sustainability strategy. Targets are also included in topic-specific content pages with supporting narrative on progress and challenges during the reporting period. Each target has a clear baseline (where appropriate) and clearly demonstrates the level of achievement through progress icons. Science-based greenhouse gas (GHG) targets link performance and commitments to the two-degree global warming scenario.


Greenhouse gases
OUR COMMITMENT
OUR PERFORMANCE
OUR PERSPECTIVE

Detailed findings

Content: Performance

It's important to develop and report specific and measurable key performance indicators for all material issues to increase comparability and provide accountability. Combining quantitative metrics with narrative helps add context to performance trends so that they can be monitored and corrective actions taken when required.

Key recommendations

- Disclose KPIs for all material issues with a range of indicators (input, output, process, outcome, context);
- Present data and metrics in a graphical way;
- Accompany the data with clear narrative on performance trends, including areas of poor performance;
- Include a breakdown of data by region or division where appropriate; and
- Distinguish between key indicators and data, and present data over an appropriate timeframe to disclose trends (typically three years).

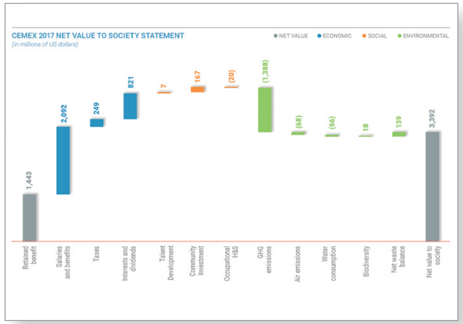
Methodology notes

- We continued our push for members to use a variety of indicator types and we are considering requiring context-based indicators (particularly where climate change is material) in coming years for top marks.

Good practice

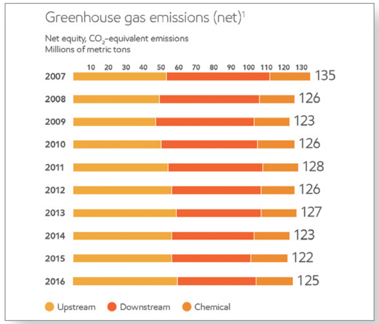
CEMEX

CEMEX highlights clear sustainability KPIs for all material issues and includes an overview of progress towards its targets. Their Net Value to Society Statement showing the monetization of the major economic, social and environmental externalities and impacts across all its operations was published for the first time in its 2017 Integrated Report. The tool consolidates positive and negative impacts, proving its suitability for managing sustainability in a holistic way while also providing key information for decision-making and risk management.



ExxonMobil

ExxonMobil includes KPIs for each material issue. Typically, 10 years of data is broken down into various segments of the value chain. For key material issues, this data is presented in a visually pleasing format in the body of the text and accompanied with robust narrative of performance trends. For other material issues, data is presented at the end of the report in traditional tables with page number references where appropriate. A range of indicator types are used to provide a holistic view.



WBCSD's work: Measurement & Valuation

To make better decisions, business needs reliable, relevant and fit-for-purpose data on natural, social and human capital, alongside financial information. To accelerate progress on this front, WBCSD led the development of the Natural Capital Protocol (2016) on behalf of the Natural Capital Coalition, as well as the draft Social & Human Capital Protocol (2018) for the Social & Human Capital Coalition. These protocols provide frameworks for business to measure and value non-financial impacts and dependencies to help manage risks and leverage opportunities that may not be visible using traditional business processes.

Learn more here.

WBCSD's work: Integrated Performance Management

Integrated Performance Management is a new project that seeks to explore how performance is managed today, outline development challenges and opportunities, and support the integration of natural, social and human capital within mainstream performance management processes and practices (e.g., planning, strategy, budgeting, evaluation & appraisal, etc.). Our goal is to develop a framework and associated guidance and tools to support the development and implementation of multi-capital integrated performance management.

Learn more here.

Detailed findings

Content: Strategic partnerships & collaborations

Strategic partnerships and collaborations can help 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 and industry groups that clearly advance your sustainability agenda as defined by your materiality assessment, strategy and goals;
- Disclose how these partnerships are relevant by tying them to material issues or core business;
- Describe your role alongside the objectives and outcomes of partnerships for key collaborations; and
- If certain partnerships are given more attention or detail, clarify why.

Methodology notes

- We clarified that additional information (the organization's role, objectives, outcomes) is expected for a handful of key activities as opposed to all partnerships.

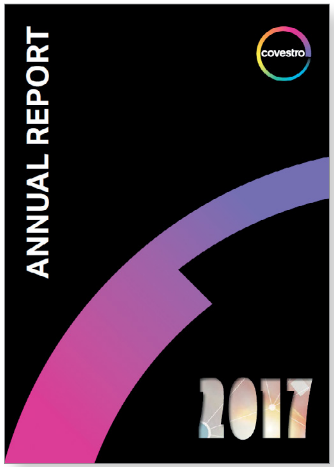
Good practice

AkzoNobel

AkzoNobel highlights key partnerships using case studies. These case studies highlight the role of AkzoNobel, the objectives of the partnership and why it is relevant for the sustainability strategy. The approach enables them to strengthen evidence of activities, keep the report more concise and highlight the most important initiatives. AkzoNobel complements the major case studies with information on additional partnerships focused on key material issues to present a more complete picture.

Covestro

Covestro features a "Partners" section in their GRI Supplementary Report that highlights the associations and scientific institutions it works with. Its Annual Report also features several examples of partnerships and collaborations with government bodies, cross-industry groups and NGOs. Examples generally discuss the objectives of the partnership and Covestro's role, ensuring partnerships are strategic because they focus on material issues or core business.



Danone

Danone features pertinent and diverse partnerships that relate to each pillar of its sustainability strategy throughout its Integrated Annual Report. Its role in each partnership is highlighted using testimonies of partners to provide an external perspective. The strategic intent of each partnership and how it relates to key issues for Danone is consistently clear because of how the report is structured.

Detailed findings

Content: Evidence of activities

Evidence of activities involves reporting on sustainability activities that occurred during the reporting period and providing progress updates on ongoing initiatives. Often expressed as outcome-driven case studies, it can help link management approaches to actions and performance and can help substantiate statements and claims.

Key recommendations

- Provide relevant examples of sustainability-related activities that advance the strategy and are tied to material issues;
- Provide historical context for these activities and programs where appropriate; and
- Develop strategic, outcome-based case studies that are balanced in tone for material issues.

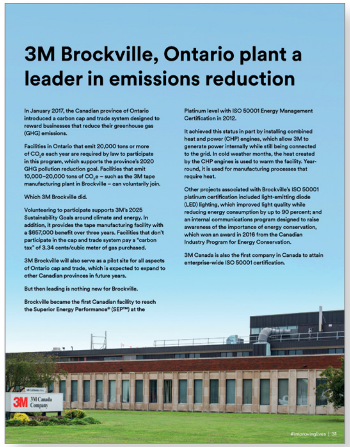
Methodology notes

- There were no substantial changes to the criteria in 2018.

Good practice

3M

3M provides consistent evidence to demonstrate how it has addressed material issues throughout the reporting period. It uses strategic, outcome-driven case studies with historical context to help drive the narrative. Case studies tie to their #improvinglives messaging on purpose, provided at the beginning of the report, which enhances story and messaging and brings a sense of cohesion to the wide range of issues covered in the report.



3M Brockville, Ontario plant a leader in emissions reduction

In January 2017, the Canadian province of Ontario introduced a carbon cap and trade system designed to reward businesses that reduce their greenhouse gas (GHG) emissions.

Facilities in Ontario that emit 20,000 tons or more of CO_2e each year are required by law to participate in this program, which supports the province's 2020 GHG pollution reduction goal. Facilities that emit 10,000–20,000 tons of CO_2e – such as the 3M tape manufacturing plant in Brockville – can voluntarily join.

Which 3M Brockville did.

Volunteering to participate supports 3M's 2025 Sustainability Goals around climate and energy. In addition, it provides the tape manufacturing facility with a $657,000 benefit over three years. Facilities that don't participate in the cap and trade system pay a "carbon tax" of 3.34 cents/cubic meter of gas purchased.

3M Brockville will also serve as a pilot site for all aspects of Ontario cap and trade, which is expected to expand to other Canadian provinces in future years.

But then leading is nothing new for Brockville.

Brockville became the first Canadian facility to reach the Superior Energy Performance® (SEP™) at the Platinum level with ISO 50001 Energy Management Certification in 2012.

It achieved this status in part by installing combined heat and power (CHP) engines, which allow 3M to generate power internally while still being connected to the grid. In cold weather months, the heat created by the CHP engines is used to warm the facility. Year-round, it is used for manufacturing processes that require heat.

Other projects associated with Brockville's ISO 50001 platinum certification included light-emitting diode (LED) lighting, which improved light quality while reducing energy consumption by up to 90 percent; and an internal communications program designed to raise awareness of the importance of energy conservation, which won an award in 2016 from the Canadian Industry Program for Energy Conservation.

3M Canada is also the first company in Canada to attain enterprise-wide ISO 50001 certification.

ABB

ABB features case studies that are directly tied to the SDGs and most of its highly material issues. For issues not covered by case studies, clear evidence is provided to demonstrate the activities ABB conducts to address material issues. Case studies are expandable boxes on the online version of the report and interactive features in the PDF. This allows for a clean design at first glance, with more detailed information at the click of a button.

CASE STUDY

ABB boosts renewables and power reliability at its own facilities

In 2017, ABB completed the installation of a solar-diesel microgrid at its Longmeadow facility in Johannesburg, South Africa. This innovative solution has fully grid-connected and off-grid functionalities, designed to maximize the use of renewable energy and ensure an uninterrupted power supply to keep the lights on and the factories running during any planned or unplanned power outage on the main grid.

South Africa has the highest electricity consumption in sub-Saharan Africa, and demand continues to outpace supply. Power shortages, fossil-fuel price volatility, environmental concerns and increased reliance on renewable energy sources like wind and solar are driving the need for sustainable solutions. Many other emerging economies around the world face similar challenges.

The installation in Johannesburg uses the compact and versatile PowerStore™ battery-based grid stabilizing system to address frequency and voltage fluctuations. It also includes a Microgrid Plus distributed control system to manage the power supply, balancing fossil-fuel and renewable energy sources in accordance with loads to ensure access to utility-grade power. Meanwhile, ABB Ability provides the site with automated, data-driven services to support and maintain the microgrid. These solutions provide continuity of supply during disruptions or transitions from grid to islanded operation.

Monsanto*

Monsanto breaks down material issues into three focus areas. For each material issues, it provides strong evidence of activities it engages in to further the sustainability agenda. For each focus area, it includes a range of case studies presented in a graphically compelling way. Many of these case studies include reference to historical context and are used to highlight strategic partnerships and collaborations. They are typically incorporated into graphical features, such as highlight boxes, to make them stand out from the main text.

* Monsanto Company published its report prior to being acquired by Bayer AG

Detailed findings

Radley Yeldar discuss their perspective on audience needs

We overhauled the **Experience** criteria last year to help companies balance the various needs of specialist and generalist audiences. We sat down with Ashleigh Gay, Senior Sustainability Consultant at Radley Yeldar, to discuss the importance of "experience" in reporting.

It's been a year since the **Experience** criteria was revised. How have things unfolded since?

When we introduced the change to the **Experience** criteria, we did it to help companies better serve the needs of the growing range of audiences that demand different types of sustainability-related information, in different ways.

Over the last 12 months, the need for robust reporting that also engages the audience has only become more prevalent.

We've seen a marked increase in the number of organizations looking for help to connect with generalist audiences on specific issues, such as with consumers on plastic, both in their reporting and broader communications. At the other end of the spectrum, we've seen the Electronic Single Format Authority announce mandatory electronic filing to improve the accessibility and comparability of reporting.

When it comes to sustainability communications, meeting the needs of generalist and specialist audiences is here to stay. But the truth is, only a handful of companies are successful at getting the balance right.

Only a few companies score top marks when it comes to **Story & messaging**. Why is it important?

Sustainability is an abstract concept, so it's little wonder that companies struggle to tell their sustainability story. At the end of the day, organizations put a lot of time and effort into developing their reports, so when used as a strategic communications tool, sustainability reports should be memorable (for the right reasons), interesting and be connected to interesting and relevant to key audiences.

Organizations that do this well have thought about the sum of the parts and tell a story that extends beyond each of the discrete sections.

They have clarity on why they report, and what they want their audiences to know, feel and do as a result. They know a tagline thrown together at the end of the process isn't enough.

We work with our clients to help develop a compelling idea or theme, and to evidence this throughout the report – from the front cover to the supporting narrative and the case studies. The aim is to tell a non-generic, inspiring story that sits above robust disclosure. In our experience, the key to success is bringing marketing and brand teams into the conversation at the outset.

One of the indicators looks at **Compelling design** – what does this really mean?

Design is naturally subjective, but the principles of good design are not. The design should work at a functional level to guide the reader. Truly compelling design will go further, helping to tell an overarching story, drawing the reader in and, like all other communications, acting as an extension of the brand.

Take a look outside the world of reporting for inspiration (I've been known to "borrow" in-flight magazines for our creative briefing sessions). We're big fans of companies that take an editorial approach to design and, when you read as many sustainability reports as we do, they're the ones that really stick out.

With the growth in online reporting formats, page count is less of an issue. Use bold imagery and text to get your point across, and make sure to signpost to the detail for your specialist audiences. Remember, very few people will read your report from beginning to end, so be sure to use a range of design elements. Consider photography, infographics, heading hierarchies, white space and typeface for starters.

Detailed findings

Radley Yeldar discuss their perspective on audience needs continued

What are some of the pitfalls companies should avoid?

Our research on The New Visual Language for Sustainability found that 19 out of 20 of the world's leading brands use some form of visual sustainability cliché in their communications.

We've all seen them and probably used them. Trees, globes, water droplets (just google image search "sustainability" and you'll know what we mean).

The default is to use "stock sustainability", because sustainability is an abstract concept and it's hard to show visually. It probably won't surprise you that we think the biggest culprit of all is sustainability reports. But it might surprise you to know that seven out of 10 of the world's leading brands have used images of wind turbines to communicate sustainability, when they weren't even talking about renewable energy.

As part of our research, we developed some principles to break away from "stock sustainability". My personal favorites are avoiding the "eco-friendly" look and feel and ensuring brand guidelines are applied to sustainability communications the same way that they are in all other communications.

Check out the full list of principles for getting the visual language of sustainability on our website.

What role does online reporting have in the future of reporting?

We are firm believers in having "one source of the truth" for sustainability information that's useful, searchable and engaging – whether that's an interactive PDF or a full-blown online report.

But online reporting is about more than copying text and diagrams from a sustainability report and putting it on a website. It's about using your digital presence to better connect with audiences, especially generalists, through things like video and interactive elements. It's about leveraging all the hard work organizations put in to collecting content by repurposing assets for social channels, all year round. And, it's about learning from analytics data on what works and what doesn't.

We work with our clients to take an ecosystems approach to reporting whereby online content is one part of the solution and might sit alongside other mediums such as print, which could still be appropriate for some audiences.

Want to chat further?

E-mail us at hello@ry.com

Ashleigh Gay
Senior Sustainability Consultant,
Radley Yeldar

Detailed findings

Experience: Accessibility

Accessibility relates to the availability of sustainability information, its suitability for difference audiences, and how easily the content can be found. Increasingly, sustainability content is made available across a number of different communication channels, such as 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 to suit different stakeholder groups; and
- Ensure that the GRI Index is easily accessible in the report, or with clear links to where to find it online where appropriate, and use active links to make specific information easy to find.

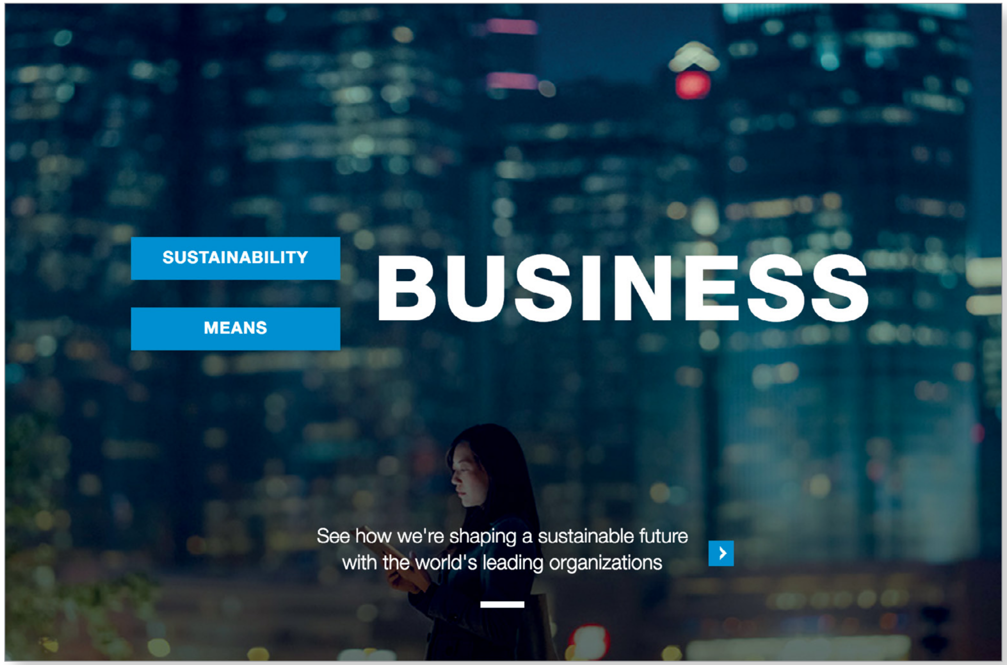
Methodology notes

- We clarified the range of formats that should be considered for this indicator; and
- We placed increased emphasis on GRI indices where applicable, resulting in score realignment for some members from 2017.

Good practice

ERM

ERM's reporting includes an easy-to-find online report, supported by a full PDF for download. Both the online report and PDF include video content, making it easy for a broader range of audiences to engage with the content. The online report is easy to use and it is evident that content has been tailored with the end user in mind.



Detailed findings

Experience: Story & messaging

Telling a compelling and credible story across sustainability communications helps to bring content to life. It also ensures sustainability information is connected, relevant and that it reflects the organization's unique personality.

Key recommendations

- Develop a clear, inspiring and company-specific message to drive the narrative of the report;
- Frame content to support and reaffirm this overarching message throughout the report;
- Showcase relevant, compelling and meaningful case studies to support the message and narrative; and
- Use an engaging, interesting and readable tone of voice.

Methodology notes

- We reassessed and clarified some of the definitions and concepts in the underlying criteria, resulting in score realignment for some members from this indicator's debut in 2017.

Good practice

HEINEKEN

HEINEKEN's Brewing a Better World approach is instantly identifiable as a unique and inspirational idea from which its sustainability strategy stems, going beyond what it does to the potential of impact of its work. The overarching theme is explicitly referenced in the report and beyond, and bought to life with a design approach that reflects HEINEKEN's longer-term sustainability strategy and partnerships.


Our impact on society:
From Barley to Bar
Our ambition is to Brew a Better World across the entire value chain, from Barley to Bar. This shapes our contribution to delivering the UN Sustainable Development Goals which aim to end global poverty, protect the planet and ensure prosperity.
UN Sustainable Development Goals
1 Employees
2 Agriculture
3 Brewing
4 Packaging
5 Distribution
6 Communities
7 Customers
8 Consumers

Detailed findings

Experience: Navigation & flow

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

Key recommendations

- Develop a clear line of sight throughout the report by using consistent wireframes and clear content groupings;
- Group content appropriately 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 reassessed and clarified some of the definitions and concepts in the underlying criteria, resulting in score realignment for some members from 2017.

Good practice

The Procter & Gamble Company

Procter & Gamble includes simple navigation tools such as interactive links, clear signposting and a horizontal navigation panel that help ensure the reader can navigate its 130-plus-page report with ease. For a document of any size, it's important for the report to be easy to navigate and to unfold in a logical order, but especially when the report is as comprehensive as Procter & Gamble's.

Experience: Compelling design

Great design serves two primary functions: bringing the content to life in an engaging way and creating an excellent user experience by ensuring information can be understood quickly and easily.

Key recommendations

- Use design elements such as color, typography, graphics, illustrations, diagrams and white space to enhance the content of your report;
- Ensure that design elements are aligned to content, messaging and corporate branding; and
- Make sure imagery is appropriate and reflects the nature of the organization and concepts being discussed.

Methodology notes

- We reassessed and clarified some of the definitions and concepts in the underlying criteria, resulting in score realignment for some members from 2017.

Good practice

Ford Motor Company

Ford's latest sustainability report is designed through a different lens. Ford has created an online reporting experience that feels more like a website than a traditional report, with each key issue covered in the style of an article supported by video content, interviews and data. The approach demonstrates Ford's continued commitment to sustainability and value in engaging a wide range of stakeholders.

Appendix

In this section

Appendix

What we did in 2018

1 Criteria updates

- We updated the names of three indicators based on stakeholder feedback:
  - **Reliability** was changed to **External assurance** to avoid confusion with the GRI principle of reliability;
  - **Governance & accountability** was changed to **Sustainability governance** to clarify that we are looking at how companies integrate sustainability considerations into their corporate governance structures; and
  - **Management approach** was changed to **Implementation & controls** to avoid confusion with the GRI concept of management approach.
- We continued to align points of emphasis in our criteria, based on what we have learned from prior years. Specific examples are included in the Methodology notes boxes throughout the text.
- We introduced an SDG indicator to scoring dashboards. This indicator does not contribute to Overall scores.

2 Research

- We reached out to our members, asking them for their fullest source of sustainability information.
- In total, we systematically reviewed 158 sustainability, combined and self-declared integrated reports against our framework.
- Every review was subject to a quality assurance process to ensure completeness, objectivity, fairness and consistency.

3 Analysis

- The review of all reports was carried out between April and August 2018, after which a thorough analysis was undertaken to identify trends.
- Along the way, we identified companies that demonstrate good practice for each indicator to highlight in this year's publication.
- When considering good practice examples, we try to avoid repeating features from prior publications, or featuring members more than once each year and placing too much emphasis on a single industry or region.

4 Launch

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

5 Engagement

- We supplement the publication by sending confidential, personalized scoring dashboards containing scores, analysis, and regional and supersector comparison data to all WBCSD Liaison Delegates and Council Members.
- We also offer individual feedback sessions from July through November via teleconference and in person at our annual Council Meeting to explain the underlying criteria and offer targeted feedback for members.
- Finally, we occasionally share anonymous aggregated data with partner organizations to facilitate the development of white papers, research and policy development.

Global Network partners

We continue to work with our WBCSD Global Network partners to scale up the use of our framework. This year, Global Network partners were once again trained on the criteria and review process. We're pleased to highlight the efforts of several partners in this section.

Australia

Established in 1991, Sustainable Business Australia (SBA) has been a WBCSD Global Network member since 2014. It has championed the Australian Corporate Sustainability Roundtable on corporate reporting standards under the Australian Securities Exchange (ASX) Corporate Reporting Guidelines since 2012. In 2018 SBA provided guidance to the ASX, drawing on data and national and regional reporting performance insights from the *Reporting Exchange* paper: *Sustainability reporting in Australia: jumping into the mainstream*.

SBA members began using the *Reporting matters* framework because it enables the preparation of concise and informative sustainability reports and the sharing of results through a range of engagement methods. This process creates insights and reinforces the value of a company's sustainability agenda, which is vital to their short, medium and long-term success.

During FY18, SBA assessed sustainability reports from 19 of its members using the Reporting matters framework. In FY19, SBA staff will again work with Zoic Environmental to analyze additional Australian listed and non-listed company and public sector reports. SBA's first insight analysis on these reports is due to be published in March 2019.

To learn more about SBA, please visit sba.asn.au.

China

Established in 2003, the China Business Council for Sustainable Development (CBCSD) is a coalition of leading Chinese and foreign enterprises registered and operating in China. It provides a platform for sharing and cooperation among Chinese and foreign enterprises, government and social communities and promotes the sharing of information, experience and best practices on various topics to help drive the sustainable development agenda in China.

CBCSD began to collaborate with the WBCSD on Reporting matters in April 2018 with the aim to better understand the reporting practices of leading global companies and keep up with the latest research findings, while supporting Chinese companies to benchmark against international reporting standards and improve reporting quality.

In its first year, CBCSD aims to evaluate 30-40 corporate sustainability reports (including CSR, ESG, or integrated reports), beginning with CBCSD board and member companies and expanding to include other leading Chinese companies or subsidiaries of multinationals in China.

To learn more about CBCSD, please visit english.cbcsd.org.cn.

Turkey

The Business Council for Sustainable Development (BCSD) Turkey was established and became a WBCSD Global Network member in 2004. Over the past 14 years, it has worked closely with WBCSD to deepen its local work on sustainability.

In 2017, BCSD Turkey launched Reporting matters in Turkey with the aim of increasing the quality and effectiveness of non-financial reporting, thus contributing to the level of standardization and transparency among Turkish companies. *Reporting Matters Turkey 2017* Report found that the proportion of externally assured reports is 35% in Turkey, while the overall WBCSD figure is 73%. This was the largest difference between populations. Over three quarters (78%) of reports included a strong governance structure for sustainability and almost all companies listed their key stakeholders and engagement methods, but setting long term goals, reporting performance and maintaining a balanced narrative are areas for improvement.

For the second year of the project, BCSD Turkey has started analyzing and providing feedback for 24 reports with a team of six consisting of three BCSD Turkey specialists and three PwC consultants. The next report is due to be published in March 2019.

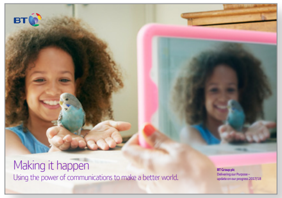
To learn more about BCSD Turkey, please visit www.skdturkiye.org/en.

Top performers

The following 11 companies, listed in alphabetical order, represent the top ten **Overall** scores this year (there was a tie for the tenth spot).

AkzoNobel N.V.

BT Group plc



DSM N.V.

Heineken N.V.

Mondi Group

Nestlé S.A.

Rabobank Group

Solvay S.A.

Stora Enso Oyj

Unilever

Votorantim Cimentos

Appendix

List of reports reviewed

The following 158 companies were included in the scope of our 2018 review cycle. These companies are broken down into supersector and region at the end of our detailed project overview.

3M
ABB Ltd.
Abbott Laboratories
Accenture Plc
Acciona S.A.
Acer Group
AkzoNobel N.V.
Apple Inc.
Arcadis
ArcelorMittal S.A.
Archer Daniels Midland Company (ADM)
Baker & McKenzie
Barry Callebaut
BASF SE
Bayer A.G.
Bloomberg LP
BMW AG
Borealis AG
BP International
Bridgestone Corporation
Brisa Auto-Estradas de Portugal S.A.
BT
Canon Inc.
Cargill Incorporated
CEMEX
China National Petroleum Corporation (CNPC)
China Petrochemical & Chemical Corporation (Sinopec)
CLP Group
COFCO
Continental AG
Cooper Tire & Rubber Company
Covestro
CPFL Energia
CRH plc
Daimler AG
Danone Group
Deloitte Touche Tohmatsu Limited
DENSO Corporation
Diageo plc.
DNV GL
DSM N.V.
E.I. du Pont de Nemours and Company (DuPont)
Eastman Chemical Company
Eaton Corporation
EDF Group
EDP – Energias de Portugal S.A.
Empresas CMPC S.A.
Enel
Eni S.p.A
Environmental Resources Management Limited (ERM)
Equinor
Ernst & Young (EY US)
Eskom Holdings Limited
Evonik Industries AG
ExxonMobil
F. Hoffmann-La Roche AG
Ferrero SpA
Ford Motor Company
Givaudan International SA
Godrej Group
Greif Inc.
Grupo Argos
GS Caltex Corporation
Havas Group
HeidelbergCement AG
Heineken N.V.
Henkel AG & Co. KGaA
Honda Motor Co. Ltd.
Iberdrola SA
Infosys Limited
INGKA Holding B.V. (IKEA)
innogy SE
InterCement
International Flavors & Fragrances Inc.
International Paper Company
ITC Limited
Jain Irrigation Systems Ltd
JPMorgan Chase & Co.
Kellogg Company (Kellogg's)
Kering

Appendix

List of reports reviewed continued

The following 158 companies were included in the scope of our 2018 review cycle. These companies are broken down into supersector and region at the end of our detailed project overview.

Komatsu Ltd
KONE Oyj
KPMG
LafargeHolcim
LeasePlan Corporation
Mahindra & Mahindra Limited
Michelin
Microsoft Corporation
Mitsubishi Chemical Holdings Corporation
Mitsubishi Heavy Industries, Ltd
Mitsubishi Motors
Mondi Group
Monsanto Company
Natura & Co.
Nestlé S.A.
Nissan Motor Co. Ltd
Norsk Hydro ASA
Novartis
Novozymes A/S
Olam International Ltd.
PepsiCo Inc.
Philip Morris Int'l SA
Pirelli & C. S.p.A.
PTT Public Company Limited
PwC (UK)
Rabobank Group
Randstad Holding NV
Reliance Industries Limited
Royal Dutch Shell plc.
Royal FrieslandCampina
Royal Philips N.V.
Saint-Gobain
Santander Group
Saudi Basic Industries Corp. (SABIC)
SCG Group
Schneider Electric
SGS S.A.
Sigma alimentos
Sika Group
Sims Metal Management
Skanska Ab
Smurfit Kappa Group
Solvay S.A.
Sompo Japan Nipponkoa Insurance Inc.
Sonae SGPS SA
State Grid Corporation of China
State Power Investment Corporation (SPIC)
Stora Enso Oyj
Suez
Sumitomo Chemical Company Ltd.
Sumitomo Rubber Industries Ltd.
Sweco Sweden AB
Symrise AG
Syngenta International AG
Taiheiyo Cement Corporation
Tata Steel
The Dow Chemical Company
The Goodyear Tire & Rubber Company
The Navigator Company
The Procter & Gamble Company
The Yokohama Rubber Co. Ltd.
Titan Cement Group
Toshiba Corporation
TOTAL
Toyo Tire & Rubber Co. Ltd.
Toyota Motor Corporation
Unilever
United Technologies Corporation
UPL Limited
UPS
Vale International S.A.
Veolia
Volkswagen AG
Votorantim Cimentos
Wal-Mart Stores Inc.
Whirlpool
Yara International ASA
Yokogawa Electric Corporation

Appendix

Resources

We hope these resources provide some interesting starting points for further research into the various concepts of sustainability reporting.

Reporting landscape

- The Reporting Exchange.
- Corporate Reporting Dialogue. Corporate Reporting Landscape Map. 2016.
- Global Reporting Initiative (GRI). GRI Standards. 2016.
- International Integrated Reporting Council (IIRC). International <IR> Framework. 2013.
- Organisation for Economic Co-operation and Development (OECD). OECD Guidelines for Multinational Enterprises. 2011.
- Sustainability Accounting Standards Board (SASB). SASB Conceptual Framework. 2017.
- Task Force on Climate-related Financial Disclosure (TCFD). Final Report: Recommendations of the TCFD. 2017.
- UN Global Compact (UNGC). The Ten Principles.
- UN Guiding Principles on Human Rights (UNGP). UN Guiding Principles Reporting Framework with Guidance. 2017.
- WBCSD External Disclosure Program Area.
- International Organization for Standardization. ISO 26000:2010. 2010.
- Climate Disclosure Standards Board (CDSB). CDSB Framework 2.1. 2018.

Sustainable Development Goals (SDGs)

- GRI, UNGC and WBCSD. SDG Compass. 2015.
- 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

- Corporate Reporting Dialogue. Statement of Common Principles of Materiality of the Corporate Reporting Dialogue. 2016.
- Eccles, R.G. and Youmans, T. Materiality in Corporate Governance: The Statement of Significant Audiences and Materiality. 2015.
- WBCSD Purpose-Driven Disclosure Project.

External environment

- Embedding Project. The Road to Context: Contextualising Your Strategy and Goals. 2015.
- GRI. Sustainability and Reporting Trends in 2025: Preparing for the Future. 2015.
- WBCSD. WBCSD's 2018 Outlook. 2018.
- World Economic Forum. Global Risks Report 2018. 2018.

External assurance

- Accountancy Europe and WBCSD. Responding to Assurance Needs on Non-Financial Information. 2018.
- GRI. The External Assurance of Sustainability Reporting. 2013.
- WBCSD. Assurance: Generating Value from External Assurance of Sustainability Reporting. 2016.
- WBCSD Assurance & Internal Controls Project.

Sustainability governance

- Ceres. View from the Top: How Corporate Boards Engage on Sustainability Performance. 2015.
- Clark, G.L., Feiner, A. and Viehs, M., 2015. From the Stockholder to the Stakeholder: How Sustainability Can Drive Financial Outperformance.
- Mahmood, Z., Kouser, R., Ali, W., Ahmad, Z. and Salman, T., 2018. Does Corporate Governance Affect Sustainability Disclosure? A Mixed Methods Study. Sustainability, 10(1), p.207.
- Serafeim, G., 2014. Turning a Profit While Doing Good: Aligning Sustainability with Corporate Performance. Center for Effective Public Management at Brookings, p.17.
- WBCSD. Sustainability and Enterprise Risk Management: The First Steps Toward Integration. 2017.
- WBCSD Enterprise Risk Management Project.
- WBCSD Governance & Internal Oversight Project.

Targets & commitments

- Science-Based Targets Initiative.
- RY. Sustainability Goal Setting Beyond 2020: How to Get it Right. 2018.

Performance

- WBCSD Integrated Performance Management Project.
- WBCSD Measurement & Valuation Project.

Experience criteria

- Embedding Project. Storytelling for Sustainability. 2016.
- RY. How to Design Sustainability that Sells: A New Visual Language for Sustainability. 2018.

Appendix

Acronyms

<IR>	International Integrated Reporting Framework
BHAG	Big Hairy Audacious Goal
CDSB	Climate Disclosure Standards Board
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CSR	Corporate Social Responsibility
DMA	Disclosure on management approach
EP&L	Environmental Profit & Loss
ERM	Enterprise risk management
ESG	Environmental, social and governance
EU	European Union
GHG	Greenhouse gas
GRI	Global Reporting Initiative
IAASB	International Auditing and Assurance Standards Board
IIRC	International Integrated Reporting Council
ISO	International Organization for Standardization
KPI	Key performance indicator
NGO	Non-governmental organization
OECD	Organisation for Economic Co-operation and Development
PIEs	Public interest entities
SASB	Sustainability Accounting Standards Board
SDGs	Sustainable Development Goals
SMART	Specific, measurable, achievable, relevant and time-bound
TCFD	Task Force on Climate-related Financial Disclosures
UN	United Nations
UNGC	United Nations Global Compact
UNGPs	United Nations Guiding Principles on Business and Human Rights
WBCSD	World Business Council for Sustainable Development

Appendix

Glossary

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

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

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

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

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 in order to allow the reader to understand the impacts and effects of the strategy. Case studies must be balanced and add value to the reader's understanding of the business's strategy.

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

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

Under-disclosure
Significant lack of information on the material issues identified.

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

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

Global Reporting Initiative (GRI)
GRI G4 Guidelines
Launched in April 2013, they replaced the letter-based G3 Guidelines levels with two "in accordance" levels ("core" and "comprehensive") and introduced a variety of new standard disclosures that place a greater focus on materiality and supply chain impacts, introduce new standard disclosures on governance, and add a requirement to describe the process used to define the boundary of impact for each material issue. They have since been replaced with the GRI Standards.

GRI Standards
Launched in October 2016, they 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 aspect, the organization discloses the generic disclosure on management approach (DMA) and at least one indicator.
- Comprehensive: For each identified material aspect, the organization discloses the generic DMA and all indicators related to the material aspect.

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

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

Human capital
Peoples' competencies, capabilities and experience, and their motivations to innovate.

Impacts
Direct
Impacts on the environment and society that result from business activities that are owned or controlled by the company.

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

Integrated report
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 International Integrated Reporting Council's <IR> Framework.

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

Natural capital
The world's stock of renewable and non-renewable natural resources (e.g., plants, animals, air, water, soils, minerals) that combine to make human life possible.

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

Appendix

Glossary continued

Material 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 under the Material key performance indicator (KPI) definition:

- 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 outcome
- Context indicators: e.g., relating to ecological boundaries/limits

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

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

Scope levels
Scope 1
All direct GHG emissions.

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

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

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

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

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

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

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

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

Appendix

Acknowledgments

WBCSD team

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RepRisk
Due diligence on ESG
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About the research partners

This project is a joint collaboration between WBCSD and Radley Yeldar

About the World Business Council for Sustainable Development (WBCSD)

WBCSD is a global, CEO-led organization of some 200 leading businesses working together to accelerate the transition to a sustainable world. We help make our member companies more successful and sustainable by focusing on the maximum positive impact for shareholders, the environment and societies.

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. WBCSD is uniquely positioned to work with member companies along and across value chains to deliver impactful business solutions to the most challenging sustainability issues.

www.wbcsd.org

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About Radley Yeldar

We're RY, an independent creative consultancy. We want to create a world that believes in business through our standout work. How? By combining strategic insight with creative flair, we get to the heart of the matter, and touch those they need to reach. We connect organisations to real people and help them to tell one story, clearly and simply, across all that they say and do.

Our 200-strong team of specialists has been working with multinationals, start-ups, private companies and public bodies for more than 30 years. As a family-owned business, we're better placed to take a long-term view. We want to be the best place to work where the best work gets done, determined to standout ourselves as the most inspirational agency to work with and for.

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