



Reporting matters

Striking a balance between disclosure and engagement
WBCSD 2017 Report



In partnership with

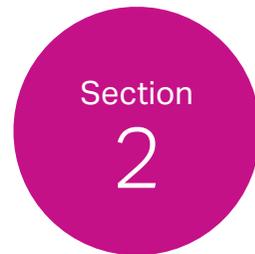


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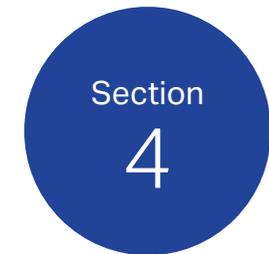
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Section
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Striking a balance between disclosure and engagement

This publication marks our fifth edition of *Reporting matters*. Our research has confirmed that many organizations find it challenging to meet the increasing number of disclosure requirements in a robust manner. At the same time, they are expected to engage with a greater variety of stakeholders in a meaningful way.

Therefore, the theme of this report looks at striking the right balance between disclosure and engagement, to help our members make the most of their reporting process and the significant investment it requires. We explore technical disclosure issues including the new Task Force on Climate-related Financial Disclosures (TCFD) recommendations, our forthcoming collaboration with COSO on risk management, the expanding universe of disclosure requirements and updates on the status of human rights and Sustainable Development Goals (SDGs) reporting. And through our revamped **Experience** criteria, we also look at how companies can create compelling content for a variety of stakeholders. This is particularly relevant as technology continues to advance, opening up new opportunities to communicate sustainability related information.



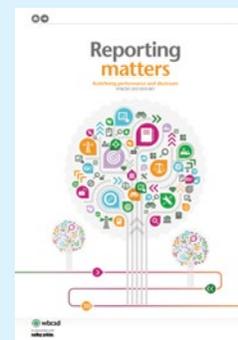
2013

Our inaugural publication introduced the project and focused on improving the effectiveness of reporting.



2014

We updated the criteria and reorganized them into three categories: **Principles, Content** and **Experience**. We also introduced the **Reliability** indicator focused on external assurance.



2015

We focused on the Sustainable Development Goals (SDGs) for the first time, as well as redefining performance and disclosure.



2016

We took a deeper look into the SDGs and human rights and aligned the criteria for the **Reliability** indicator with the results of our Assurance Working Group for the first time.

Welcome to our fifth report

Online and integrated trend moves non-financial reporting further into the mainstream

I'm delighted to introduce the fifth edition of *Reporting matters*. This year's examination of **157** sustainability reports from WBCSD member companies shows there is clear progress towards the bold, transformative change in reporting that's an essential part of delivering the Sustainable Development Goals (SDGs).



Though social, environmental and political change continue to pose challenges around the world, an increasing robustness in non-financial reporting offers the structure through which member companies can continue to ensure long-term sustainability.

This non-financial reporting increasingly includes online information and takes the form of integrated reports. The 2017 review shows that the number of online-first reports and reports accompanied by online content has grown from 23% when we started tracking in 2014 to 44% today. We've also found that 34% of companies are using integrated or combined reports, compared to 23% in 2013.

New initiatives outlined in 2016's *Reporting matters*, such as reporting on the SDGs and using the Sustainability Accounting Standards Board (SASB) Standards and the Natural Capital Protocol, have become prevailing practice for many companies.

Important new building blocks have been introduced in the past year. For example, in October 2016, the Global Reporting Initiative (GRI) launched the new GRI Standards. In time for the 2017 *Reporting matters* review process, 18% of member companies had already aligned their reporting practices to these standards.

The idea that reporting and disclosure will continue to be an area of innovation over the next few years is clear - as illustrated below:

1) This year has also seen the launch of the Social Capital Protocol, following input from over 50 WBCSD member companies. The Social Capital Protocol helps business to measure and value its relationship with communities and people in a credible way. We look forward to seeing increased uptake of this important work in 2018 and beyond.

2) In June, the Taskforce on Climate-related Financial Disclosures (TCFD) launched its final recommendations. The TCFD Recommendations are an important milestone in the fight against climate change and they're the first step in helping companies to disclose climate-related risks in a uniform way. Ideally, these recommendations will allow investors, asset managers and bankers to understand how climate change may impact their investments. Eventually, they'll be a tool in helping to reward sustainable companies that actively seek to mitigate their climate risks and seize climate opportunities.

Last month's launch of the Reporting Exchange at the London Stock Exchange is further evidence of our members' leading role in the reporting area. The Reporting Exchange gives companies access to the most comprehensive source of information on sustainability reporting requirements and resources. This includes material on environmental, social and governance (ESG) reporting requirements as well as resources from 60 countries. We see the Reporting Exchange as a key step in creating meaningful and effective disclosure for companies of all sizes and geographies. We encourage all of our member companies to use it.

Robust infrastructure is now in place to move the sustainability conversation into the heart of corporate governance, financial management, board responsibility and risk management. This will be the most powerful lever to scale up impact and make more sustainable companies more successful. *Reporting matters* is a great stock-taking effort in this collective journey. I hope you will enjoy reading it.

Sincerely,

Peter Bakker
President and CEO

2017 highlights

1

74% of member company reports reviewed have improved their overall score in our benchmark compared to baseline year 2013. **56%** of companies in this benchmark have improved their materiality disclosures.

2

44% of member company reports reviewed go beyond a traditional PDF report and include online content – up from **23%** in 2014 when we started tracking this data accurately. **32%** are digital-first reports.

3

79% of member company reports reviewed acknowledge the Sustainable Development Goals (SDGs) in some way. **45%** align their sustainability strategy with goal-level criteria.

4

34% of member company reports reviewed combine financial and non-financial information, up from **23%** in 2013. **22%** specifically cite the International Integrated Reporting Framework.

5

The Global Reporting Initiative (GRI) is still the most widely used set of reporting guidelines and standards. **85%** of member company reports reviewed cite the GRI Guidelines or the new Standards. **18%** have already transitioned to the new GRI Standards.

6

27% of member company reports reviewed note that executive compensation is tied to sustainability metrics in some way, but only five companies provide specific percentages. This is a topic we'll pursue in future reports.



Foreword

Increased disclosure requirements continue to drive increased non-financial reporting



Mukund
Rajan

In 2012, the Securities Exchange Board of India (SEBI) mandated that the top 100 listed companies by market capitalization in India produce an annual business responsibility report in line with the National Voluntary Guidelines for Responsible Business; this requirement was extended to the top 500 listed companies in 2015. In February 2017, SEBI suggested that these 500 companies adopt integrated reporting (IR) “on a voluntary basis from FY 2017-18” with the “objective of improving disclosure standards.” In parallel, amendments to the Indian Companies Act in 2013 now require Indian companies of a certain size and scale to contribute 2% of their net profits to corporate social responsibility (CSR) and to disclose their activities in their annual reports to shareholders.

The Indian efforts are in line with a growing movement across global markets towards mandating disclosure of companies’ non-financial performance. European Union (EU) legislation on a broad range of disclosure requirements has taken effect beginning with fiscal year 2017. Voluntary frameworks and standards such as the United Nations Global Compact (UNGC), International Organization for Standardization (ISO) 26000, Global Reporting Initiative (GRI) standards, Sustainability Accounting Standards Board (SASB) standards, and the International Integrated Reporting Framework have all contributed significantly to preparing companies for enhanced disclosure requirements.

Apart from regulators and governments, other stakeholders are also pressing for enhanced disclosure worldwide. Growing numbers of investors are nudging companies to report on environmental, social and governance issues. Many stock exchanges have joined the Sustainable Stock Exchanges Initiative (SSE) in mandating the disclosure of non-financial information as part of listing

requirements. Non-profits and activists have blown the whistle on corporate malpractice, including human rights violations, externalizing pollution costs, procuring “conflict minerals,” and so on, and are demanding greater accountability from corporations.

Corporate leaders, sensing that they are being tarred with the same brush as those who trespass, have started becoming more assertive. This has led to many enlightened businesses leading the charge for transparency. The recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), which were formulated with the active involvement of business, are but the latest attempt at making corporations more accountable to society.

Non-financial reporting is, without doubt, here to stay. And disclosure requirements will only increase to cover new subjects, such as carbon pricing, employee volunteering and CSR activities. While different frameworks may emerge to address each specific context, the holy grail of the one report that captures everything that is asked may prove elusive. Until then, the Reporting Exchange is the place to go for most of the answers on what to report and how to do it.

Dr Mukund Rajan

Chairman – Global Sustainability Council, Tata Group



The evolution of climate disclosure

TCFD Vice-Chair and Task Force member Graeme Pitkethly, CFO of Unilever, provides answers to questions about the TCFD's recommendations

In late 2015, the G20 requested that the Financial Stability Board set up the Task Force on Climate-Related Financial Disclosure (TCFD) to help financial market participants better understand and disclose climate-related risks and opportunities. The TCFD published the final version of their voluntary, principles-based recommendations in June 2017. The recommendations encourage organizations to report on climate-related risks and opportunities, the way in which they are governed and managed, the metrics and targets used to assess and manage them and the potential impacts of those risks and opportunities on the organization's strategy.

Q: What steps should companies who have traditionally put climate change-related disclosures in their sustainability report or who have responded to CDP (formerly the "Carbon Disclosure Project") requests in the past take to begin reporting this information in mainstream reports?

The TCFD's recommendations draw upon existing disclosure regimes. Companies who have already reported on climate risks and opportunities using existing disclosure frameworks will therefore be in a good position to understand how climate change affects them and apply the TCFD's recommendations.

The TCFD encourages companies to emphasize the financial impacts of climate risks and opportunities and to make disclosures in their usual annual financial filings. Such transparency will facilitate better informed investment decisions.

The Task Force has categorized climate risks and opportunities and provided guidance on how they should be reported on. The final recommendations place more emphasis on forward-looking disclosures about potential future financial impacts of climate change than other frameworks. Because of this, sustainability, governance, finance and compliance specialists will need to work

together to ensure a wide range of climate change implications are considered and disclosed.

At Unilever, we will be working towards adopting the recommendations and we hope others will do the same. It is, in my mind, just a matter of time before most investors actively ask for this information from companies – not to mention employees, and of course, consumers. In many cases, this is already happening. They want to know and trust the companies behind the brands they buy and understand their purpose and values.

Q: Many companies already use scenario analysis for internal decision-making but may find disclosing the results of their analyses challenging. What advice do you have for these companies?

The TCFD's recommendations encourage companies to disclose how resilient their strategies are to climate-related risks and opportunities, taking into consideration the transition to a lower carbon economy. The Task Force suggests that organizations – particularly those with annual revenue above USD \$1 billion or equivalent and those more significantly affected by climate risk, such as fossil fuel-based industries – should use scenario analysis as a tool for strategic planning.

The TCFD recognizes that there is no one-size-fits-all approach to scenario analysis, that the effects of climate change are highly variable for different sectors and industries, and that scenario analysis can be qualitative or quantitative. Organizations that are new to the process or that have concerns about what to disclose will find detailed guidance in the recommendations. The key point is to identify and disclose what the scenarios indicate about the resilience of a company's strategy.

The TCFD encourages companies to emphasize the financial impacts of climate risks and opportunities and to make disclosures in their usual annual financial filings. Such transparency will facilitate better informed investment decisions.

Graeme Pitkethly



Redefining risk management

COSO Chair Robert B. Hirth, Jr provides answers to questions about sustainability and risk management

Sustainability risks are, at the end of the day, business risks.

Robert B. Hirth, Jr

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a unique joint initiative of five private sector organizations that provides leading-edge thought leadership and frameworks on enterprise risk management (ERM).

COSO is known globally for guiding organizations to develop and implement an ERM framework that connects risk, strategy and decision-making to enhance corporate performance. COSO is currently working with WBCSD to develop interpretive guidance on how to embed sustainable development issues into COSO's Enterprise Risk Management Framework.

Q: What was COSO's motivation for working with WBCSD on risk management?

WBCSD's 2016 publication exposing the breakdown in sustainability risk management validated our concern that sustainability issues are not being adequately incorporated into business risk management and decision-making processes.

It also made clear to us a commonality between our organizations' agendas and ambitions: to bridge the gap between the management of sustainability issues and the ERM and decision-making processes and to foster holistic, sustainability-conscious risk management discipline. For us, this is timely as we publish our revised Enterprise Risk Management Framework (*ERM: Integrating with Strategy and Performance*) to improve the way companies manage risk and integrate it into their strategy.

Q: Why is the integration of sustainability issues into ERM so important?

Organizations today are challenged with managing a rapidly changing risk landscape, including market volatility, geopolitical crises, widespread economic changes, natural resource constraints,

regulatory reforms, threats to their license to operate and immediate social media accountability. Four of the top five global risks in the World Economic Forum's *Global Risks Report 2017* are social and environmental (in terms of impact) – compared to just one in 2007.

And yet, sustainability risks are, at the end of the day, business risks. Although they can be new and emerging, complex and longer term, issues such as climate change, human rights or resource scarcity all have the ability to impact an organization's profitability, success or even survival. Even so, sustainability risks are often seen as separate and apart from conventional risks such as strategy and operations. Many times, they are reported and managed without processes in place to integrate, measure, value, monitor, manage and report.

To be truly embraced by any organization, sustainability risks need to become part of the way the business is designed and managed. We agree with WBCSD that ERM is the most powerful conduit to achieve this.

Q: What is the role of sustainability risk disclosure in fostering a sustainability-conscious future?

Stakeholders and investors are demanding greater transparency and reporting of sustainability risks, showing that the latter believe sustainability "megatrends" and risks can have or are having a material impact on organizations' value.

We believe that organizations who integrate risk management into their strategy are typically rewarded with better organizational performance. Our work with WBCSD is paramount to supporting organizations so that they understand the full spectrum of their risks and manage and disclose these effectively.

Why does reporting matter?

Four years on

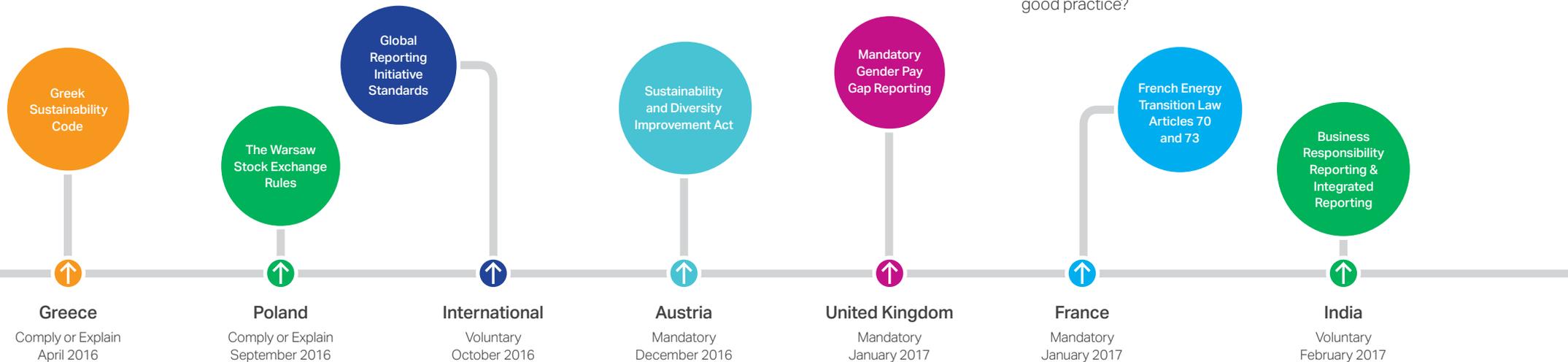
The 2017 edition of *Reporting matters* reveals that reporting matters more than ever before. Our work on the Reporting Exchange shows that the non-financial reporting landscape is changing at an increasing rate, across the voluntary and regulatory reporting space and across the globe.

Recent trends

In 2016 and 2017 alone, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, India, Italy, the Netherlands, Panama, Romania, the UK and the United States together introduced at least 86 significant legislative instruments that ask companies to disclose environmental, social and governance (ESG) performance. Stock exchanges in India, Norway, Poland and Singapore have also introduced listing requirements that require clear disclosures on good corporate governance and on environmental and social issues. Various organizations, such as governments, non-governmental organizations (NGOs) and industry bodies, issued a further 56 guidance documents during this timeframe on a wide range of topics – from greenhouse gas (GHG) emissions, water use and employee health and safety, to risk management and internal control.

Our analysis suggests these recent developments are not the exception. Across the 60 countries currently covered by the Reporting Exchange platform, there has been a 10-fold increase in the number of reporting requirements and guidance documents related to corporate reporting on ESG issues in the last 20 years as governments, NGOs, stock exchanges and others look to companies for transparency on their sustainability performance. While these initiatives should be welcomed from a sustainable development perspective, there is little doubt that they have somewhat fragmented the world of corporate reporting.

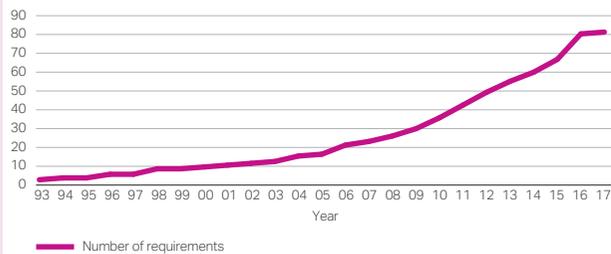
Many regulatory requirements and voluntary reporting frameworks ask for disclosures of similar indicators or metrics across a range of ESG subjects. There is significant regional variability too, meaning that the quality, quantity and comparability of information being disclosed is preventing the effective use of this information by capital markets and stakeholders. With all this activity, how do companies make sense of and keep up with latest trends and good practice?



Focus on climate change

Since the United Nations Earth Summit in Rio de Janeiro in 1992, there has been an almost exponential “hockey stick” increase in the number and breadth of reporting requirements related to GHG emissions disclosure year on year (figure 1). There are currently 141 regulations and laws across 58 countries, including requirements related to general disclosures of a company’s climate change, adaptation and mitigation actions. This complexity is unlikely to go away soon. As the governments of the 159 countries who have ratified the Paris Agreement look to understand corporate performance, further reporting obligations may be forthcoming.

Figure 1 – Number of reporting requirements related¹ to GHG emissions, by publication date



¹ Based on Reporting Exchange research as of September 2017

Our response

We believe that the Reporting Exchange could be the first step in addressing the lack of structure in and the overall complexity of corporate non-financial reporting. The Exchange’s underlying framework pulls together the various components of the reporting landscape and enables users to identify similarities and differences between reporting requirements. In the long term, this may provide the evidence base needed to better align non-financial corporate reporting requirements.

WBCSD’s ambition is to have the Reporting Exchange become a tool to drive the effective disclosure of corporate performance across all environmental, social and governance issues. In the second phase of the project, we hope to identify and consolidate material sustainability indicators across numerous sectors and subjects to help companies make better use of indicators and to enable better comparability of performance.

The Reporting Exchange is *the* global resource for sustainability reporting.

It’s a free, online platform that brings corporate sustainability reporting requirements and resources from 60 countries onto a single online platform for easy access.

It’s been developed in collaboration with the Climate Disclosure Standards Board and Ecodesk.

Key features

- **Comparable information:** It provides mandatory and voluntary reporting requirements and resources, as well as indicators and insights.
- **Powerful search tools:** It is easy to find specific requirements through keyword search, intuitive filtering and an interactive map.
- **Global coverage:** It offers free access to reporting requirements across 70 sectors and 60 countries.
- **Customizable profile:** It cuts through the complexity by delivering relevant requirements and resources.
- **Sustainable Development Goals:** It links reporting provisions to the SDGs to help demonstrate positive impact.
- **Regular updates:** It keeps up with the latest developments through trustworthy content reviewed by expert moderators.

The Reporting Exchange can be accessed at www.reportingexchange.com

This project is funded by the Gordon and Betty Moore Foundation.



South Africa
Comply or explain
April 2017



Germany
Mandatory
April 2017



International
Voluntary
June 2017

What we found in 2017

Report characteristics

Characteristics identified based on all 157 member company reports reviewed in the 2017 cycle:

41%

of reports are titled sustainability reports
(2013: 57%)

22%

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

4

average number of months between reporting period and publication
(2013: 6 months)

95

average number of pages for stand-alone reports reviewed
(2013: 98 pages)



85%

of reporters use GRI guidelines or standards
(2013: 75%)

18%

of reporters specifically use the new GRI Standards
(released October 2016)

73%

of companies have some portion of their report externally assured
(2013: 64%)

44%

of reports are accompanied by some form of online content
(2013: not tracked)



Trends over time

Trends are based on reports by 105 member companies that have been included in both the initial 2013 review and the current 2017 review. The 2013 baseline is smaller than the wider 157 company review population for this year's report as members have joined or left WBCSD since 2013.

74%

of companies have improved their overall score

56%

of companies have improved their **Materiality** score

27%

improvement in the average **Strategy** score – the single biggest criteria improvement over time

14%

improvement in the overall score across reports reviewed

8%

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

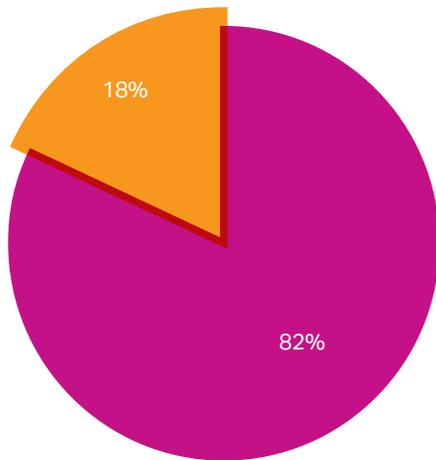
15%

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

What we found in 2017 continued

We have identified some interesting trends that show the state of reporting within the WBCSD membership in comparison with the 2013 baseline. These trends are based on our analysis of 157 stand-alone, combined and integrated reports.

Figure 2 – Materiality process disclosure



- Disclosed process
- Non-disclosed process

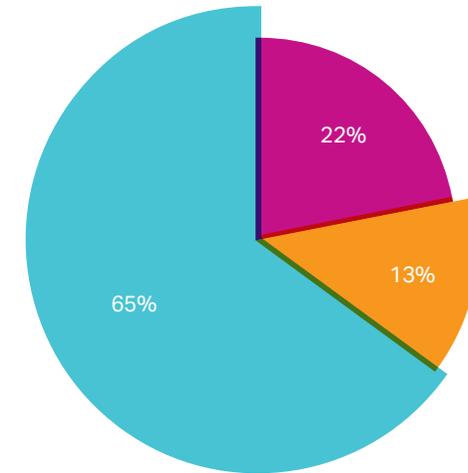
What is material?

- We found that 82% of WBCSD members disclose the use of a materiality process and often publish a matrix within their report. This represents a significant increase from our baseline year (2013: 57%). There was not a major difference between stand-alone and combined reporting.
- This year, 37% of WBCSD members aligned the content of their reporting to the outcomes of the materiality assessment. This also represents a significant increase from our baseline year (2013: 12%).
- Combined and self-declared integrated reports (43%) do a better job at staying concise than stand-alone reports (34%).

What is the status of integrated reporting?

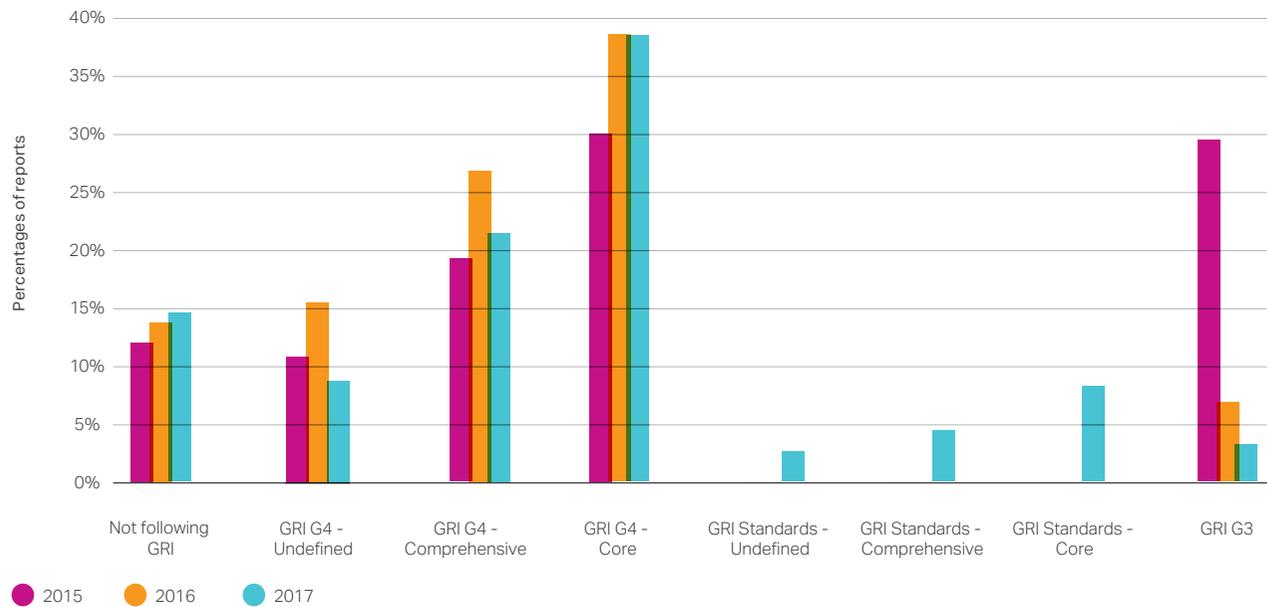
- Over a third (34%) of WBCSD members now publish non-financial information through combined or self-declared integrated reports. This continues an upward trend from last year (2016: 28%).
- Reports that combine financial and non-financial metrics – whether they are annual, combined or integrated – make up six of the top 10 reports and 17 of the top quartile. On average, self-declared integrated reports scored better than each of the other sub-populations.

Figure 3 – Report distribution



- Self-declared integrated reports
- Combined reports
- Sustainability reports

Figure 4 – GRI application levels and in-accordance options

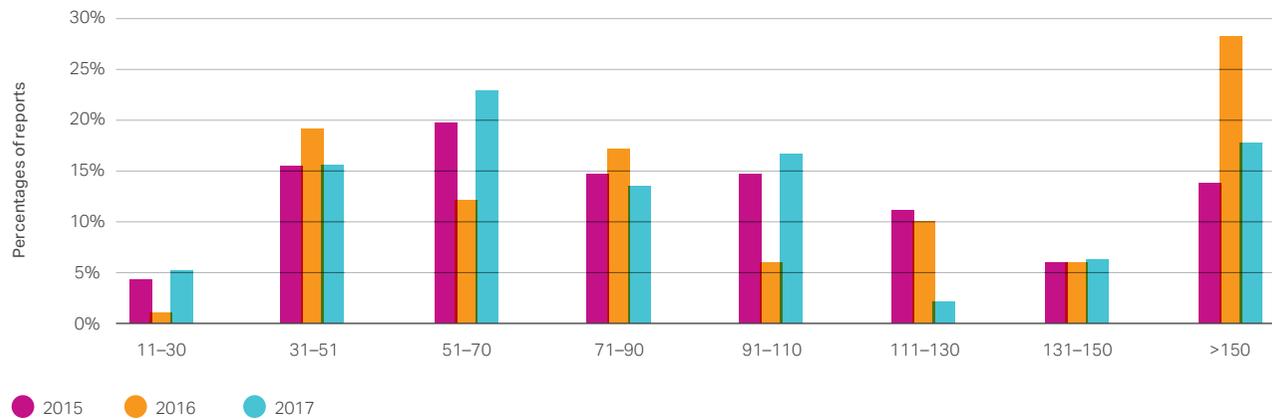


What is the status of GRI reporting?

- The clear majority (85%) of the reports follow either GRI Guidelines or Standards. This includes 80% of combined and self-declared integrated reports.
- The new GRI Standards were published in October 2016. Since then, 18% of reports reviewed have already transitioned to the new Standards, including nine combined or self-declared integrated reports. Companies citing the GRI Standards scored better on average than companies not reporting against the Standards.

What we found in 2017 continued

Figure 5 – Number of pages: Stand-alone non-financial



How much is enough?

- This year, we've separated sample populations into two graphs. The first looks at page length for stand-alone reports, the second for reports that combine financial and non-financial reports.
- We've found that stand-alone reports average 95 pages, whereas combined or self-declared integrated reports average 207 pages. The shortest report we reviewed was 12 pages long, the longest was 534 pages.

Figure 6 – Number of pages: Combined financial and non-financial

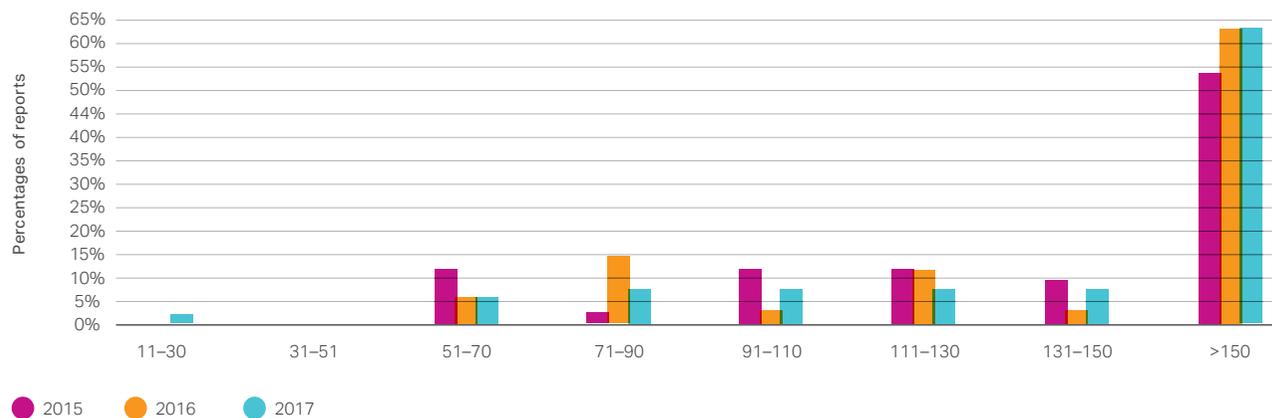
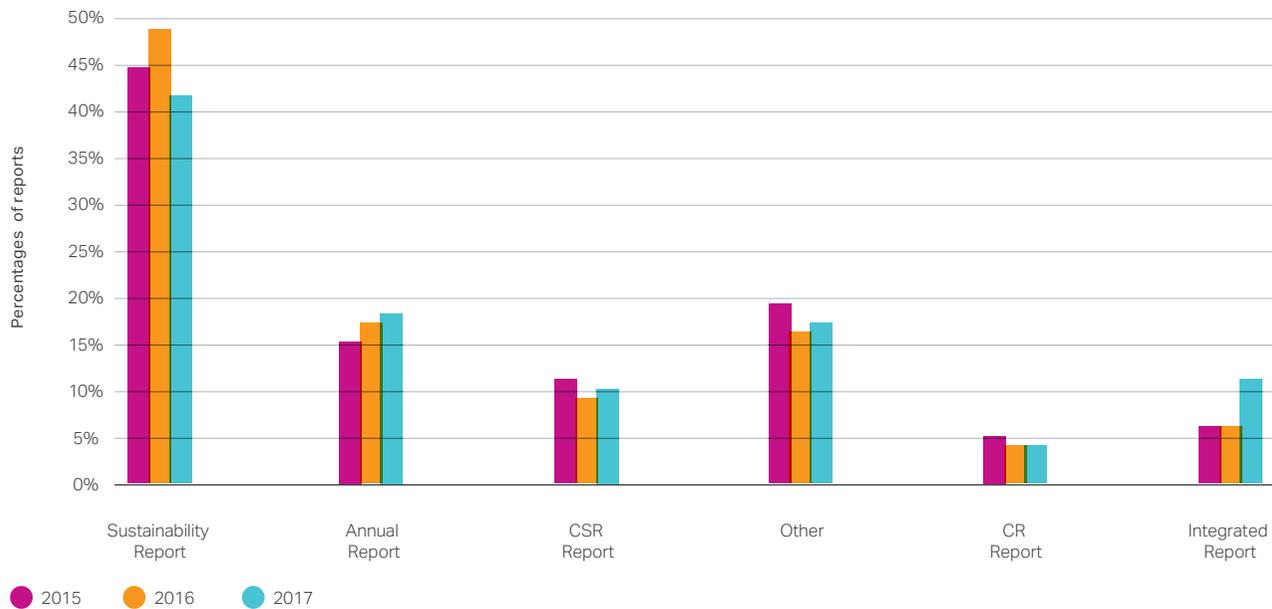


Figure 7 – Title of report



What are companies calling their reports?

- Since the early 1990s, the titles of sustainability reports have evolved to reflect the increasing sophistication of companies' approaches to non-financial reporting: 41% of reports reviewed have the word "sustainability" in their title. Other key words include "CSR" or "corporate social responsibility" (10%) and "CR" or "corporate responsibility" (4%).
- Member companies that combine financial and non-financial information in a single report most commonly include "annual" (18%) or "integrated" (11%) in their report title. Some companies that follow the International Reporting <IR> Framework don't use "integrated" in the title of their reports.
- Member companies are increasingly recognizing the need to tell a compelling and engaging story throughout their sustainability communications. The title of some companies' reporting reflects this with the use of alternative messaging, and often, a dual title will be used; the front page will lead with the theme, and then use a more functional sub-heading.

What we found in 2017 continued

How quickly are reports being published?

- Up from last year, 73% of reports reviewed specify a publication date (2013: 60%). The average time between the end of the reporting period and publication of the report is four months (2013: six months).
- Stand-alone reports tend to be published four to six months after the reporting period, whereas combined and self-declared integrated reports more commonly fit into the one to three-month window. This is likely because of legal financial reporting requirements.

Figure 8 – Time between end of reporting period and publication

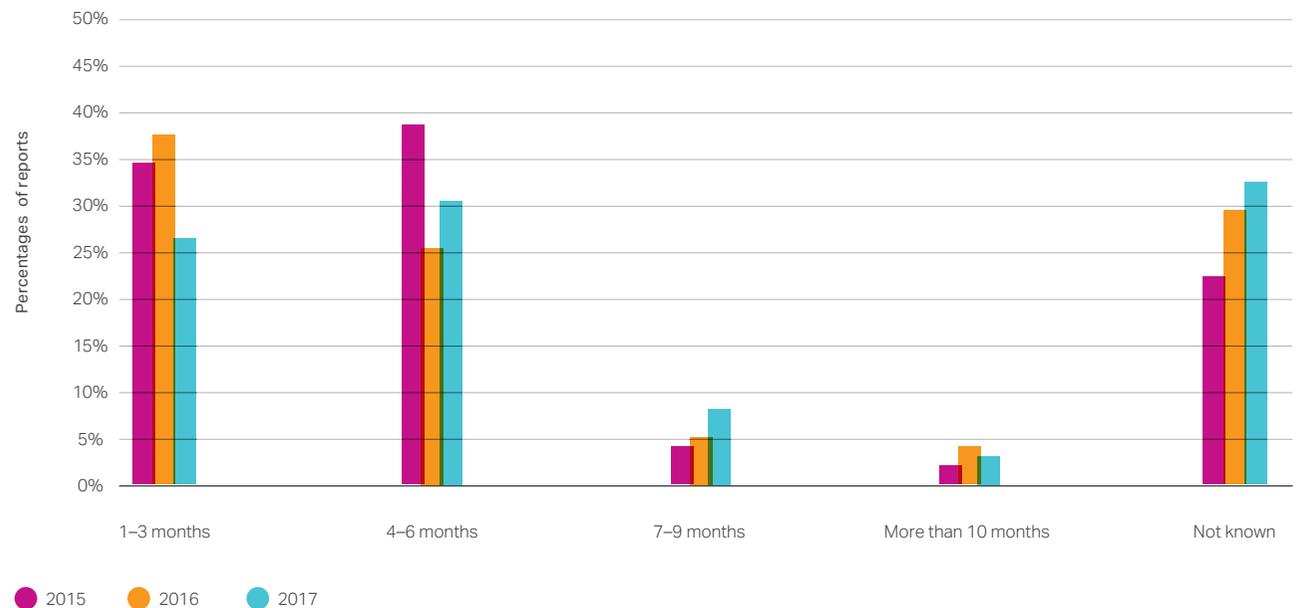
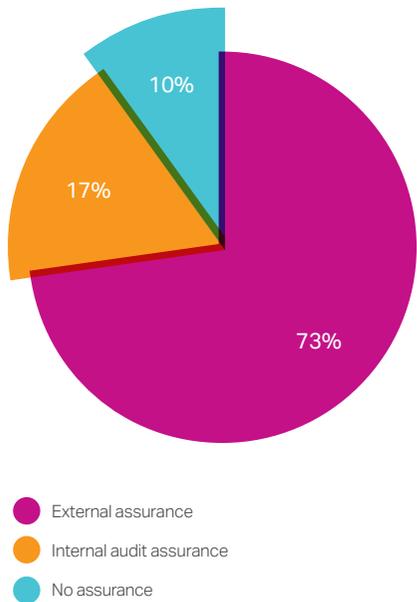


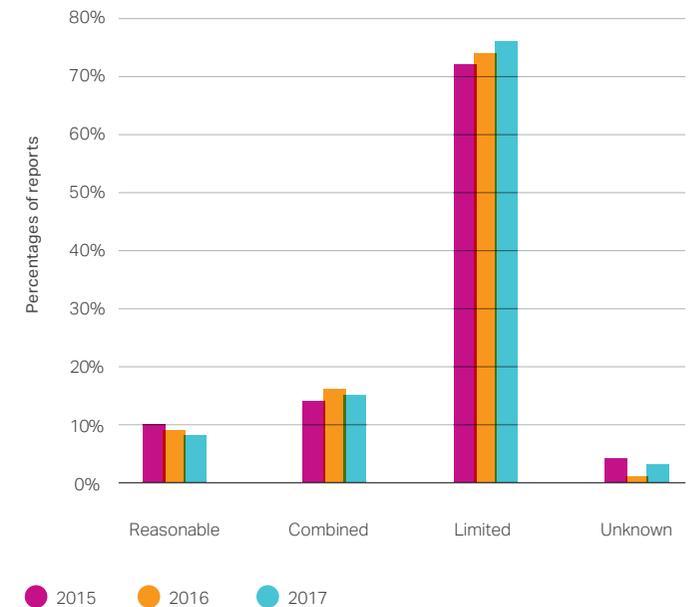
Figure 9 – Types of assurance



Who is validating performance?

- We found that 90% (2013: 86%) of reports reviewed have some form of assurance on their sustainability disclosures, through external assurance or internal audit assurance.
- Only 17% of companies don't engage external assurance providers but use their internal audit function for assurance purposes. This proportion has decreased since 2013 (2013: 22%).
- Only 10% of companies don't use any assurance provision at all, which is a positive development compared to 2013 (14%).
- The dominant form of external assurance is to a limited level (57%), with only about 6% of companies seeking reasonable assurance (recognized as the most extensive form). However, the proportion of companies using reasonable assurance has increased since 2013 (3%), suggesting a growing preference for more comprehensive validation.
- About 11% of reports use a combination of reasonable and limited assurance and a very small percentage confirm that they use external assurance (2%) but don't disclose any details about the level of assurance.
- Reports with a reasonable or combined level of reasonable and limited assurance score higher than the rest of the population on average.

Figure 10 – Levels of external assurance



Spotlight on the SDGs

We continue to focus on the Sustainable Development Goals (SDGs), as do our member companies. We've implemented pilot criteria developed by our project partners at Radley Yeldar in this year's *Reporting matters* review process, assessing the reports on the same 0-4 scale as used for the Content, Principles and Experience indicators in order to gauge alignment between strategy, performance and the SDGs.

Some highlights from this year's review:

79%

of reports acknowledge the SDGs in some way.

45%

of reports have taken it a step further by aligning their sustainability strategy to goal-level SDG criteria.

6%

of reports have aligned their strategy and targets to specific target-level SDG criteria and measured their contributions to key SDGs.

The 6% of companies that provide robust reporting on the SDGs scored higher on average than the rest of the population. These results demonstrate that our focus on the SDGs continues to be important. We will work with Radley Yeldar to determine if and how to integrate these scores in future overall report scores. Regardless of their formal inclusion as factors in overall report scores, we will continue to track data, acknowledge trends and highlight company approaches in future editions of *Reporting matters*.



SDG Compass

www.sdgcompass.org

Developed by GRI, the UN Global Compact and WBCSD, the SDG Compass explains how the SDGs affect your business – offering you the tools and knowledge to put sustainability at the heart of your strategy.



SDG CEO Guide

<http://www.wbcsd.org/Overview/Resources/General/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.

Royal FrieslandCampina discusses the SDGs

Jaap Petraeus, Manager of Corporate Responsibility at Royal FrieslandCampina, provides answers to questions about the Sustainable Development Goals (SDGs)

Q: FrieslandCampina is clearly committed to the SDGs and contributes on both a goal and target level. Why have you decided to make this alignment so explicit and detailed and how have you benefited from this approach?

The FrieslandCampina route2020 strategy is based on the FrieslandCampina purpose: Nourishing by nature (better nutrition for the world, a good living for our farmers, now and for generations to come). FrieslandCampina is a member of society and wants to contribute to the needs of society. We find the SDGs to be an excellent way to understand these needs and report on how we are addressing these important issues in a meaningful way. We also find value in reporting on the SDGs due to our membership in the Dutch Sustainable Growth Coalition and as a tool to find common ground and build relationships with governments where we do business. Overall, the SDGs bring greater international alignment and focus to our corporate social responsibility (CSR) program.

Q: Your sustainability report does a great job demonstrating alignment between the SDGs and your strategy, as well as your contributions to their success. How did you go about determining this alignment and how do you report against the SDGs?

We updated our route2020 strategy in 2015 before the release of the SDGs. After their release, we found that many aspects of our strategy matched the SDGs and took the time to align our updated strategy with goals and targets during the production of our 2016 annual and CSR report. We found that contributing to the SDGs and reporting against them was a natural step. We first considered how FrieslandCampina can contribute to all 17 SDGs and the 169 targets based on our route2020 policy. We then prioritized six SDGs and eight targets that are in line with our strategy. To report against them, we list goals and in-depth targets in a table and then note how

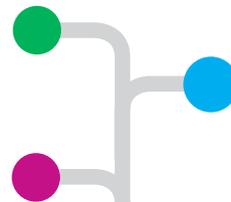
FrieslandCampina contributes to the solution and some statistics about our contributions to various solutions to date.

Q: Moving forward, it's important to keep this alignment relevant. How do you envision your commitment to and reporting on the SDGs evolving?

Reporting about progress on the SDGs will be an important part of our sustainability efforts moving forward. We are working towards an integrated report over the reporting year 2018 where reporting on SDGs will continue to be a focus.

The Sustainable Development Goals (SDGs) of the United Nations have created the context in which countries and business can contribute to a future that is fairer and more sustainable. FrieslandCampina supports these ambitious objectives. Our purpose of nourishing by nature and our route2020 strategy fully align with a number of the SDGs. We are committed to contributing for the benefit of future generations."

Roelof Joosten,
CEO of Royal FrieslandCampina



Entering a new era of human rights transparency

The business and human rights landscape has continued to evolve rapidly over the past year. There's a trend towards increased pressure on business to embrace transparency around its challenges and efforts to respect human rights and to engage in full and frank disclosure.

A key driver of this is the transition from the soft law of the United Nations Guiding Principles on Business and Human Rights (UNGP) to harder national and regional regulatory requirements. A clear case in point is the UK's Modern Slavery Act 2015, which now requires all large companies doing business in the UK to publish annual declarations on how they're working to eradicate slavery from their operations and supply chains. As of August 2017, this had resulted in close to 2,700 companies from 34 countries issuing official modern slavery statements. Similarly, the EU's Non-Financial Reporting Directive is set to impose human rights disclosure requirements on some 6,000 companies from 2018 onwards. France's "duty of vigilance" law, passed earlier this year, goes a step further in that it mandates that large French companies develop, enact and publicly disclose due diligence measures to identify and prevent environmental and human rights violations within their own operations and among their suppliers.

This trend shows no signs of abating, with the Australian government seeming likely to establish its own modern slavery reporting requirements following the launch of an extensive inquiry in February 2017. Dutch legislation compelling companies to review their operations and supply chains for the presence of child labor is also at an advanced stage. Meanwhile, an international legally binding treaty on business and human rights continues to gather momentum as discussions at the United Nations move into a third year.

In addition to mounting regulatory pressure, companies are also facing the prospect of increased stakeholder demands for human rights-related disclosures, particularly among the investment community. A study conducted earlier this year by EY reveals that 32% of investors surveyed are likely to alter investment plans as a result of perceived human rights risk (up from 19% in 2015). Recent years have seen strong support emerging from a broad coalition of over 80 investors, representing more than USD \$5 trillion in assets under management, for the UNGP Reporting Framework and its efforts to enhance human rights disclosure. This coalition also strongly supports the Corporate Human Rights Benchmark, which in March this year released its first ranking of 98 of the world's largest publicly traded companies in terms of their human rights performance.

The cumulative effect of this evolving regulatory environment, coupled with the enhanced scrutiny and evaluation of business performance, is continuing to make human rights a field in which companies have growing motivation and interest to take meaningful action.



Some highlights from this year's review:

This year's analysis indicates that 91% of companies clearly state their commitment to respect human rights in their reporting (up from 87% in 2016). It also shows that 75% of reports disclose details around mechanisms in place to identify and assess adverse human rights risks and impacts across the value chain (an increase of almost 20% year on year).

Despite these encouraging signs, significant scope for progress remains; only 38% of reports outline clear processes to integrate and act upon the findings of human rights assessments, while just 13% commit to tracking the effectiveness of their responses. Similarly, the percentage of reports divulging specific details of adverse human rights impacts identified or grievances raised also remains low.

Despite these gaps a strong sense remains that the work of embedding the UNGPs into practice is maturing fast, with a number of WBCSD members displaying marked leadership in this field. The challenge ahead is to turn increasing levels of awareness and intention into concrete action.

Through our business and human rights project, which is embedded within our wider work on integrating social impact into the core of business, we remain committed to supporting our membership in integrating the UNGPs and in ensuring the proliferation of robust human rights disclosures. It's our strong conviction that respect for human rights is a key vehicle through which business can help achieve the broader vision of peaceful and inclusive societies embraced by the Sustainable Development Goals (SDGs).

WBCSD human rights work

<http://www.wbcd.org/Clusters/Social-Impact/Human-Rights>

We established our human rights business solution in 2014 with an overarching objective of operationalizing the UNGPs and considerably increasing the number of companies knowing and showing that they are respecting human rights.

Figure 11 – Does the company publicly commit to respecting internationally recognized human rights?

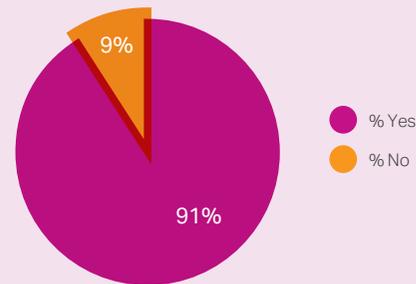
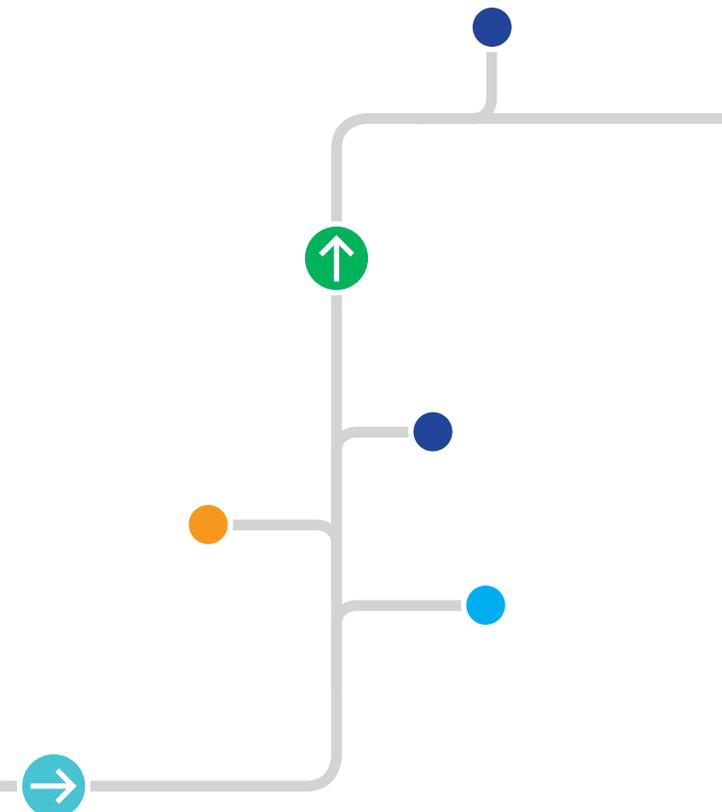
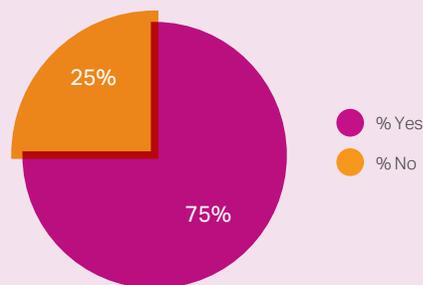


Figure 12 – Does the company have processes in place to identify and assess adverse human rights risks and impacts arising in its supply chain?



Section
3

Detailed findings

This section delves deeper into each **Principle** and **Content** criterion through key recommendations, external resources and good practice examples. This year we also introduce a refreshed set of **Experience** criteria, with an explanation by our project partners at Radley Yeldar for each change and a more in-depth good practice example for each criterion.

In this section

- 24 CLP Group and the **Principles** criteria
- 33 DSM and the **Content** criteria
- 42 Radley Yeldar and the **Experience** criteria





Principles

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



Completeness



See page 26 for more information



Materiality



See page 27 for more information



Stakeholder engagement



See page 28 for more information



External environment



See page 29 for more information



Reliability



See page 30 for more information



Balance



See page 31 for more information



Conciseness



See page 32 for more information

Content

Elements that guide what is included as content in the report



Governance & accountability



See page 35 for more information



Strategy



See page 36 for more information



Targets & commitments



See page 37 for more information



Management approach



See page 38 for more information



Performance



See page 39 for more information



Evidence of activities



See page 40 for more information



Strategic partnerships & collaboration



See page 41 for more information

Experience

Elements that improve the readers' overall experience of the report



Accessibility



See page 44 for more information



Story & messaging



See page 45 for more information



Navigation & flow



See page 46 for more information



Compelling design



See page 47 for more information

CLP Group and the **Principles** criteria

Dr Jeanne Ng, Director of Group Sustainability at CLP Group, sheds light on their approach to evaluating key trends

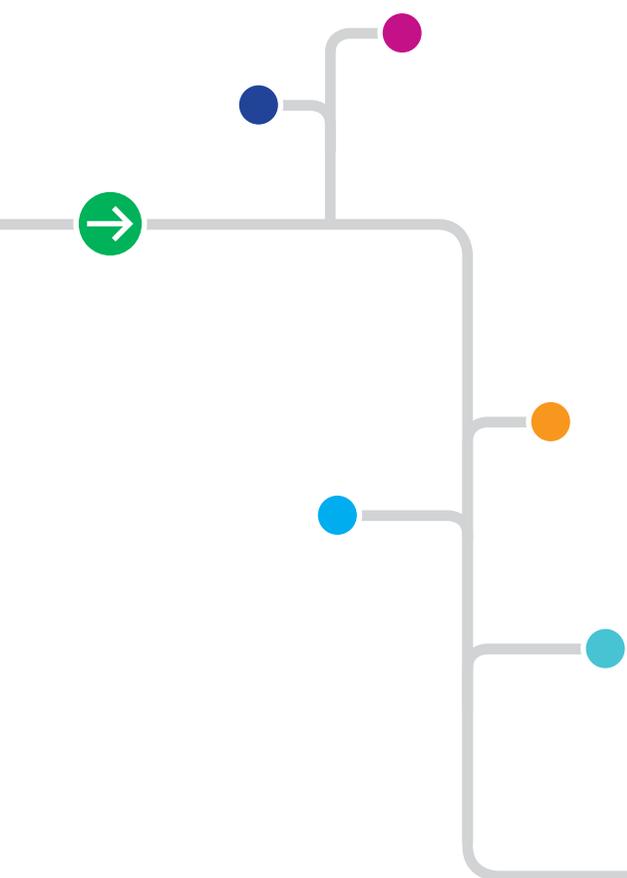
Q: How do you identify external trends and incorporate them into your sustainability strategy? What value do you find in doing this?

CLP has been in operation since 1901 and we aspire to remain in the energy business for the next century. For this to be possible, monitoring and managing the emerging risks as well as opportunities for the company is essential. However, in order to anticipate these potential risks and opportunities, it is important to understand the underlying drivers behind them – the external trends that are changing the business landscape. Advances in science and technology, evolving stakeholder expectations and social norms, as well as other trends, all contribute to policy and regulatory changes that can create both risks and opportunities for business. Understanding these trends and their potential impact on our business is therefore one of the key components of maintaining a sustainable business.

Today, there are a number of sources for trend monitoring, which can be both a blessing and a curse. Looking as broadly as possible for all the potential trends being discussed is one challenge; and then categorizing and prioritizing the most relevant ones and making sure they feed into existing decision-making processes in a meaningful way provides a few more challenges. We recently developed an approach that includes: identifying relevant sources for global trend tracking; aggregating and then prioritizing the top trends; identifying the potential business implications of these trends for our industry; and identifying potential business risks and opportunities arising from these implications for the Group. This process will continue to be developed and refined as we seek to further embed emerging risks and opportunities into our strategy development considerations.

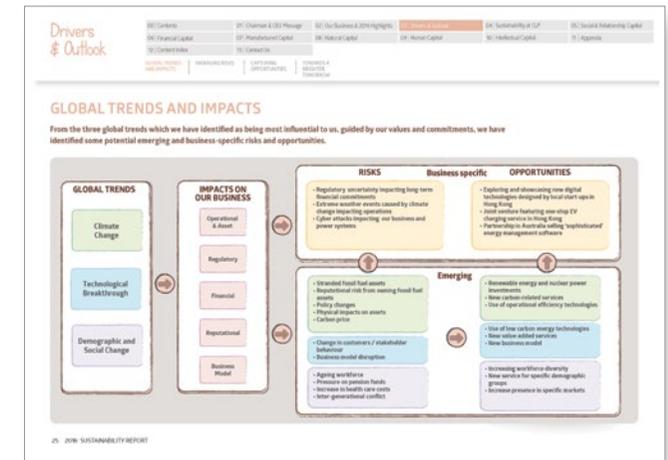
Q: In your report, you map material issues and impacts along the various stages of the value chain. What role does this play in the reporting process?

The value chain impact map provides the reader with a more holistic view of our business activities and where potential significant impacts may occur across the value chain. This value chain impact mapping process is a relatively newer component of our reporting process that gives us another perspective on how we can think about our impacts and which stakeholder groups may be affected. This process takes place in tandem with our Boundary Scoping and Materiality Identification (BSMI) process, where the views of our external stakeholders, our in-house experts and colleagues inform identification of the most material topics and business entities to be included for each of the material topics to ensure completeness. The value chain impact mapping process thus provides further context for the BSMI process.



Q: Evidence of stakeholder engagement is particularly strong in your report. How and why does CLP place so much emphasis on regional and divisional differences in responding to stakeholders?

Stakeholder engagement is critical for the success of our business as our business activities involve a diverse range of stakeholders, including customers, employees, capital providers, contractors and suppliers, governments and regulators and communities. Through extensive stakeholder engagement, we have found that the views and concerns of our stakeholders in different markets can be quite different even within common stakeholder groups. Even the way in which they would like to be engaged could be different, and therefore, we maintain a variety of engagement channels to cater to their unique preferences. It is important for us to respond to our stakeholders accordingly, as we believe this is what being a socially responsible company means. Where common concerns exist, we can of course try to be more efficient and effective in terms of replicating the solution. Yet, we have found that even in such cases, sometimes the solutions may need to be different depending on the culture and circumstances.



Principles: Completeness



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



Key recommendations

- Describe the reporting scope and organizational boundaries
- Report on material impacts throughout the value chain
- Discuss material impacts beyond direct operations, including upstream and downstream
- Describe and include a graphical representation of the company's value chain

Resources

- Business for Social Responsibility (2010). *The Business Case for Supply Chain Sustainability: A Brief for Business Leaders.*
- Climate Disclosure Standards Board (2014). *Proposals for boundary setting in mainstream reports.*
- United Nations Global Compact and Business for Social Responsibility (2010). *Supply Chain Sustainability: A Practical Guide for Continuous Improvement.*
- United Nations Global Compact and Business for Social Responsibility (2014). *A Guide to Traceability: A Practical Approach to Advance Sustainability in Global Supply Chains.*

Good practice

AkzoNobel

AkzoNobel focuses on direct and indirect impacts throughout their integrated report. They specifically map out the potential impacts and business value of each of the three focus areas as well as the foundational elements of their sustainability agenda across the five stages of their value chain in a concise graphic. They also include clear descriptions of changes to the reporting boundaries that might affect comparability of data across prior reports.



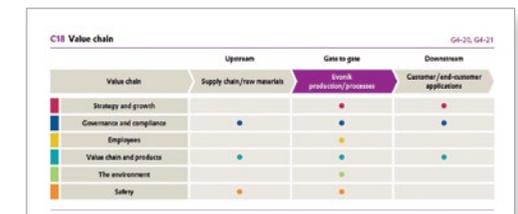
CEMEX

CEMEX includes an excellent graphic that maps every material issue along the corresponding stages of their value chain. This graphic includes information on how significant each stage of the value chain is to their financial success. There is also strong discussion of upstream and downstream impacts throughout the report and a clear indication of the report's scope and boundaries.



Evonik Industries

Evonik's report includes a section that focuses on their value chain. It looks deeply into how their sustainability strategy includes the entire value chain, from supply chain responsibility to helping customers meet their own sustainability targets. It's accompanied by a graphic that depicts which aspects of the value chain are impacted by various material issues.



Principles: Materiality



A materiality process is used to identify and prioritize the most significant environmental, social and economic risks and opportunities from the perspective of both the company and its key stakeholders. Most of the **Content** section scores focus on material issues because they are an essential component of the report. Materiality can help focus a company's strategic approach to sustainability and reporting, and guide investment and resource allocation decisions.

Key recommendations

- Explain the process used to identify and prioritize material issues based on internal and external stakeholder considerations and publish the outcomes of the assessment
- Focus the content of the report, including strategy, key performance indicators (KPIs), targets and case studies, on the most material issues
- Seek internal and external validation of the material analysis and outcomes to ensure the robustness of the process and relevance of the issues

Resources

- AccountAbility (2013). *Redefining Materiality II: Why it Matters, Who's involved and What It Means for Corporate Leaders and Boards.*
- Corporate Reporting Dialogue (2016). *Statement of Common Principles of Materiality of the Corporate Reporting Dialogue.*
- Global Reporting Initiative and RobecoSAM (2015). *Defining Materiality: What Matters to Reporters and Investors.*
- Global Reporting Initiative (2013). *Sustainability Topics for Sectors: What do stakeholders want to know?*
- Sustainability Accounting Standards Board (2015). *Less is More: Materiality and Why it Matters.*
- World Business Council for Sustainable Development (2014). *Journey to Materiality: A guide to achieve corporate goals by applying materiality to environmental, social and governance issues.* Future Leaders Program 2014.

Good practice

BrownFlynn

BrownFlynn includes a concise overview of the steps taken in their materiality assessment as well as an interactive materiality matrix. Selecting highly material issues on the matrix provides a description of the issue, boundary and relevant SDGs and a link to further information. The report focuses strictly on seven highly material issues plus the issue of transportation, which has gained importance since their last review.



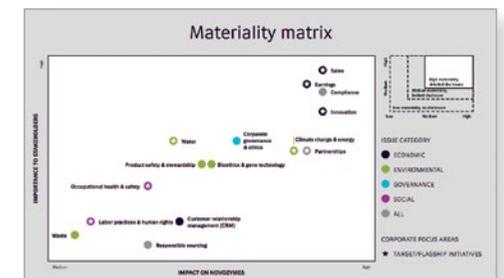
Nestlé

Nestlé provides a robust description of their materiality assessment process and clearly incorporates the impact of issues on both the company and stakeholders. A color-coded matrix shows the outcomes of the assessment. The outcomes are also mapped across both the value chain and relevant SDGs to demonstrate an excellent understanding of how issues impact business partners and society at large.



Novozymes

Novozymes illustrates how the company revamped its approach to materiality through a process that results in a list of both key external trends and material ESG issues. They disclose and color-code the highly material quadrant of their materiality matrix by issue category, highlighting issues with target/flagship initiatives using a star icon. A methodology note in their report explains the changes to the approach and provides a link to more detailed information on their website.



Principles: Stakeholder engagement



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



Key recommendations

- Report on key stakeholder engagement mechanisms that go beyond business-as-usual
- Provide outcomes of these engagement mechanisms and stakeholder perspectives through quotes or a summary table
- Explain how stakeholder engagement is used in strategic processes
- Provide examples of concrete actions put in place to respond to stakeholder feedback resulting from engagement during the year

Resources

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

Good practice

C.P. Group (Charoen Pokphand Group)

C.P. Group divides its stakeholders into ten groups. Their report includes a Responding to Stakeholders chart that highlights the type of engagement and provides sample issues of concern and sample responses by C.P. Group for each stakeholder group. Although the graphic is concise, the list of engagement types goes beyond business-as-usual mechanisms and is supported by a number of stakeholder quotes.

PwC

PwC clearly identifies its key stakeholder groups and discusses how and why they listen to each group and what the feedback and needs are for each group. They also provide concrete examples of programs and initiatives that have been undertaken in response. Numerous case studies demonstrate these responses throughout the impact section of their UK Annual Report.

Tata Steel

Tata Steel has established an effective stakeholder engagement process that identifies the sustainability challenges and concerns of a diverse set of stakeholders throughout their value chain. Stakeholder concerns are well identified, documented and reported. Their report provides a detailed description of material concerns and engagement approaches per stakeholder group, including impacts, concerns, and approaches to and frequency of engagement.

Principles: External environment



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

Key recommendations

- Discuss forward-looking information on megatrends, industry-specific trends and the changing regulatory environment and explain how strategy and performance are envisioned in a new environment and context
- Make connections between these trends and prospects and the future direction of business

Resources

- DNV GL, United Nations Global Compact, Monday Morning Global Institute and Sustainia (2015). *Global Opportunity Report 2015*.
- Global Reporting Initiative (2015). *Sustainability and Reporting Trends in 2025: Preparing for the Future*.
- United Nations Environment Programme (2015). *Raising the bar: Advancing Environmental Disclosure in Sustainability Reporting*.
- World Economic Forum (2017). *Global Risks Report 2017*.

Good practice

Arcadis

The Our Operating Environment section of the Arcadis report identifies a variety of global trends and drivers and explains their response in a concise manner. The report also includes a page on key client trends that feeds into a SWOT (strengths, weaknesses, opportunities and threats) analysis that depicts how these client and market trends affect their strategy and performance.



BASF

BASF produces an integrated report that includes a distinct section on short-term and long-term opportunities and risks. This section goes beyond traditional financial risks to include a sustainability subsection. Throughout the report, BASF acknowledges and discusses key external trends and how they affect various stakeholder groups, expanding the scope beyond direct impacts.



NRG Energy Inc.

NRG Energy includes a two-page Sustainability Context feature at the beginning of their sustainability report. This section introduces megatrends and industry-specific trends, and provides a piece on political and regulatory uncertainty. It discusses how these aspects of the external environment affect their decision-making, strategy and performance. These topics are further discussed throughout the report.



Principles: Reliability



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

Key recommendations

- Engage an external independent assurance provider to a limited or reasonable level on the most material issues and publish the assurance statement in the report or on the website
- Ensure that the assurance statement is easily accessible and provides details on the objective and scope of the engagement, including boundaries and the applied standard or regulation
- Explain how assured data is used for better internal decision-making

Resources

- Global Reporting Initiative (2013). *The external assurance of sustainability reporting.*
- Institute of Chartered Accountants in England and Wales (2012). *Assurance Sourcebook: A Guide to Assurance Services.*
- International Integrated Reporting Council (2015). *Assurance on <IR>: Overview of feedback and call to action.*
- World Business Council for Sustainable Development (2016). *Assurance: Generating Value from External Assurance of Sustainability Reporting.*

Our work on assurance

WBCSD undertook initial research with companies and a high-profile, broadly constituted Assurance Working Group, which culminated in our *Assurance: Generating Value from External Assurance of Sustainability Reporting* publication in 2016. Its recommendations led us to strengthen the **Reliability** criteria for the 2016 *Reporting matters* review process. We've maintained that approach in 2017 and are now building on this earlier work by considering the next steps needed to continue to strengthen sustainability assurance with a renewed Assurance Working Group and project stream.

Good practice

Reliance Industries

Reliance Industries includes a robust external assurance statement that clearly highlights details about the assurance standards used, boundaries and limitations, disclosures covered and assurance procedures. The external assurance provider includes a variety of detailed conclusions.

The external assurance engagement was conducted in accordance with the reasonable assurance requirements of the International Standard on Assurance Engagement (ISAE) 3000 and type 2, high level assurance requirements of the AccountAbility AA1000 Assurance Standard. The ISAE 3000 engagement provides assurance against the principles of relevance, completeness, reliability, neutrality and understandability. The AA1000 engagement focuses on both adherence to AA1000 AccountAbility Principles and the Quality of Performance indicators and information included in the report.



Principles: Balance



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



Key recommendations

- Report on the challenges encountered during the reporting year and provide explanations where performance is below expectations
- Discuss issues of public concern that are associated with the industry the company operates in
- Include critical third-party commentary to bring in another perspective and enhance the credibility of the report

Good practice

Bunge Limited

Bunge includes a question and answer feature with an independent board member in the Governance section of their report. This provides a balanced perspective and discusses company challenges in addition to industry challenges and trends. The Communities section of the report includes a Response to Recent Grievances sub-section that directly addresses issues of public concern.



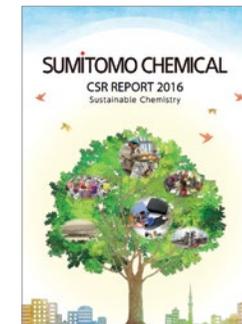
Empresas CMPC

Empresas CMPC's integrated report discloses fines and lawsuits. It also includes a case study on anti-competitive practices and highlights measures they are taking to prevent such occurrences. The company also includes concise narratives on accidents and areas of poor performance for their KPIs and discloses the main results of their stakeholder survey on how citizens view CMPC, including areas of critical commentary.



Sumitomo Chemical Company

Sumitomo Chemical Company's report includes a third-party opinion that's balanced in tone. This full-page feature provides commentary on improvements to the report over time. It also comments on areas where the company has fallen short of meeting suggestions from prior years. Finally, it includes discussions on specific areas for improvement, such as group strategy and further enhancing the materiality analysis.



Principles: Conciseness



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

Combined reports and those following the International Integrated Reporting Framework are not penalized in the **Conciseness** criteria for including information not typically found in stand-alone sustainability reports.



Key recommendations

- Ensure essential aspects such as materiality, strategy, governance, and targets and indicators are covered in the report
- Focus the content of the report on the most material issues
- Produce a summary document that provides a quick overview of strategy, performance and main activities

Good practice

Eastman Chemical Company

Eastman publishes an integrated report that they have kept concise and that largely focuses on material issues. The language of their report is relatable to a range of audiences and they use elements such as bullet points, graphics and charts to reduce long paragraphs and make the document more readable.



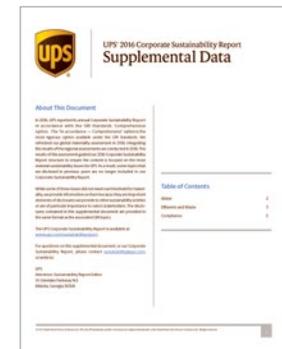
ERM

ERM publishes an online report that uses language that's accessible to a range of audiences. The online content is in a well-defined section of the website and focuses on issues that are highly material for ERM and its stakeholders.



UPS

UPS publishes an interactive PDF report accompanied by an array of online content and a summary report. They also take a unique approach to reporting content that's no longer strictly material but that's still relevant for some audiences. The separate *Supplemental Sustainability Data* document covers water, waste and compliance issues, thereby maintaining a streamlined report while covering the needs of a wide range of stakeholders.



DSM and the **Content** criteria

Simon Gobert, Sustainability Performance and Reporting Manager at DSM, shares his insights on setting effective targets



Q: DSM has linked performance on sustainability targets directly to senior executive remuneration incentives. How has this impacted the organization's approach to sustainability?

DSM has a longstanding commitment to sustainability. The direct link between sustainability targets and executive remuneration incentives further underscores the commitment that we make to sustainability. This works in two ways:

- It reinforces with internal and external stakeholders that sustainability is one of our core values. Incentivizing sustainability brings sustainability performance to the same level of importance as financial performance. This is consistent with our people, planet, profit approach to sustainability.
- Senior executives are committed to dedicating resources and efforts to sustainability and ensuring that sustainable alternatives are followed through. This, in turn, fosters a strong sustainability-minded culture and encourages internal stakeholders to bring forward sustainability ideas and initiatives.

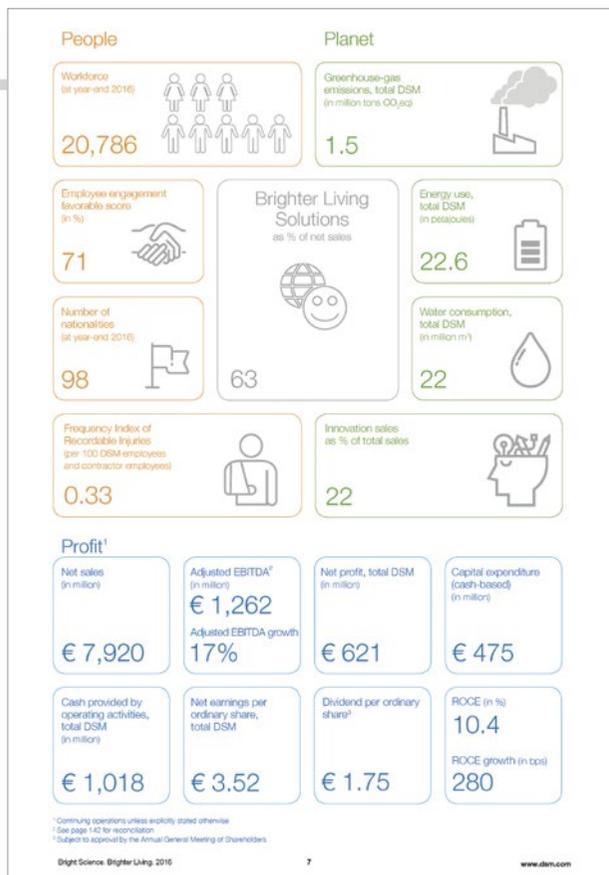
Q: How does DSM approach target setting and the development of KPIs? What value do you find in reporting externally on performance and progress against goals?

DSM's sustainability aspirations are formed by top-down and bottom-up initiatives that identify the topics that are material to us. We define targets using baseline measurements and by aligning with internal and external stakeholders to choose smart and challenging targets. We use external benchmarks and indexes and actively engage with stakeholders to alert us to changes in industry and investor perceptions.

External reporting of sustainability performance is vital to sustainable development. This is why we continually monitor and disclose the KPIs that we have defined. What gets measured gets managed; and we follow this reasoning with our reporting. External reporting means that our measurement must be even more robust and accurate. Assurance of our reporting processes and reported data helps to ensure that this is the case. Openness and transparency also help to build trust and value with our stakeholders.



DSM and the **Content** criteria continued



Q: Are these metrics used internally for decision-making at DSM? Are you able to use them to create programs and policies or determine management approaches to material issues?

These metrics contribute to our decision-making and help to steer the programs and projects that we undertake. For example, we identify potential problem areas in our performance and we look for quick wins where we can achieve early tangible results and longer term solutions. Normally, each topic, such as waste for example, is linked to one or more metrics and programs that help us monitor outcomes and deliver results. One does not necessarily precede the other.

Q: For data and commitments published externally, do specific stakeholders find value and request specific disclosures? How do you determine what to make public?

Our annual materiality refresh defines topics that are important to society and our stakeholders and that impact our business. We structure our disclosures using a number of external standards, frameworks and benchmarks to define what information is made public, such as the SDGs, GRI Standards, CDP and UNGC. In addition, we disclose against targets that are core to our strategy. We also disclose additional, targeted information through other means, such as CDP.

Content: Governance & accountability



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



Key recommendations

- Describe the highest sustainability decision-making authority and how it fits into the corporate governance structure
- Explain how sustainability is governed at group level and regional level, where relevant
- Move away from boilerplate reporting and provide insight into governance activities and key decisions made or actions undertaken during the reporting period
- Report on how non-financial criteria is integrated into board and executive remuneration

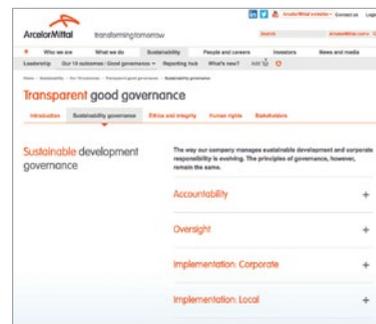
Resources

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

Good practice

ArcelorMittal

ArcelorMittal strongly discusses sustainability in a series of videos that demonstrate leadership commitment. They also provide details on remuneration that are partially based on safety metrics. Their website has a sustainability governance section that explains the board's role, as well as corporate-level and local implementation measures for corporate responsibility and sustainable development.



Pirelli Tyre

Pirelli Tyre's CEO clearly describes how sustainability is a fundamental choice for the company. Their report explains the role of the Board of Directors in sustainability topics. Their website provides a graphical representation of their sustainability governance structure and discusses the corporate and country-level sustainability governance structures. They also examine how economic sustainability and social and environmental objectives all play a role in the remuneration of country-level CEOs.



Royal Dutch Shell

Shell provides an overview of their board-level Corporate and Social Responsibility Committee. Their description touches on the role of the committee, its members, the frequency of meetings and general topics that fall under its purview. The report also highlights the role of sustainable development indicators in the company scorecard, which affects executive compensation.



Content: Strategy



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



Key recommendations

- Explain the strategy or strategic approach to sustainability and how it fits into the corporate strategy
- Discuss the connection between sustainability and financial performance
- Describe how the strategy will be delivered via action plans, targets and integration into business functions

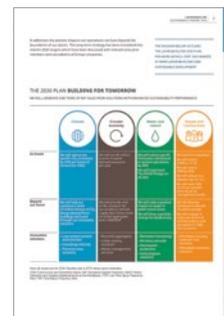
Resources

- SustainAbility (2014). *See Change: How Transparency Drives Performance*.
- SustainAbility (2015). *Model Behavior II: Strategies to Rewire Business*.

Good practice

LafargeHolcim

LafargeHolcim presents a clear 2030 Plan that organizes highly material issues into four pillars. For each pillar, they explain the key ways they'll deliver change "in-house" and "beyond our fence" and provide key innovative solutions to meet challenges. They link their strategy to their corporate business model and financial performance in several areas throughout the report.



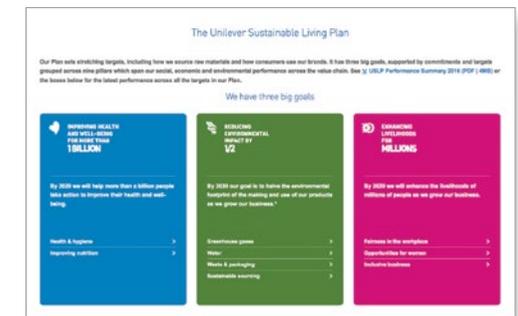
PepsiCo

PepsiCo's refreshed Performance with Purpose strategy – focused on "Products, Planet and People" – serves as an agenda for the next decade. Each area focuses on one or more broad material issues, with several sub-issues. The overall sustainability strategy is clearly integrated into the corporate structure.



Unilever

Unilever organizes its reporting around the three big goals of the Sustainable Living Plan: improving health and well-being, reducing environmental impact, and enhancing livelihoods. The plan addresses Unilever's most material issues and encompasses its entire value chain – from sourcing of raw materials to consumers use. The business case is clearly articulated around four value drivers: more growth, less risk, lower costs and more trust.



Content: Targets & commitments



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

We strengthened the criteria this year to align with good practice by placing an increased focus on linking targets to highly material issues.

Key recommendations

- Develop targets that span short-, medium- and long-term timelines
- Ensure that targets are specific and measurable
- Include targets that go beyond direct operations and consider upstream and downstream activities
- Disclose progress against targets and future plans to achieve targets

Resources

- AccountAbility (2013). *Growing into Your Sustainability Commitments: A Roadmap for Impact and Value Creation*. AccountAbility and United Nations Global Compact.
- Carbon Disclosure Project, United Nations Global Compact, World Wide Fund for Nature and World Resources Institute (2016). *Science-based Target Setting Manual*.
- Kendall, Geoff and Bob Willard (2016). *Future-Fit Business Benchmark*. The Future-Fit Foundation.

Good practice

Eni

Eni provides an overview of commitments in an objectives and results table that includes commitments, year-on-year progress from 2015 and objectives for 2017-2020. Several environmental indicators contain 2025 targets, providing a range of timelines. Narrative in the text provides a good discussion of progress for various commitments and objectives.

Eskom

Eskom discusses a variety of measures that address material issues throughout their integrated report, including one-, two- and five-year targets. Their report presents three years' worth of results and a graphical representation indicating whether or not targets have been met. These targets cover direct operations and downstream considerations.

Measure and unit	Target 2017/22	Target 2017/18	Target 2016/17	Actual 2016/17	Actual 2015/16	Actual 2014/15	Target met?
Routine particulate emissions, kgPWW/m ³ wet coal ¹	0.31	0.34	0.35	0.36	0.36	0.37	●
Specific water consumption, EA/W/m ³ wet coal ²	1.30	1.37	1.38	1.42	1.44	1.38	▲
Net raw water consumption, ME	n/a	n/a	n/a	307 249	314 685	313 078	
Environmental legal contraventions in terms of the Operational Health Dashboard, number ³	1	1	1	-	1	1	●

¹ In accordance with our policy the performance of Medupi Unit 6 has only been taken into account from September 2015 onwards being one year after commissioning.
² Water consumption figures still exclude Medupi Unit 6, as unit specific meters are not yet available at Medupi Power Station. An approach is being developed to allow the inclusion of performance without unitised meters.
³ In defined circumstances where the management of an environmental legal contravention indicates specific management issues or failings, it is recorded on the Eskom Operational Health Dashboard.
⁴ Future targets are dependent on system requirements.

Norsk Hydro

Norsk Hydro presents mid-term strategic goals for material issues in table format. The tables present clear ambitions with defined medium-term and year-on-year targets, as well as a description of progress in both metric and graphic form to guide readers. These goals are split by product line and separated by their key message of creating value by becoming better, bigger and greener.

Content: Management approach



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



Key recommendations

- Describe the management systems and processes in place to address the most significant issues and explain how data is collected
- Disclose on the data collection process and internal controls
- Explain how the company engages with employees, suppliers and customers to address material impacts along the value chain

Resources

- Accenture and World Business Council for Sustainable Development (2014). *Integrated Performance Management: Better decisions today, better impact tomorrow*. Future Leaders Program 2014.
- Business for Social Responsibility (2012). *Sustainability and Leadership Competencies for Business Leaders*.

Good practice

3M

3M highlights management systems and processes that address material issues. Their report clearly covers how direct material issues and indirect upstream and downstream impacts are tackled through training or activities, particularly in the How We Work section. The company provides ample examples of how sustainability is embedded in operational functions and a strong description of data collection, adjustment and verification processes.



Hitachi

Hitachi provides a mid-term management plan that links management focus areas to material issues, targets and results. They also describe their approach to enhancing corporate social responsibility (CSR) management with a framework based on ISO 26000. Hitachi complements this with a strong description of its management approach to a variety of sustainability themes, including diversity, human rights and supply chain responsibility, throughout their report.



Saint-Gobain

Saint-Gobain demonstrates how they manage sustainability aspects across the value chain. They provide a table that aligns challenge categories with their CSR roadmap. An operational action plan that depicts their management approach to each material issue is also included in this table. These approaches include specific committees, programs, training and policies.

Priority challenge category	CSR initiative	Operational action plan
Climate change	Sustainable solutions, Sustainable materials - industry & markets Limitation of environmental impacts	Hitachi Committee, Sustainable Construction Tools, Environmental action plan (EAP), Training in environmental protection
Responsible practices	CSR governance	Responsible purchasing, Compliance program, Internal audit, Management reference base
Diversity	Employee professional growth	HR program, Training, CSR program
Health and Safety	Employee professional growth Customer and community Sustainable solutions Sustainable and sustainable CSR governance, Compliance program	Implementation of the health and safety policy, HSE, Training in risk prevention, Actions for responsible purchasing
Environmental impact	CSR initiative	Operational action plan
Circular economy	Sustainable solutions Limitation of environmental impacts	Action plan by General Manager to set national and local management policy, Circular business R&D program
Creation of local value	Group contribution to local development	Responsible Purchasing, Compliance program, CSR program

Content: Performance



Measuring and monitoring performance is critical to demonstrating progress. It's important to develop and report specific and measurable key performance indicators (KPIs) for all material issues. KPIs help to increase comparability with competitors over time and provide accountability so that performance trends can be monitored and corrective actions taken when required.

This year we updated the criteria to include consideration of a wider range of indicators than input and output. We were also stricter about requiring reports to disclose clear KPIs for highly material issues. This has resulted in a number of scores being adjusted down from three to two.

Key recommendations

- Disclose KPIs for all highly material issues, with a range of indicators such as input, output, process, outcome and context
- Provide context to the data presented in the report and explain performance trends to facilitate data interpretation
- Include more granular data to provide insight into performance at the regional level or specific sites where operations can be threatened by local factors

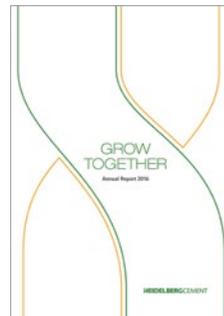
Resources

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

Good practice

HeidelbergCement

HeidelbergCement provides KPIs at the beginning of each chapter. The report features tables that have indicators for most material issues and include historical data from a 1990, 2008 or 2014 baseline, depending on the data type. This allows readers to gain a clear understanding of trends over time. The tables are also accompanied by a narrative on GHG emissions progress from 1990.



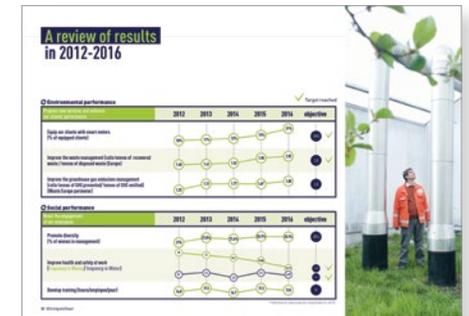
Saudi Basic Industries Corp. (SABIC)

SABIC's report includes a performance summary with five years' worth of data organized by report section. This data covers all highly material issues identified in their materiality assessment process. It's accompanied by a strong narrative on performance in the appropriate sections of the report. KPIs include reference to a range of indicators including input, output and process.



SUEZ

SUEZ reports in their integrated report on KPIs for most of their highly material issues, linked in particular to the Group's commitment to help achieve the SDGs. The data includes five years of performance to provide readers with a depiction of trends over time. The data is accompanied by objectives and a clear representation of whether the target has been reached. This is in line with their 2017-2021 Sustainable Development Roadmap across a variety of geographic areas.



Content: Evidence of activities



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



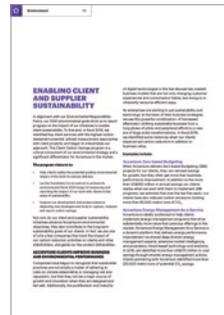
Key recommendations

- Provide examples of sustainability-related activities and include the historical context of those activities where appropriate
- Develop case studies that are material and outcome-driven to illustrate sustainability in action for a variety of material issues

Good practice

Accenture

Accenture includes a number of case studies throughout their corporate citizenship report. These case studies frame initiatives by client challenges, Accenture solutions and specific social and environmental results. They are easy to find through a dedicated page within each section of the report, and clearly fit into the narrative and link to material issues.



CRH

CRH highlights case studies throughout their report. These case studies are easily distinguishable from the rest of the text, include photographs to support the narrative and are accompanied by external stakeholder perspectives. Case studies showcase sustainability initiatives and demonstrate how CRH offers building solutions to their customers through a diversified range of product offerings. CRH complements these case studies with consistent examples of programs and initiatives that address material issues in the general narrative.



SGS

SGS has a dedicated section in its online report for case studies, including several that are outcome-driven and linked to specific programs. New case studies are constantly added throughout the year to foster ongoing reporting and are accompanied by images and detailed explanations. Users can filter them by year and topic.



Content: Strategic partnerships & collaboration



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

We strengthened the criteria this year to match good practice by placing an increased focus on aligning strategic partnerships with the sustainability strategy and disclosing on outcomes and the company's role in the partnership.

Key recommendations

- Partner and collaborate with non-governmental organizations, communities, governments and cross-industry organizations and get a deeper understanding of material-specific issues and how they advance the sustainability agenda
- Disclose how these partnerships support the company's sustainability agenda by addressing material issues
- Describe the objectives and outcomes of the partnerships and collaborations and report on their wider economic impact
- Clearly describe the role of the company and the rationale for joining the partnerships

Resources

- Gray, Barbara and Jenna P. Stites (2013). *Sustainability through Partnerships: Capitalizing on Collaboration*. Network for Business Sustainability.

Good practice

British Telecommunications (BT)

BT explores various strategic partnerships that address a variety of material issues throughout their report. Featured partnerships include examples of working with NGOs, communities, governments and cross-industry collaborations. Descriptions go beyond simply listing logos and partner names, to include information on BT's role and objectives, as well as outcomes of the partnership.



F. Hoffman-La Roche (Roche)

Roche centers a section of their report on creating value through transformative partnerships. This section focuses on innovation and is broken into societal health concerns and academic alliances that emphasize key objectives, partners and outcomes. Roche also discusses other partnerships that focus on material issues in detail throughout their annual report.



Nissan Motor Co., Ltd

Nissan reports on various partnerships with a wide range of stakeholders, including governments, research institutions and industry groups. These partnerships address how Nissan is working towards its sustainability goals. The report includes links to more information on their website about some of these partnerships, with icons that easily catch readers' attention.



Radley Yeldar and the **Experience** criteria

Louise Ayling, Senior Sustainability Consultant at Radley Yeldar, shares her views on the balance between disclosure and engagement

Q: So, we know that reporting matters, but why specifically does experience matter?

This is a question we answer a lot at Radley Yeldar. We're big believers that reporting can drive change if it's done well, but great content on its own isn't always enough to connect with the people that matter. These groups of people include more than just investors; they extend into employees, customers, NGOs and sometimes more. The experience of a report – what it looks like, how information is organized and what the messaging says – determines what people think and feel about your content and what they do as a result.

We produce lots of sustainability reports every year and we know that CEOs and senior managers often refuse to review the document until it's in a designed format. This strongly suggests to us that it's not just the words that matter – but that the way in which users experience those words through the design is crucially important too.

Ultimately, putting a lot of effort into great content but no effort into how people find or read that content is a wasted effort and a missed opportunity.

Q: What's the starting point for great experience?

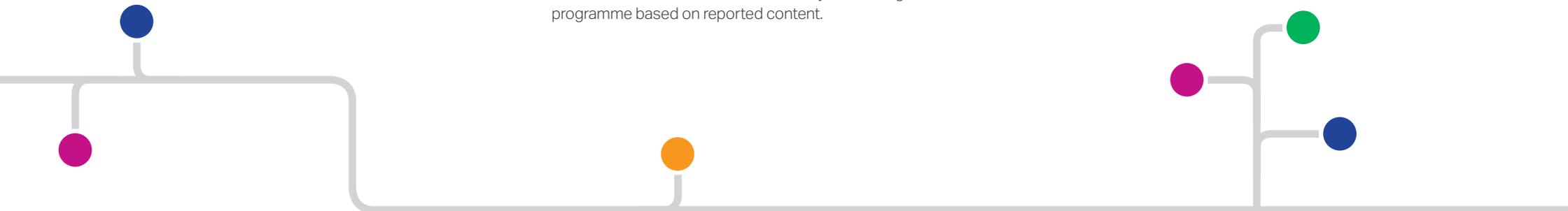
Considering your audiences is a good starting point for a compelling experience. With sustainability disclosure, this can be especially tricky – as people are generally more interested in pulling out key content by issue or business unit rather than reading the whole publication. This being the case, we often recommend that our clients think about two types of audiences.

The first are specialists, who will be coming to your report to look for information – either for work or because they're interested in the detail of your approach. For them, it's vital to get things like the contents page and navigation right so they can find what they want fast – and ideally in one easy download.

Beyond that, you may also like to consider the view of a second broad audience – the generalists who may not know much about your business or the issues you're talking about. You'll need to make sustainability information more accessible if you're going to reach them. To do this, consider quick reads, moving images or engaging summaries on your website – or taking your reported content to them in bite-sized chunks through social media or PR campaigns. Doing the latter can result in large increases in the volume of traffic to a report; one RY client managed to increase reach fivefold (from 4,500 to over 24,500 visitors) over four years through a social media programme based on reported content.

Q: The assessment looks at story – what does that really mean?

People often look at us a bit strangely when we talk about storytelling for the first time. It's nothing to do with handsome princes and fairies, but a powerful tool to help people remember your organization and what sustainability means to you. In the context of reporting, a story will often sit at the front of a report and explain why sustainability matters to your business, what value it creates for you, and what your vision for a sustainable future is. This story can be used consistently across all sustainability communications to give you a helpful "elevator pitch" for your work and to share a consistent story with your stakeholders across your channels. Using your company's purpose statement is a great starting point to create a story that's connected to other areas of your business, beyond just sustainability.



Q: What about online reporting?

Online-only reporting is a tricky one. In our view, it can make disclosures feel harder to find and fragmented – which makes reporting less transparent, rather than more. For the fullest source of disclosure, which is designed for those task-based specialists, we think that an interactive PDF often works best. It's still a digital format that can be easily searched, saved and annotated by users who feel confident that everything is collated in one place.

We rarely recommend a full online report as they're generally harder to produce, less effective and more expensive to create – meaning return on effort is low – but that's not to say that there isn't a role for online communications around the report. Consider recycling sections of your reporting on your website and on social media channels like LinkedIn. Select images or graphics from the reporting to use on Facebook, Twitter or Instagram.

And if you do want to create a separate online reporting experience as a place for all kinds of disclosure, make sure that it does what digital does best – offer up interactive experiences or films in a way that works across devices, with clear consideration for mobile and tablets, where content needs to be short.

Q: Is print completely out of fashion?

In our view, there's still a place for printed documents. Sourcing paper and ink with care to produce something beautiful that people might want to keep can prove a more enduring, effective and sustainable communication option versus a novelty digital experience. It's obviously not a binary choice, but dismissing paper as "less sustainable" isn't a view we subscribe to.

Q: What advice do you have for people wanting to deliver a brilliant reporting experience?

There are three top tips that we have for a great reporting experience.

First up, make a plan for your disclosure across principles, content and experience at the same time – don't add on the experience part as an afterthought. Early planning means you'll get the benefit of your communications experts or web teams, which in turn will get the best results for your audiences.

Secondly, make it interesting. Increasingly, we're seeing leading reporters think differently about how they create content in a way that's more editorial – like a magazine – to cover tricky reporting elements, like forward-looking information or trends, in a way that audiences find more interesting.

Don't just think about what you want to say, think about what people want to read and how they'll read it. Use any audience research or analytics to focus reporting content more effectively. And remember that, while reporting definitely matters, the report is unlikely to communicate to everyone you need to reach; so think about how to get messages to these audiences in other ways.



Experience: Accessibility



Accessibility relates to the availability of sustainability information, its suitability for different audiences, and how easily the content can be found. Increasingly, sustainability content is made available across a number of different communications channels, such as online and integrated reporting, to appeal to various stakeholders.

The **Accessibility** criteria remain largely the same as last year. However, minor amends have been made to encourage the creation of content that appeals to a wider range of audiences.



Key recommendations

- Clearly label sustainability content so that it can be found easily
- Make sure sustainability content is readily accessible from the home page of the company's website
- Provide sustainability content across multiple formats, to suit different types of audience

Good practice

Royal Philips NV

Royal Philips's reporting includes a range of options to suit the needs of various audiences. The sustainability report can be downloaded in full or in specific sections; and the stand-alone GRI index cross-references to relevant report content. Quarterly reporting of sustainability metrics brings sustainability disclosure in line with the company's disclosure of financial metrics. And a shift to online content brings the reporting content to life for non-technical audiences.



Experience: Story & messaging



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

The experience criteria have been updated this year to reflect the increasing need to balance disclosure and engagement within sustainability communications. The Story & messaging criteria are new.

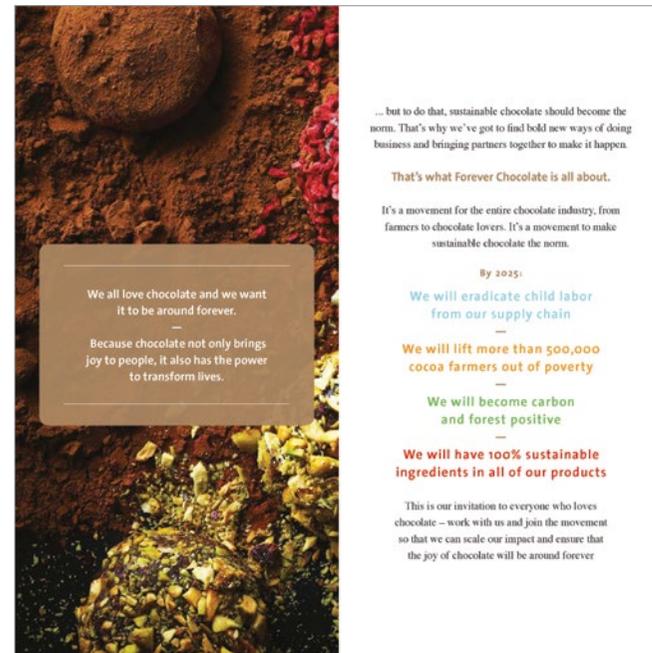
Key recommendations

- Develop a clear message or narrative that reoccurs throughout the report and broader sustainability communications
- Ensure key messages are imaginative and company-specific
- Tone of voice should be engaging, interesting and readable

Good practice

Barry Callebaut

A new WBCSD member, Barry Callebaut has launched its Forever Chocolate strategy in a departure from the organization's usual reporting style. The messaging is compelling and at the same time conveys the necessary technical information using simple, accessible language. What's more, the Forever Chocolate strategy's name is engaging and unique to Barry Callebaut's business, and has the potential to scale throughout other communications over time.



Experience: Navigation & flow



The navigation and flow of a report can make a huge impact on the reader's experience. It's important for the text to unfold in a logical order and for the reader to understand where to find relevant information. Signposting and cross-referencing help link relevant content together and navigation tools help the reader find information quickly.

These are new criteria this year, drawing on the Line of sight and Content architecture criteria from previous years.



Key recommendations

- Develop a clear line of sight through the reporting content
- Use navigation tools to ensure content is easy to find
- Make sure content groupings make sense
- Make use of signposting and cross-referencing to link to relevant content elsewhere in communications
- Present information in a consistent manner throughout the report

Good practice

Mondi

Mondi's use of navigation tools helps guide the reader through the company's 112-page report with ease. The navigation bar at the top of each page highlights exactly where the reader is and provides a useful line of sight into upcoming information. A mini contents page at the beginning of each section provides a useful overview and allows the reader to digest each chapter on its own. Interactive functionality enables the reader to click through to different pages and jump to relevant content, creating their own journey through the report.



Experience: Compelling design



Great design serves two primary functions: to bring the content to life in an engaging way and to ensure an excellent user experience where information can be digested quickly and easily.

These criteria are evolved from the Information presentation criteria from previous years.

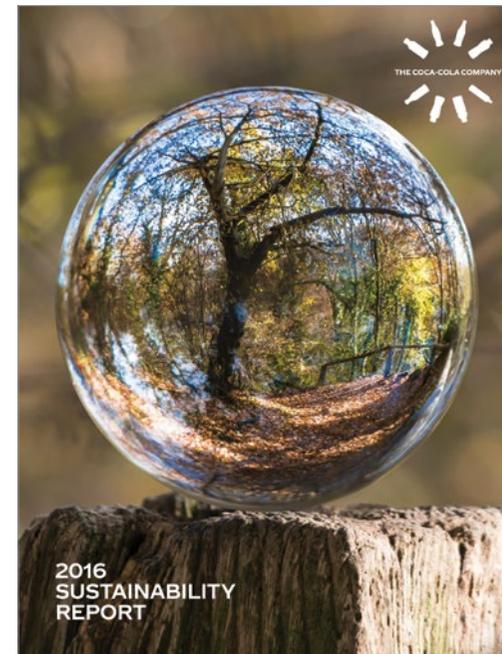
Key recommendations

- Make use of color, typography, photography, diagrams and graphics to explain and bring content to life
- Make sure the design elements are aligned to the report's content and messaging
- Consider the audience's needs and the type of experience they are looking for
- Where imagery is used, make sure it's appropriate and reflects the nature of the organization

Good practice

The Coca-Cola Company

Coca-Cola has refreshed its approach to reporting this year, to respond to increased consumer interest in the company's sustainability efforts to inform their purchasing decisions. Balancing the need to reach both traditional stakeholders and this emerging audience with sustainability communications, Coca-Cola now presents its data and goals in an illustrated and sharable format. One-page infographics provide compelling fact-sheets on different issues; and the hand-written CEO foreword adds a personal touch. Interactive links from the infographic-led PDF direct the reader to relevant, more detailed content online, much of which is suited to traditional sustainability audiences.



Section
4

Appendix

In this section

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- 50** Global Network partners
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- 57** Acknowledgements
- 58** About the research partners



What we did in 2017

1

Criteria updates

This year saw a major overhaul of the **Experience** criteria to align them with trends in the shift towards more integrated and online-first reports. Changes include:

- Updates to the **Accessibility** criteria.
- Development of the new **Story & messaging** criteria.
- The merger of **Content architecture** and **Line of sight** criteria into new **Navigation & flow** criteria.
- The development of **Compelling design** criteria based on the old **Information presentation** criteria.

We also overhauled the review process and shifted from an additive approach to an approach that gauges reporting maturity for each criterion. This has resulted in adjustments to some points of emphasis and score changes for some member companies.

Specific examples include:

- The **Strategic partnerships** criteria now require companies to provide concrete outcomes as well as an overview of the rationale and their role in the partnerships.
- To score above a two on most of the various **Content** criteria, reports must clearly align their content with the outcomes of a materiality assessment. The materiality assessment must incorporate internal and external stakeholder input. Scores for the **Performance** and **Targets & commitments** criteria were most affected by this.

The main aim with these updates was to continue to align high scores with evidence of good practice that we see in our member company reports. These changes accompany the 2016 realignment of the **Reliability** criteria to match the outcomes of our Assurance Working Group.

2

Research

We once again reached out to our members, asking them for their fullest source of sustainability information. In total, we systematically reviewed 157 sustainability, combined or self-declared integrated reports against the 18 defined criteria.

Every review was subjected to a quality review process to ensure completeness, objectivity, fairness and consistency.

3

Analysis

The review of all reports was carried out between May and August 2017, after which a thorough analysis was undertaken to identify trends. Along the way, we identified companies that best represented good practice for each of the **Principles, Content** or **Experience** criteria to include in this year's publication.

4

Launch

As with past years, the fifth 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 good practice examples. We accompany the publication each year with mid-year feedback sessions and face-to-face meetings at our annual Council Meeting to help engage with member companies and provide personalized feedback.

5

Engagement

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

Global Network partners

We've worked with four WBCSD Global Network partners to expand the use of the *Reporting matters* framework to a variety of national contexts as part of our continued strategy to scale up innovation. Global Network partners have been trained on the *Reporting matters* criteria and review process. Radley Yeldar has provided design guides and templates to maintain consistency across reports. We're pleased to highlight their efforts in this section.



Australia

Established in 1991, Sustainable Business Australia (SBA) has been a WBCSD Global Network member since 2014. SBA, in collaboration with the GRI, has championed the Australian Corporate Sustainability Roundtable in Australia on corporate reporting standards under the ASX Corporate Reporting Guidelines since 2012.

To ensure companies deliver on their vision it is vital that they share details of their non-financial performance with the market and the broader communities in which they operate. The preparation of concise and informative sustainability reports and the sharing of these results through a range of communication and engagement methods generates significant interest and reinforces the value of a company's sustainability agenda, which is vital to their short-, medium- and long-term success. Using the *Reporting matters* framework will serve to benchmark and improve Australian corporate sustainability reporting performance.

SBA is assessing approximately 20 member sustainability reports. A five-person team consisting of four SBA staff and one lead consultant from Zoic Consulting will analyze these reports. Their first report is due to be published in November.

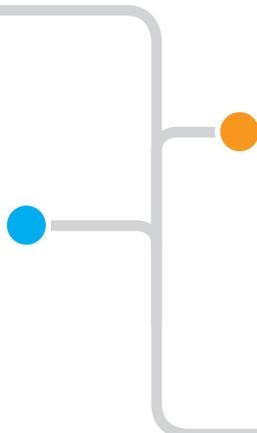


Switzerland

öbu was established in 1989 and has been a WBCSD Global Network member since 2013. They first partnered with engageability and RepRisk to roll out the *Reporting matters* methodology in Switzerland in 2015. A high-level stakeholder jury requested that the project partners slightly adapt the methodology to the Swiss context; and the project partners developed an additional transparency analysis in 2016 focusing on the transparent disclosure of material issues.

This year, the project partners teamed up with Business School Lausanne (BSL). The project partners further improved the methodology by extending the transparency analysis with the outside-in perspective of BSL's new Gap Frame (www.gapframe.org), which translates the Sustainable Development Goals (SDGs) into nationally relevant issues and indicators for businesses. Its objectives are to provide a national assessment that analyzes where a country is today compared to where it should be in the future and to highlight potential risks or business opportunities for companies operating in that country. An extended version, which now also embeds the SDG perspective, could be considered as a global prototype for focused reporting and used as such by networks such as WBCSD. The project is co-funded by the Federal Office for the Environment (FOEN).

In total, öbu is assessing 110 reports from Switzerland-based companies across 14 industries, including 9 small and medium-sized enterprises and 101 large companies. The analysis will serve as a benchmark to gain a deeper understanding of reporting trends and practices in Switzerland. The results of the assessment will be shared with selected companies at the Focused Reporting workshop on 26 October and presented at the Swiss Green Economy Symposium on 30 October.





Taiwan

Taiwan BCSD was established in 1997 and has been a WBCSD Global Network member since then. It worked with member companies to co-publish *Sustainable Care—Roadmap to the Green Century* in 2001. This publication is the first report on sustainability performance in Taiwan and evaluates the alignment of 10 Taiwan BCSD member companies with the GRI Guidelines.

Following this report, Taiwanese companies have started to prepare their sustainability reports voluntarily, with Taiwan BCSD member companies taking a leading role in this trend. The Taiwan Stock Exchange and the Taipei Exchange began requiring some specific listed companies to publish annual corporate social responsibility (CSR) reports in 2014, resulting in a sharp increase in CSR reports issued in Taiwan each year – to more than 400.

In this context of increased disclosure requirements, the Taiwan BCSD has decided to start applying the *Reporting matters* review process, with the objectives of:

- Improving the effectiveness of the information communicated to stakeholders;
- Increasing the consistency of reporting approaches and standards across companies.

Taiwan BCSD will review approximately 30 reports from its member companies this year. It is a significant procedure for a wide range of future non-financial information applications. Their first report is due to be published in early 2018.



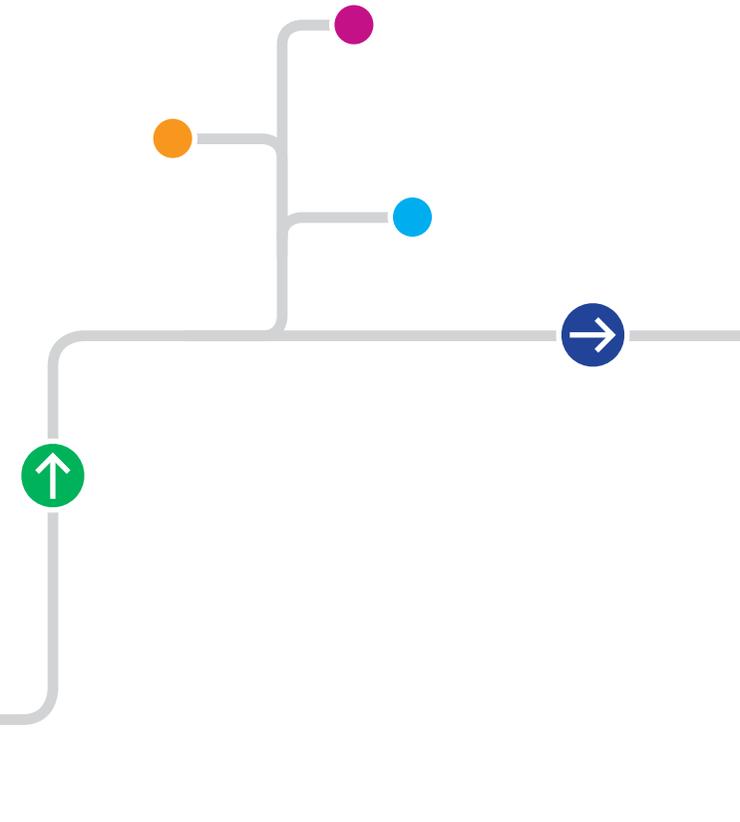
Turkey

Established in 2004, BCSD Turkey became a WBCSD Global Network member that same year. Over the past 13 years, BCSD Turkey has worked closely with WBCSD to deepen its local work on sustainability. In line with sustainability reporting trends globally, BCSD Turkey is a founding member of the Turkish Integrated Reporting Network.

With reporting being placed at the core of all activities, *Reporting matters* has presented itself as an important tool to create added value for member companies. This project has several main objectives in the Turkish context:

- To become the first report to provide a snapshot of the Turkish corporate sustainability reporting environment;
- To provide a baseline to assess the improvement of specific aspects of reporting, such as materiality, targets and performance;
- To track changing reporting trends among Turkish companies over time using this baseline.

BCSD Turkey will review 27 sustainability reports from its 57 members. A five-person team consisting of three BCSD Turkey specialists and two PwC consultants will analyze these reports. Their first report is due to be published in November 2017.



List of reports reviewed

3M
Accenture Plc
Acciona S.A.
Acer Group
Aditya Birla Group
AECOM
AkzoNobel N.V.
Apple Inc.
Arcadis
ArcelorMittal S.A.
Archer Daniels Midland Company (ADM)
Baowu Steel Group
Barry Callebaut
BASF SE
Bayer A.G.
Bloomberg LP
BMW AG
Borealis AG
BP International
Bridgestone Corporation

Brisa Auto-Estradas de Portugal S.A.
British Telecommunications plc
BrownFlynn Ltd.
Bunge Limited
Canon Inc.
Cargill Incorporated
CEMEX
Charoen Pokphand Group (C.P. Group)
China National Building Material Company Limited (CNBM)
China National Petroleum Corporation (CNPC)
China Petrochemical & Chemical Corporation (Sinopec)
CLP Group
The Coca-Cola Company
Continental AG
Cooper Tire & Rubber Company
Copersucar S.A.
CPFL Energia
CRH plc
Daimler AG
Danone Group

Deloitte Touche Tohmatsu Limited
DENSO Corporation
Deutsche Bank AG
Diageo plc.
DNV GL
The Dow Chemical Company
DSM N.V.
DuPont
E.ON SE
Eastman Chemical Company
Eaton Corporation
EDF Group
EDP - Energias de Portugal S.A.
Empresas CMPC S.A.
Enel
ENGIE S.A.
Eni S.p.A
Environmental Resources Management Limited (ERM)
Ernst & Young (EY) LLP
Eskom Holdings Limited

Evonik Industries AG
F. Hoffmann-La Roche AG
Fibria
Firmenich SA
Ford Motor Company
Fujitsu Limited
Givaudan International SA
The Goodyear Tire & Rubber Company
Greif Inc.
Grupo Argos
HeidelbergCement AG
Heineken N.V.
Henkel AG & Co. KGaA
Hitachi Ltd.
Honda Motor Co. Ltd.
Iberdrola SA
IKEA
Infosys Limited
innogy SE
International Flavors & Fragrances Inc.



International Paper Company	NRG Energy Inc.	Siemens AG	TOTAL
JPMorgan Chase & Co.	Olam International Ltd.	Sika Group	Toyota Motor Corporation
Kellogg Company (Kellogg's)	Old Mutual	Sime Darby Berhad	Trafigura Pte Ltd.
Kering	PepsiCo Inc.	Skanska AB	Tyson Foods Inc.
Komatsu Ltd	Pirelli Tyre S.p.A.	Smurfit Kappa Group	Unilever
KONE Oyj	The Procter & Gamble Company	Solvay S.A.	United Technologies Corporation
KPMG	PTT Public Company Limited	Sompo Japan Nipponkoa Insurance Inc.	UPL Limited
LafargeHolcim	PwC	Sonae SGPS SA	UPS
Louis Dreyfus Company	Rabobank Group	Statoil	Vale International S.A.
Masisa	Reliance Industries Limited	Stora Enso Oyj	Veolia Environnement VE SA
Michelin	Renault-Nissan Alliance	Suez Environnement	Volkswagen AG
Mitsubishi Chemical Holdings Corporation	Renault-Nissan Alliance	Sumitomo Chemical Company Ltd.	Votorantim Cimentos
Mitsubishi Corporation	Royal Dutch Shell plc.	Sumitomo Rubber Industries Ltd.	Wal-Mart Stores Inc.
Mondi Group	Royal FrieslandCampina	Sweco Sweden AB	Whirlpool
Monsanto Company	Royal Philips N.V.	Symrise AG	Yara International ASA
Natura Cosméticos S.A.	S.C. Johnson & Son Inc.	Syngenta International AG	Yokogawa Electric Corporation
Nestlé S.A.	Saint-Gobain	Taiheiyo Cement Corporation	The Yokohama Rubber Co. Ltd.
Norsk Hydro ASA	Santander Group	Tata Group	
Novartis	Saudi Basic Industries Corp. (SABIC)	Titan Cement Group	
Novozymes A/S	SCG Group	Toshiba Corporation	
	SGS S.A.		

Acronyms

BSL	Business School Lausanne
CDP	Carbon Disclosure Project
COSO	The Committee of Sponsoring Organizations of the Treadway Commission
CR	Corporate responsibility
CSR	Corporate social responsibility
ERM	Enterprise risk management
ESG	Environmental, social and governance
EU	European Union
GHG	Greenhouse gas
GRI	Global Reporting Initiative
IR	Integrated reporting
ISO	International Organization for Standardization
KPI	Key performance indicator
NGO	Non-governmental organization
SASB	Sustainability Accounting Standards Board
SDGs	Sustainable Development Goals
SEBI	Securities Exchange Board of India
SSE	Sustainable Stock Exchanges Initiative
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

Glossary

Assurance

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

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

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

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

Case study

A case study in the context of a sustainability report is a narrative description (which may be supported by quantified evidence) of an aspect of the sustainability strategy in action 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 combined report 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)

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

Financial capital

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

Global Reporting Initiative (GRI)

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

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

GRI G4: The Global Reporting Initiative launched its G4 Guidelines in April 2013. They replace the letter-based G3 Guidelines levels with two "in accordance" levels ("core" and "comprehensive") and introduce a variety of new standards disclosures. They 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: GRI launched the GRI Standards in October 2016. They replace 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.

In accordance options:

- Core: For each identified material aspect, the organization discloses the generic disclosure on management approach (DMA) and at least one indicator.
- Comprehensive: For each identified material aspect, the organization discloses the generic DMA and all indicators related to the material aspect.

Governance

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

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

Human capital

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

Glossary continued

Impacts

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

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

Integrated report

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

Internal auditing

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

Natural capital

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

Manufactured capital

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

Material key performance indicator (KPI)

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

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.

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

Scope levels

Scope 1: All direct GHG emissions.

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

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

Social capital

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

Stretch targets

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

Sustainable value chain approach

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

Value chain

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

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

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

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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 over 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 combined revenues 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.wbcسد.org

About Radley Yeldar

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

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

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

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

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Notes



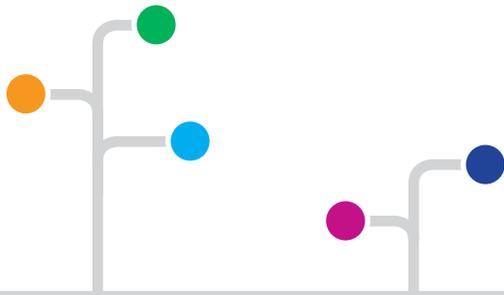
Notes continued





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