

# Reporting Matters

## Overview of the methodology

4 November 2014



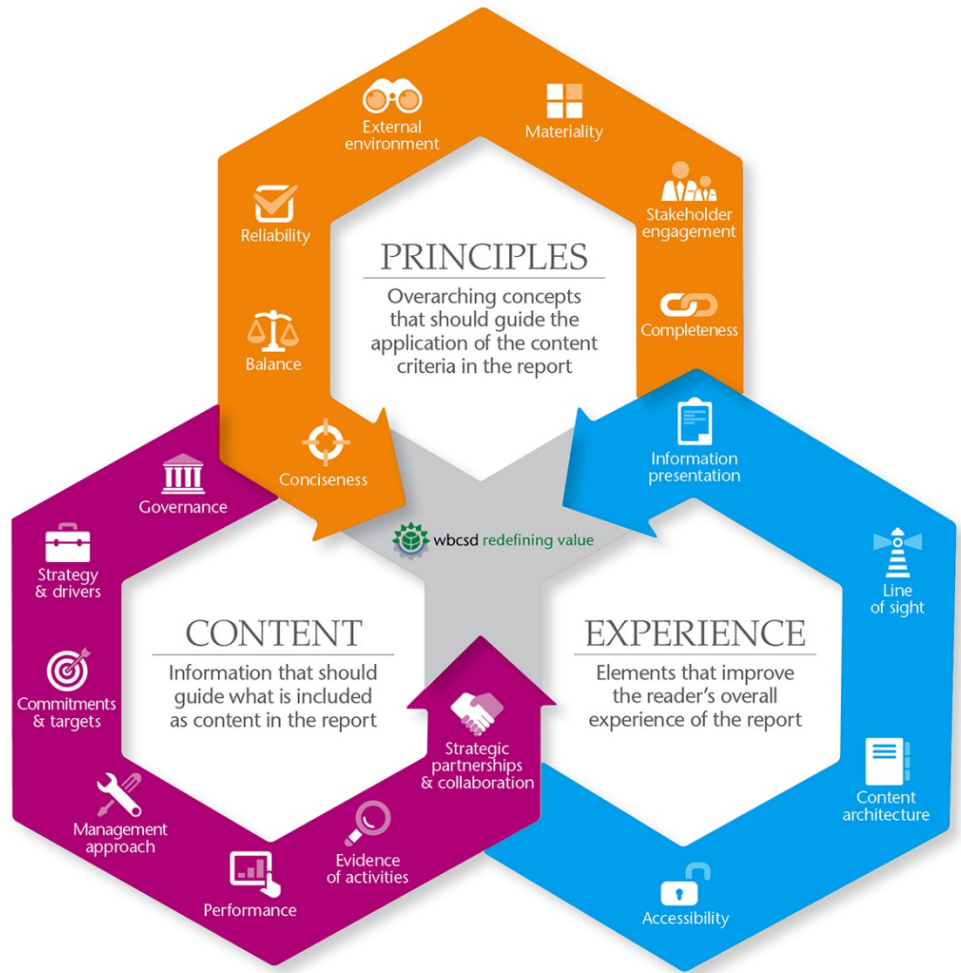
# Background





# Reporting is a dynamic process

Not a goal in itself, but an instrument to improve the effectiveness of corporate investments in sustainability





# Our methodology

## Background questions

- For information and statistics
- Not used in the scoring

## Principles and criteria

- Principles (7)
- Content (7)
- Experience (4)

## Scoring

- Multiple positive statements for each criterion
- Scores from 0 to 4 (strongly disagree to strongly agree)

# Description of principles and criteria

2





# Principles



# Completeness

**Substantial evidence that the company has considered its value chain impacts when material (incl. direct, upstream and downstream activities) and the scope of reporting reflects this**

*(Note: if there is no description of the value chain, there should be an explanation as to why)*

- The report includes a clear description of overall report **scope and boundaries** and an explanation of how these were set
- The report includes **discussion of sustainability impacts** which relate to value chain activities beyond the company's direct operations when material
- The report includes a clear description or graphical representation of the company's **value chain** when indirect impacts have been identified as material



# Materiality

## Substantial evidence of a robust materiality approach to prioritize reported content

- Description of a credible **materiality process**:
  - ✓ Parameters considered: relevance / impact of issues on the company and on stakeholders (including providers of financial capital)
  - ✓ Prioritization of relevant matters to be disclosed (e.g. magnitude of impact, likelihood of impact occurring)
- Evidence of **stakeholder involvement** in the materiality process
- **Outcomes** of materiality analysis (e.g. materiality matrix), indicating a hierarchy of industry specific material issues
- Reported content reflects the **prioritization** of material issues identified
- **External validation** of the materiality process, e.g. expert stakeholder panel, (not necessarily third-party assurance)





# Stakeholder engagement

## Substantial evidence of stakeholder engagement activity

- The report provides an **overview** of the engagement activities carried out during the reporting period (*Note: not necessarily included in a stand-alone section of the report*)
- The report identifies the **major stakeholder groups** and explains the basis for selection (e.g. customers, suppliers, employees, NGOs, communities, investors, governmental bodies)
- The engagement demonstrates that stakeholders' legitimate needs and interests have been **listened to and actioned**
- The report describes the **engagement mechanisms** (e.g. stakeholder panel, Globescan survey) beyond business as usual mechanisms



# External environment

## Substantial evidence that the company understands key trends in its external environment and their strategic implications

- The report includes relevant discussion on how **megatrends** will impact - positively and negatively - on strategy, risk and performance (e.g. climate change, water scarcity, land use change, population growth...)
- The report includes relevant discussion on how **marketplace trends** (customer requirements, issues affecting supply and demand) will impact - positively and negatively - on strategy, risk and performance
- The report includes relevant discussion on how **regulation** (e.g. EU ETS, REACH...) will impact - positively and negatively - on strategy, risk and performance



# Reliability (independent assurance/verification)

## Evidence of independent assurance or verification on key sustainability data and disclosures is contained in the report

*(Note: Unlike other criteria which comprise a number of positive statements, reliability will use a drop down menu with the following options corresponding to the stated score)*

4. Data or KPI disclosures that relate to **all** the material sustainability issues as per the Materiality Process are independently assured/verified using global standards or local regulations
3. Data or KPI's disclosed that relate to **some** of the material sustainability issues as per the Materiality Process are independently assured/verified using global standards or local regulations
2. No material process is reported but **all** data or KPIs disclosed are independently assured/verified using global standards or local regulations
1. No material process is reported but **some** data or KPIs disclosed are independently assured/verified using global standards or local regulations
0. No independent assurance/validation or independent assurance/validation that does not use global standards or local regulations



# Balance

## Substantial evidence of balanced reporting

- The report discloses sustainability risks and challenges
- The report discloses response to negative media coverage
- The report discloses failed targets
- The report includes a narrative on poor areas of performance
- The report discloses third-party commentary including criticism
- The report discloses fines, non-compliance and legal actions



# Conciseness

## Substantial evidence of a considered approach to conciseness

- The report makes a significant effort to reduce unnecessary disclosure with few instances of over or under disclosure/transparency - and without undermining materiality
- The report is accompanied by a summary document which provides a quick overview of performance and highlights
- The report uses plain English and is jargon free
- The report uses short sentences, paragraphs and bullet points



# Content



# Governance and accountability

## Substantial evidence of a formal internal sustainability governance structure at corporate level and external accountability

*(Note: this information may feature elsewhere than in the report (AR, Governance report, extended online version))*

- Evidence of board and senior **leadership commitment**, e.g. CEO statement or equivalent
- Description of how sustainability is governed at **corporate and local levels** where relevant
- Description of sustainability committee **activities** during the reporting year, **frequency** of meetings and discussion of **outcomes**
- Discussion of board and senior executives **remuneration** related to sustainability goals or KPIs
- The report indicates the use of internal audit for reported data on material issues including material KPIs and underlying processes



# Strategy

## Substantial evidence of a strategic approach to sustainability and description of major drivers

*(Note: could be a sustainability stand-alone strategy or, for integrated reporting/thinking a company strategy that has sustainability embedded in it)*

Sustainability report	Combined/Integrated
The report clearly articulates a strategy or strategic approach to address material sustainability issues and articulates how the strategy will deliver sustainable outcomes	The report clearly articulates a corporate business strategy that embeds material sustainability issues and delivers sustainable outcomes that generate value and profit.
The strategy or strategic approach links to a long-term vision (what an organization wants to be or become) for integrating sustainability into the business model/commercial objectives	The strategy links to a sustainable long-term vision (what an organization wants to be or become)
The report includes a narrative on how the strategy is executed (e.g. resources allocation, targets, actions plans)	Same
The report demonstrates an understanding of key risks and opportunities (see external environment) and discusses implications on the business model if appropriate.	Same
The report makes the connection between sustainability and financial performance (qualitative or quantitative) i.e. how the sustainability strategy support commercial objectives	The report shows how core operations and the business model generate value over time.





# Commitments and targets

## Substantial evidence of sustainability targets and future commitments

- The report includes disclosure on **past targets** including a stated level of achievement for last year's targets (e.g. target achieved, not achieved, in progress etc.)
- The report includes future commitments and targets that relate to **material** issues
- The report includes future commitments and targets that relate to material issues that go **beyond the company's direct impacts**
- The report includes future commitments and targets that are **short** (2014-15), **medium** (e.g. 2016-2017) and **long-term** (e.g. 2020)
- The report includes credible future targets that are consistently Specific, Measurable, Achievable, Realistic and Time-bound (**SMART**)



# Management approach

## Substantial evidence showing systems and processes to manage material issues and how these are implemented through engagement

- Discussion of management approach – **systems and processes** – to manage material issues, e.g.
  - ✓ certified management systems, use of internally or externally developed framework, tools and guidelines, external accreditations
- Description of **data collection processes**
- Employee, supplier and customer **engagement activities** which underpin management approach – when upstream and/or downstream impacts are identified as material - e.g.
  - ✓ training, monitoring & audit, awareness raising
- Insights on how **sustainability is embedded in corporate, operational and process** (e.g. procurement) functions beyond the sustainability team



# Performance

## Substantial evidence of quantitative information throughout the report

- **KPIs** for all material issues – plus other indicators where appropriate
- **Narrative** on performance trends and appropriate presentation of performance data:
  - ✓ Performance data is presented primarily as company/group-wide performance across all KPIs
  - ✓ Performance data is additionally presented at a more granular level where appropriate
  - ✓ Performance data shows performance over time (at least every 2 years, ideally more) where applicable
- Clear **differentiation** between KPIs and other indicators



# Evidence of activities

## Substantial evidence of backward looking disclosure focusing on activities undertaken to address material issues during the reporting year

*(Note: this information may feature elsewhere than in the report (e.g. extended online version))*

- The report includes a narrative on sustainability related activities to proactively tackle material issues during the reporting year
- Where appropriate, the report includes a narrative on the historical context related to these activities
- Compelling, concise and balanced **case studies** which are:
  - ✓ Material
  - ✓ Linked to a wider strategic programme
  - ✓ Outcome driven



# Strategic partnerships and collaboration

## Substantial evidence of strategic partnerships and collaborations to address material issues

*(Note: this information may feature elsewhere than in the report e.g. extended online version)*

- Narrative on partnerships to address material issues, specifically with:
  - ✓ Non-governmental organizations and non-profit organizations
  - ✓ Community organizations
  - ✓ Governments and inter-governmental organizations
  - ✓ Cross-industry groups
  - ✓ Foundations where appropriate



# Experience



# Accessibility, Content architecture, Line of sight and Information presentation

## Accessibility

- Signposting of the report on corporate website homepage
- Availability of content in different formats according to users' needs
- Effective use of GRI content index where applicable

## Line of sight

- Sense of strong cohesion between key elements in the report
- Use of graphical linking devices e.g. shapes and color coding to enhance cohesion
- Clear and logical flow
- Use of cross-referencing to connect sections

## Content architecture

- Clear information hierarchy for skim reading and use of engaging sub headings and introductory paragraphs
- Consistent structure throughout
- Clear differentiation between different types of content such as case studies, narrative, quotes and data
- Use of navigation devices and interactive features to promote retrieval of information

## Information presentation

- Availability of performance data in interactive formats, e.g. online charting functionality, excel formats
- Use of infographics and typography to communicate key messages and information
- Appropriate use of photography, illustration and images
- Use of color coding and icons
- Use of dividers and white space



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