FOREVER
SUSTAINABLE BUSINESS

SUSTAINABILITY REPORTING BENCHMARKS 2022

WRITTEN AND COMPILED BY

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ABOUT THIS REPORT

This report is produced by Forever Sustainable to identify trends and best practices of sustainability reporting in Europe – including the dos and don'ts of sustainability reporting. The report has been produced by using both qualitative and quantitative data from the 42 European companies included in the 2021 Corporate Knights Global 100 Index.

The report is divided into 3 categories, with four to five subcategories giving a total of 14 subcategories. In comparison to last year's findings, this year's categories are mostly the same. A new category of *Circular Economy* has been added as the concept is now, to a greater extent, appearing as a strategic practice creating a positive impact on society. Furthermore, *Frameworks* is a new category supplementing last year's *TCFD & EU Taxonomy* and *GRI Integration*. As the guidelines and principles for sustainability practice are growing, the new subcategory allows coverage of more frameworks than before.

For each of the 14 subcategories, the report provides an analysis of the frequency and level of difficulty, describing the topics, trends, best practice, and things to avoid in disclosing the topics as well as comparing the findings to the report of 2021. Also, the report includes visual examples from the analysed sustainability reports. A rundown of the categories and subcategories can be found on the following page.

ABOUT THIS REPORT

Structural	Scope	Engagement
Materiality analysis	SDGs & KPIs	Stakeholder Engagement
Sustainability Governance Structure	Progress Tracking	Testimonials
Supply Chain Management	Shared Value	Risk Management
Frameworks TCFD, EU Taxonomy, GRI, UNGPs, SBTi, etc.	Circular Economy	External Assurance
Ethics	Biodiverstiy	

EXECUTIVE SUMMARY

In the analysis of 2021's sustainability reports, we have found that companies are enhancing the focus on stakeholder engagement, progress tracking, and biodiversity. Discussions about circular economy and the quality of companies' supply chain management is advancing. Furthermore, companies are advancing their disclosure relating to sustainability every year.

Firstly, many of the assessed companies cover most of the subcategories included in the report. The average company covered 12 of the 14 subcategories where SDGs and KPIs hit the highest frequency of 98%. Many, but not all, companies linked their KPIs to specific SDGs (23 of 41).

Secondly, the most significant increase in frequency is Biodiversity which increased from 65% to 76%. Also, the quality and depth of biodiversity disclosure have improved when compared to previous years. This increase may partly be due to the debate about the necessity of biodiversity restoration for the health of the planet – connected to e.g. climate change. Furthermore, the EU Taxonomy that includes biodiversity as a topic to disclose is likely to be another influencing factor.

Already last year's findings showed an increase in companies tracking their progress. Tracking the progress of the company's initiatives and activities is becoming important in sustainability disclosure. Just as last year, many companies track the progress three years back – mostly in quantitative terms. However, when disclosing progress in qualitative terms, it was more common to track that specific progress one to two years back.

Regarding ethical issues, companies tend to disclose diversity and inclusions as an internal workforce matter, while human rights, modern slavery and labour rights is, primarily, referred to as an issue within the supply chain.

Thirdly, covid-19 has been a topic discussed frequently in sustainability reports in the past two years. However, this is no longer a key discussion. Some of the reports are still referring to covid-19 – mostly as explanations to why the company's progress/result look like it does.

Lastly, some of the reports assessed make statements regarding the Russian invasion of Ukraine (9 out of 42). All of these company mention the invasion as behaviour the company cannot stand behind – some calling it a human tragedy. A few of the reports discuss the risk of keeping business in Russia and describing what actions have been taken. Since this tragic event happened after most of the companies' reporting period, some of the reports may have already been published when the invasion began. Most likely, more companies are concerned about it and take actions, which will be reported upon in next year's reports.

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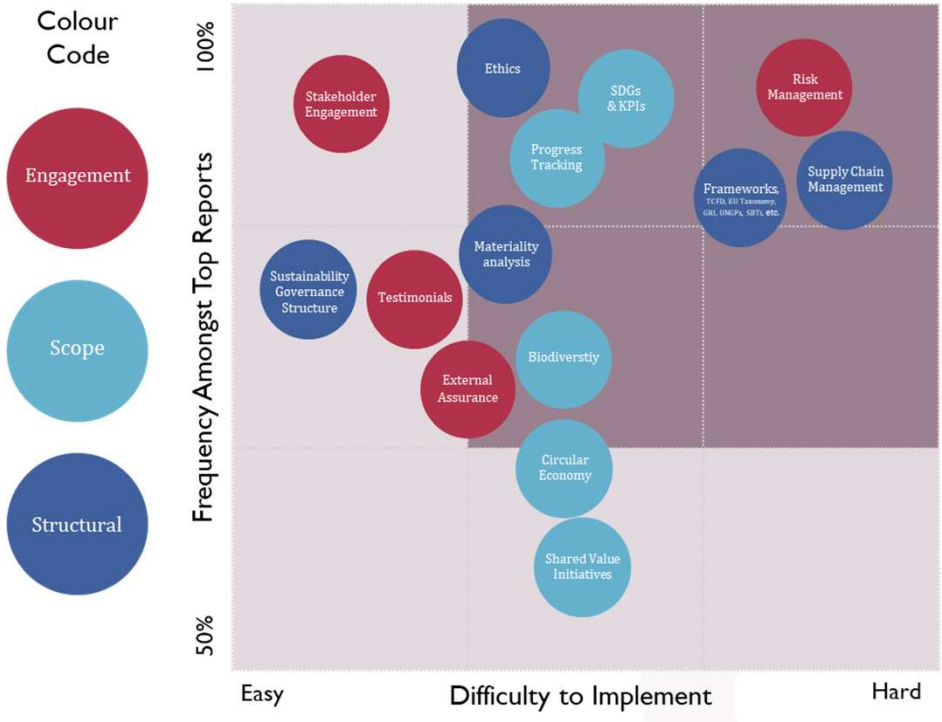
MATRIX OF SUSTAINABILITY REPORTING

Forever Sustainable has developed a matrix demonstrating the sustainability topics' frequency (Y-axis) and difficulty (X-axis). The level of difficulty is, however, debatable. The matrix is aimed to give a visual indicator as well as guide companies in their work with sustainability strategy and sustainability reporting.

The matrix includes all the categories presented in this report aiming to demonstrate which are the easier topics to cover and which may take greater effort to put into action. Topics such as *External Assurance* and *Testimonials* do not require much of resources or effort to implement – yet adding great value for the companies as it enhances their credibility and reputation. On the other hand, topics such as *Risk Management* and *Supply Chain Management* are rather complex and thus more difficult to implement. However, these topics are considered vital to a company's sustainability strategy as shown by their appearance among the reports of Europe's most sustainable corporations.



MATERIALITY ANALYSIS

Frequency: 81%, 34/42

Difficulty: Medium. Mapping the most relevant topics for a company involves surveying key stakeholders, reviewing the company's risks, and measuring the company's impact on each of the topics.

Definition: The concept of materiality in sustainability arrives from reviewing which topics are the most relevant for the business itself as well as for the company's stakeholders. The possible impact is also considered in the assessment process. The most material topics for a specific company are the ones that are relevant to both the stakeholders and critical for the company's business.

Trends: Assessing material topics through an analysis that combines topics relevant to both the company's business and its stakeholders remains a common practice in sustainability reporting. Also, many of the assessed companies are incorporating the findings as the base of the sustainability strategy and KPIs. The number of issues presented in the report varied amongst the companies – some specified the topics leaving no questions about the underlying interest while others had fewer and broader topics, making it more difficult to distinguish underlying interest. Furthermore, some of the companies choose to categorise the topics to give them a clearer distinction – e.g., dividing the topics into social, financial, and environmental issues.

Although the companies assessed vary in characteristics, topics frequently realised as material include (i) climate-/carbon-related issues (27/42), (ii) occupational health and safety (20/42), and (iii) data integrity (15/42).

For this subcategory, it has been recognised that communicating the result of materiality analysis visually works as a rationale for each of the described material topics. It is common to present the results in a matrix that on the one axis demonstrates the business' interest and on the other axis demonstrates interest of its stakeholders.

Best Practice:

- A clear matrix with x- and y-axes based on both the business and the stakeholders' interests.
- Clear categories with subcategories which are written alongside with the matrix to avoid confusion. The topics should be in the matrix only if they are short and comprised.
- Using the topics to build the reports structure with further details, e.g., having the main topics as headlines.

Avoid:

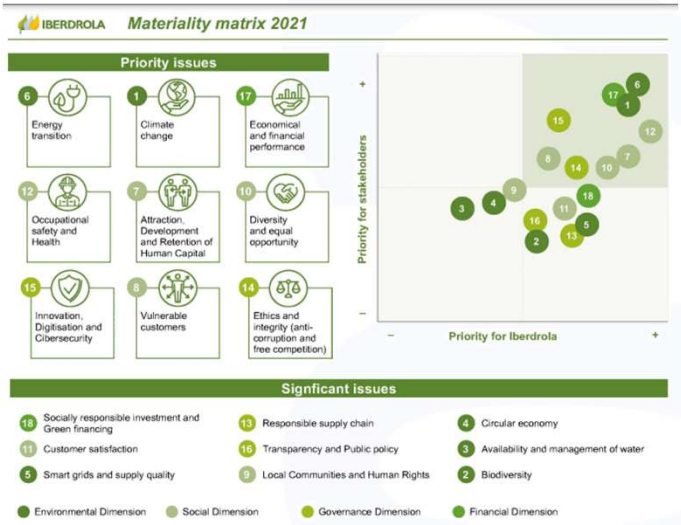
- Only commenting on the process of the analysis. Make sure that you describe the material issues that come out of the analysis made.
- Covering too many topics as material may confuse what are the company's main priorities. While it is difficult to drop some of the subjects, "trimming" the materiality analysis allows companies to concentrate on what matters the most.

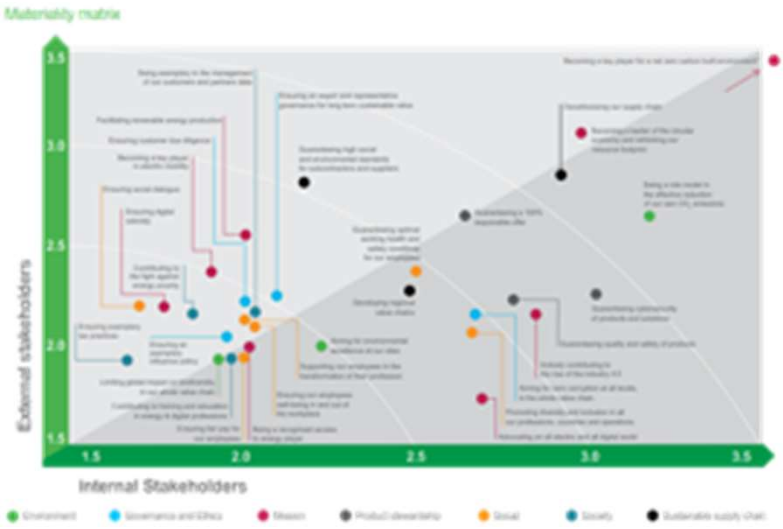
Comparison to 2021: The frequency of materiality analysis disclosure has risen from 76% to 81% since last year, thus no significant changes. Companies begin to realise the effectiveness and reliability of structuring the report and sustainability strategy in line with material topics.

MATERIALITY ANALYSIS

Best Practice: Storebrand ASA
Storebrand ASA has a clear matrix with colours showing a clear distinction between which topics that are of the highest concern. The categories are also head topics throughout the report. Could be preferable to highlight the topics of high concern.

Best Practice: Iberdrola
A clear matrix that provides the necessary information. It is simple and effective. Highlight the priority issues both by colour and by distribution between the topics.





Room for Improvements:
This matrix has too many topics and its complexity makes it hard to grasp. Also, the colour shifting is unnecessary in this case. This company would benefit from cutting the topics down and including the business perspective since both the axes are from the stakeholder's perspective.

SUSTAINABILITY GOVERNANCE STRUCTURE

Frequency: 76%, 32/42

Difficulty: Easy. While each company has a different governance structure, it is not difficult to provide a rundown of who is involved in sustainability at the company and provide a description of relevant job roles at the company.

Definition: A sustainability governance structure is a set of structural and organisational arrangements that control the company's sustainability performance. In the best-case scenario, sustainability governance includes a tree that provides a rundown of the structure. Best-case also includes a description of the role of responsibility for the assigned individuals.

Trends: Sustainability governance is often described as a part of the overall governance structure of the company. Mostly, the governance is visually presented as a hierarchical structure. Some of the companies complement the visual illustration with an explanation of the responsibility and roles of e.g. the sustainability committee and sustainability team. Furthermore, providing a governance structure of sustainability does not appear as a hygiene factor throughout the reports – many of the reports fail to mention sustainability while describing the corporate governance structure.

The visual illustration is often what distinguishes a good report from a bad report as it is often difficult, in text, to grasp how the structure of the governance is interlinked.

Best Practice:

- When describing the structure of the sustainability governance, clarify the responsibility within the structure.
- Provide a visual illustration giving a holistic view of the sustainability structure in relation to the company itself.

Avoid:

- Mentioning a sustainability governance structure without properly detailing the roles and responsibilities of the individual involved.
- Broadly explain that sustainability relates to all individuals involved in the governance structure – if so, specify the different responsibilities to enhance credibility.

Comparison to 2021: The frequency of Sustainability Governance Structure has risen since last year from 74% to 76%. While more companies, in one way or another, disclose their structure of sustainability governance to a greater extent this year the topic remains underdeveloped.

SUSTAINABILITY GOVERNANCE STRUCTURE

Best practice: Alstom

This hierarchical illustration is simple and provide the reader with divisions related to the structure of sustainability governance in the context of the company's general governance structure.

Room for improvement:
This illustration gives no information of how the sustainability governance is structured in the company. Improvement can be done through presenting how the sustainability tasks are handled in relation to the Board in general and include the different tasks of the different responsibilities – e.g. what is the main difference between the 'relevant ESG segments' and 'departmental activities with ESG relevance'?

SUPPLY CHAIN MANAGEMENT

Frequency: 86%, 36/42

Difficulty: Hard. The supply chain is often complex and takes an extensive deal of detail and effort to elaborate on areas that extend beyond raw materials and production, such as human rights. Monitoring suppliers and holding them to a certain standard requires a significant time investment.

Definition: A supply chain is a network between a company and its suppliers to produce and distribute a specific product or service. The supply chain may also represent the steps it takes to get the product or service from its original state to the customer – e.g. activities such as production, transformation, and transportation. This subcategory measure how companies address and mitigate the ethical, social, and environmental aspects of the supply chain which may or may not include a separate section of supply chain management.

Trends: Supply chains are often commented upon at least to some extent in the assessed reports. Supply chain disclosure is a requirement for GRI certification giving one possible explanation for the high frequency. However, the depth of discussion on how the company manages supply chain issues varies. Two common approaches to communicating supply chain management were identified – (i) providing a separate chapter on the supply chain issues where all material issues appearing in the supply chains of the company are described, and (ii) covering the supply chain issue within the chapter of that one specific material topic.

Mostly, when describing supply chain management topics such as human rights and modern slavery, Supplier Code of Conducts, external audits, and raw materials were commonly discussed. Often, companies referred to implemented programs and certificates to prove their commitment to preserve a sustainable supply chain. However, only a few reports described and gave case examples of how they actively engaged with their suppliers in continuous improvement.

Best Practice:

- Highlight activities and/or programs that are implemented practice to assure that no significant harm occurs in the supply chain.
- Due diligence processes described and implemented.
- Elaborate on the current state of the supply chain, both in social and environmental terms and explain how the activities and/or programs assigned aid continuous improvement of the state of the supply chain.

Avoid:

- Only referring to international standards without any explanation on how the standard becomes relevant for your specific business operations and how it is applied/approached.
- Ignoring significant risks with respect to your operations and thus covering less relevant topics.

Comparison to 2021: The frequency of disclosing supply chain related information has decreased from 91% to 86% this year. Compared to last year's assessed reports, companies consider more topics regarding supply chain management covering a greater portion of what, most likely, is of impact.

SUPPLY CHAIN MANAGEMENT

Best practice: Kesko Oyj

The map demonstrates the exposure of direct imports and the number of social responsibility audits while the table presents details about the specific audits and its result. The mapping gives the reader an understanding of the proportion of purchase exposure to easily be compared with the number of audits done increasing the transparency. Furthermore, the detailed table is likely to increase the transparency, and thus legitimacy, even more.

Value of Kesko's direct imports and number of social responsibility audits, 10 largest high-risk countries of import[1]

	A Outstanding	B Good	C Acceptable	D Insufficient	E Unacceptable
	3%	5%	28%	63%	1%
	55%	34%	9%	2%	
gaining	100%				
	94%	1%	5%		
	39%	52%	8%		1%
	15%		5%	79%	1%
	76%	20%	1%	2%	1%
	100%				
	100%				
	98%	1%	1%		
	99%				1%
	87%	13%			
	94%	5%			1%
	4%	6%	9%	79%	1%
	64%	24%	11%	1%	
gaining	99%	1%			
	95%	5%			
	46%	49%	4%		1%
	11%		6%	81%	1%
	72%	25%		3%	
	100%				
	100%				
	97%	3%			
	100%				
	82%	15%	3%		
	92%	8%			

Room for improvement:

This section of the company's approach to ensure responsible sourcing refers to many different initiatives which is not further described within the report. Thus, it is difficult for the reader to get an understanding of what sort of actions are taken.

s' responsible sourcing practices are focused on environmental, social, and governance issues across our value chain. Agricultural raw materials are a major component of our production processes and a responsible and secure supply of them is crucial to s' production.

Our approach

s' sourcing department drives our supplier management and responsible sourcing program, anchored within s Operations, Supply and Quality function. Our approach to responsible sourcing is defined by our Responsible Purchasing Standards (RPS) and managed through our Supplier Performance Management (SPM) process and the Supplier Ethical Data Exchange (SEDEX) platform.

Through the SPM process, s screens suppliers and classifies their risk based on spend, country and category. In case a supplier does not meet our assessment criteria, either an action plan is established, or an alternate supplier is identified. s uses the SEDEX collaboration platform to engage with suppliers and manage sustainability risks in our supply chain.

FRAMEWORKS

Frequency: 88%, 37/42

	TCFD	EU Taxonomy	GRI	SBTi	UNGPs	OECD guidelines
2022	74% (31/42)	50 % (21/42)	74% (31/42)	60% (25/42)	33% (14/42)	45% (19/42)
2021	72%	24%	72%	N/A	N/A	N/A

Difficulty: Hard. Implementing new guidelines into a company's sustainability strategy or report can be difficult to accomplish. Although it is easy to mention a guideline and its principles in a report, the process of adopting new recommendations and guidelines as well as them into the sustainability strategy and subsequently the report could be considered difficult.

Definition: Frameworks appearing, and thus somehow structuring, the reports stem from e.g., *TCFD, SBTi, EU Taxonomy, GRI, UN's Guiding Principles* and *OECDs Guidelines for multinational enterprises*. The frameworks as a category mean that the report mentions following the recommendations of either one of these guidelines. Only reports that state and demonstrate a framework in the light of the company's own operations are counted in this category – thus reports only mentioning/supporting a framework are excluded.

Trends: Sustainability-related frameworks and guidelines are, in general, growing both in terms of availability as well as being used by companies. Most of the assessed reports are referring to at least one well-known framework. Furthermore, some of the companies provide the readers with case examples and demonstrate the work in light of the company's operations.

It has been recognised that companies tend to utilise frameworks to guide data usage and disclosure. Regarding TCFD and the EU Taxonomy, more companies are now disclosing data in line with the framework(s) rather than just referring practice to the standard.

Commonly, the frameworks covering environmental-related data were associated with many activities of the business operations while frameworks covering social issues were mostly associated with supply chain activities specifically.

Best Practice:

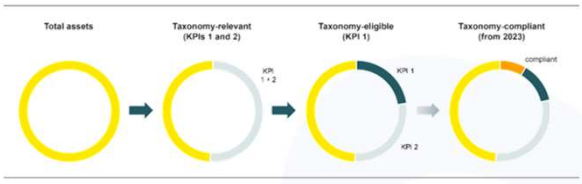
- Involve a description of the framework and to which extent the company is aligned with the framework.
- Provide for tables presenting data-related disclosure to simplify the disclosure and make the data easy to grasp.

Avoid:

- State that the company's activities are in line with a framework without demonstrating in what sense and/or how.

Comparison to 2021: N/A (this is a new topic)

FRAMEWORKS



Best Practice: Commerzbank

This presentation demonstrates Commerzbank's share of total assets that is aligned with the EU Taxonomy. By dividing and linking the assets into KPIs gives the reader a better understanding of the business' assets is linked to the company's business areas.

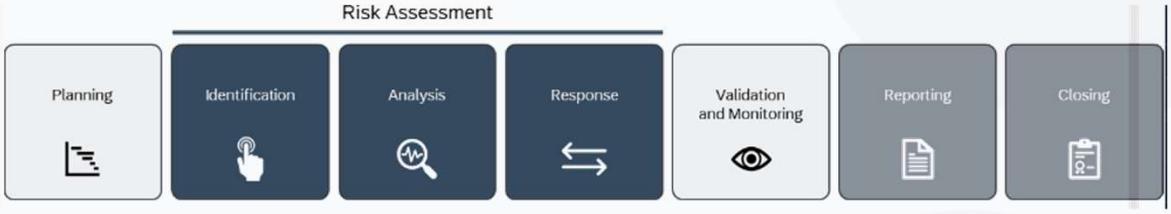
KPI to be disclosed		Share of total assets
KPI 1	**Taxonomy-eligible** assets	24.1%
KPI 2	**Non-taxonomy-eligible** assets	30.4%
Taxonomy-relevant (KPIs 1 and 2)		**54.5%**
KPI 3	Exposures to **central governments, central banks and supranational issuers**	12.8%
KPI 4	**Derivatives**	0.2%
KPI 5	Exposures to **companies not subject to the NFRD**	9.9%
KPI 6	**Trading portfolios**	8.5%
KPI 7	**Short-term interbank loans**	0.1%

Best Practice: SAP

SAP is, together with statements of supporting international standards, providing in-depth descriptions of processes to ensure that there is no significant harm on human rights. Headlines as *How we measure and manage our performance* concerning e.g. employees, suppliers and partners, product development and AI-ethics give an understanding of how the company adapt the guidelines committed to.

Guidelines

We support the Universal Declaration of Human Rights; the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises; and the International Labor Organization Declaration on Fundamental Principles and Rights at Work. The **SAP Global Human Rights Commitment Statement** is our public commitment to respecting and promoting human rights across our value chain. Overseen by our chief sustainability officer and approved by our Executive Board, the current version of the Human Rights Commitment Statement is available at *www.sap.com/corporate-sustainability.*



Room for improvements:

This is the only statement the company provides regarding the EU Taxonomy. In this case, it would be preferable to know more than an upcoming discussion.

Finally, the Audit Committee discussed the requirements of the new Financial Market Integrity Strengthening Act (FISG), the new EU Taxonomy Regulation, and the new Supply Chain Act

ETHICS

Frequency: 88%, 37/42

Difficulty: Medium. If ethics are already considered as a part of a company's core strategy, the information is likely to be easily disclosed. Yet, for companies who must, from the very beginning, create ethical codes, define how diversity, inclusion and other topics are a part of their company, this subcategory is more difficult to accomplish.

Definition: This topic is the disclosure of how the company address and discloses *diversity, equal opportunities, inclusion, anti-corruption,* and *human rights.* To be counted, the report should address ethical issues as a considered topic (not to be associated with material topic). Thus, companies only disclosing business ethics as a phenomenon is not included.

Trends: Because ethics is incorporated in the GRI standards (102-16: Values, principles, standards, and norms of behaviour) almost all the reports assessed mention and comment on the topic. The topic is often related to the company's internal guidelines, protocols, or values and often addressed as a 'cornerstone' of operations.

Furthermore, companies tend to distinguish the diversity and inclusion topic as an internal workforce issue and human rights as an issue of e.g. the supply chain. Therefore, it is not unusual for companies dividing the topics into different sections of the report. In the light of diversity and inclusion, most of the companies addressed (i) diversity amongst the top management team, and (ii) an inclusive workplace with equal opportunities as material. Yet, some companies extended the issue to a business-driven issue – i.e. a social issue to be solved by the company's business activities. In regard to human rights, issues such as child labour and modern slavery were frequently discussed.

Best Practice:

- Specify minority groups that are actively included in the work towards a diverse and inclusive workforce – e.g. HBTQ, culture, ingenious people and disabilities.
- Display case studies that further highlight these topics.
- Highlight the issue of diversity and equal opportunities both amongst the internal workforce and suppliers.
- Showcasing diversity and inclusion amongst different employee groups to ease the comparison between different hierarchical levels as well as tracking the progress.

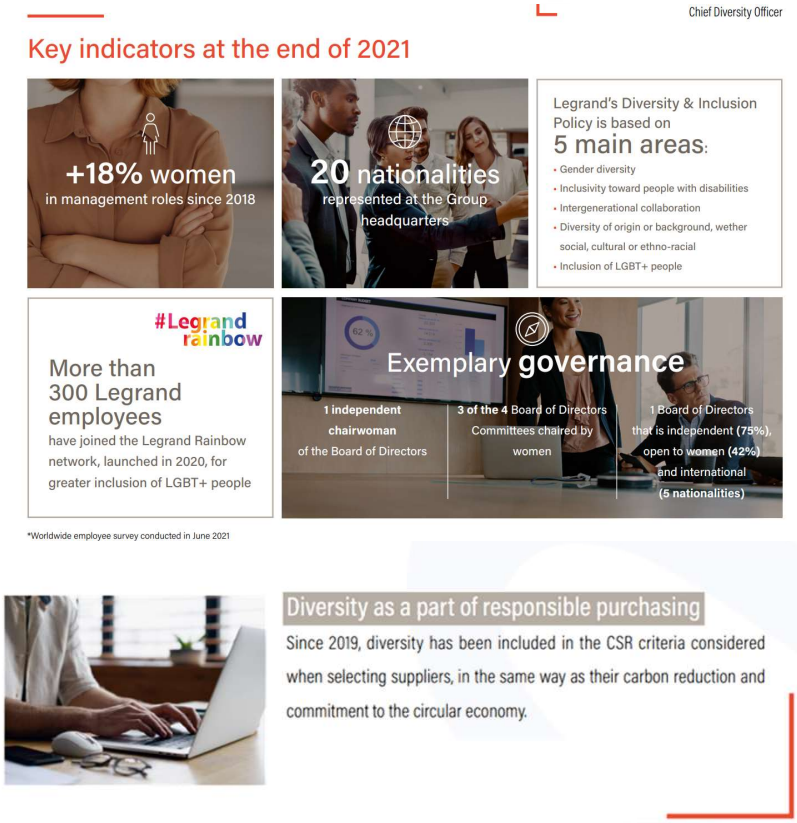
Avoid:

- Only refer the topic to a set of conduct. With no explanation on how the topic is a part of the business' core and what it means to the company, the authenticity and trustworthiness may decrease.
- Not highlighting the connection between ethics and sustainability.

Comparison to 2021: The frequency of disclosing ethical issues has fallen from 96% to 88%. This may be due to a more stringent definition of ethical disclosure where a company had to cover ethical issues as a considered topic and was not counted if they only disclose business ethics as a phenomenon – i.e. not discussing ethical issues as a systematic issue including different issues that may appear throughout business operations, yet mentioning the word ethics throughout the report.

ETHICS

Best Practice: Legrand
This presentation of Legrand's key D&I indicators gives a good overview of which areas are focused upon. Furthermore, describing D&I as not only an internal issue but a factor considered when assessing suppliers generates a perspective that goes beyond *disclosure-as-usual.*



Room for improvements:
This table demonstrates how the company define diversity and inclusion in quantitative terms. The company would benefit from developing indicators that cover more than gender-related issues. Further, the company fails to disclose data on KPIs that have been provided in earlier years – this without any description of why that is so.

	2021	2020	2019
Diversity and inclusion			
Gender - all employees (male/female), %	N/A	55/45	56/44
Gender - managers (male/female), %	N/A	52/48	57/43
Gender - ratio between female employees and managers	N/A	43/37	43/37
Gender - key positions (male/female), %	N/A	45:48	44:43
Diverse teams, %	N/A	N/A	N/A
Board of Directors - (male/female/non-local), %	N/A	N/A	N/A
Retention of employees >30, %	N/A	N/A	N/A
Gender pay gap, %	N/A	N/A	N/A

SDGs & KPIs

Frequency: 98%, 41/42

Difficulty: Medium. While assigning SDGs to already existing projects is simple, a more reflective and comprehensive integration is needed to form long-term sustainability targets aligned with or based on the SDGs which instead is more difficult. Additionally, reliability as well as thoroughly tracking, and reporting is time-consuming making the difficulty level medium.

Definition: Sustainable Development Goals (SDGs) are a collection of 17 goals set by the United Nations for the period between 2015 and 2030. Each of the 17 goals has several measurable targets which can be measured by e.g. a company's key performance indicators (KPIs). KPIs are a measure of company performance which aims to evaluate the progress in different activities. In sustainability reporting, these indicators are usually split in economic, social, governance and environmental fields.

Trends: Most of the assessed reports referred to KPIs and SDGs, yet not all companies linked their KPIs, or other targets, to the contribution of SDGs. Nevertheless, the level of integrating SDGs into sustainability strategy and material topics varied to a large extent. A few companies referred business operations to all 17 SDGs, while most of the assessed companies selected relevant SDGs to guide their material topics. Some companies made an even more thoughtful selection and linked the targets (i.e. subgoals) of the relevant SDGs.

Overall, almost all the companies that referred to SDGs related the goals to their own operations and business. Just as with the selection of SDGs, the KPIs varied in line with the company's core business. However, it is common that a company divide their KPIs into different sustainability categories – often in line with the material topics. Most of the companies presented the KPIs per category (i.e. section of the report) complemented with tables at the end of the report summarising the KPIs with progress tracking.

Best Practice:

- Link and present the KPIs with SDGs and the company-specific target in one table to give the reader a better understanding of how your company is contributing to sustainable development.
- Display the quantitative success of the year giving a snapshot of the key indicators and the progress.
- Link operations to sub-targets of the SDGs.

Avoid:

- Not providing context when presenting a KPI. Indicators with no possibility to benchmark or use as comparison may appear unsettled.
- SDG washing. Avoid referring your business operations to all 17 SDGs with no further specifications.
- Only stating that you are committed to the UN's sustainable development goals and explaining the concept without any contextual setting of how it is relevant for the company.

Comparison to 2021: The frequency has fallen risen from 94% to 98% of the assessed reports to disclose SDGs and KPIs. Also, it is more common for companies to link SDGs with KPIs. Earlier, companies tended to commit to the SDGs as a concept without any or little reference to specific topics and/or KPIs.

SDGs & KPIs

Best practice: Neste

Neste link SDGs relevant to their own operations providing for actions taken to contribute to sustainable development. This gives the impression of Neste being dedicated to such targeting.

How Neste contributes to the SDGs?

Clean Energy

- Neste increases the share of renewable energy in the global energy mix by producing and selling low-emission renewable fuels for road transportation and aviation.
  - In 2021, Cologne Bonn Airport made Neste MY SAF available for airlines to reduce greenhouse gas emissions at the airport.
  - Hesburger and Neste started a collaboration where the used cooking oil from Hesburger restaurants was recycled into renewable diesel and used in transportation.
  - Neste's renewable fuels portfolio includes as well renewable gasoline (in testing phase) and renewable fuel oil.
- Neste aims for 100% renewable electricity use globally by 2023. This target is to be achieved ahead of schedule in Finland with the new hydropower agreement with Vattenfall. Neste has wind power agreements in place with Fortum, Ilmatar and Statkraft.

Decent Work and Economic Growth

- The new Safety Leadership Principle and team safety commitments were the focus of Neste's safety leadership and culture in 2021. Especially the theme of wellbeing was highlighted in the team level safety commitments.
- The pandemic management activities continued and included enhancing the safety and wellbeing of people.
- A new leadership development program, We Lead, and a new way of working, Smart Work, were launched.
- We actively take steps to protect labor rights and promote safe and secure working environments for all workers, with special attention to vulnerable groups.
- Neste is committed to implementing effective measures to eradicate forced labor, modern slavery, and child labor.
- Neste respects and supports children's rights and provides good-quality employment, education and training for young people. In 2021, we hired nearly 330 summer trainees to work across different functions at Neste.
- Neste joined the Consumer Goods Forum's Human Rights Coalition, which is focused on ending forced labor through focused and collective action. We began the work to identify key focus areas for action under this coalition, with further assessments projected to start in 2022.

Industry, Innovation and Infrastructure

- Neste's growth and transformation is rooted in innovation and technology. We invest the majority of our annual R&D expenditure in research and testing future raw materials and technologies.
- Neste received a positive grant decision from the EU Innovation Fund for its Porvoo refinery green hydrogen and CO_2 capture & storage project.
- Neste is moving into the execution phase with partners in the MultiPLHY project, to demonstrate production of green hydrogen at its Rotterdam refinery.
- Neste will strengthen its global innovation and R&D by opening a R&D center in Singapore.
- Neste is involved in the VTT-led project of large-scale production and commercialization of e-fuels.
- Neste and aviation leaders have launched the first in-flight 100% sustainable aviation fuel emissions study on commercial passenger jets.
- Neste increases the use of renewable electricity at its production sites in Finland.
- Digitalization is an important accelerator at Neste. Neste launched a digital service for companies to monitor their transport fuel emissions.

Neste Annual Report 2021 | Material sustainability topics

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Best practice: Coloplast

This table gives a simple overview of how the SDGs are linked with the company's target as well as the progress tracking back two years.

The table illustrates our governance, ambitions and performance.

Commitments	UN Global Compact principles	2025 ambitions	2020/21	2019/20
Strive25 priority areas				
Improving products and packaging	Principle 7-9	90% of packaging is recyclable	75%	75%
		80% of packaging consists of renewable materials	70%	70%
		75% of production waste is recycled	58%	41%
Reducing emissions[1]	Principle 7-9	Net-zero scope 1 & 2 emissions[2,3]	23,100	21,000
		100% renewable energy	67%	67%
		50% electric company cars	2%	1%
		50% scope 3 emissions reduced per product by 2030[3]	10%	0.3%
		10% reduction of air travel vs. 2018/19 and then freeze	81%	45%
		5% limit on goods transported by air	2%	4%
Ongoing commitment				
Responsible operations	Principle 1-6, 10	100% white collars trained in Code of Conduct	99%	98%
		2.0 Lost Time Injury frequency[4]	2.2	2.5
		30% representation of female senior leaders (VP+)	24%	24%
		75% share of diverse teams	50%	51%
		Engagement score above industry benchmark	8.2	7.9

[1] from base year 2018/19
[2] in tonnes CO2e
[3] targets submitted to Science-Based Targets initiative (SBTi) for validation
[4] in ppm

Room for improvements:

Only presenting chosen SDGs that is said to be correlated to the company's targets and ambition does not provide for enough knowledge and information to make an understanding in which sense these SDGs are related to the company's targets and operations.

PROGRESS TRACKING

Frequency: 90%, 38/42

Difficulty: Medium. When a company has pre-existing short-term and long-term targets, progress should be simple to track and thus simple to display the relevant metrics and indicators. The difficulty level will rise in case the company does not have targets in place.

Definition: Progress towards goals involves assessing whether the company is on-track to reaching its specific targets. Also, this subcategory indicates how much progress has been made over the past years by comparing the fiscal year's performance with past years' performance. Progress tracking differs from KPIs in the sense that companies provide a baseline to give a context of the targets – i.e. shows where they started and how it is going. Furthermore, tracking the progress will enhance the transparency of the company's practice and thus enhance the reliability of the report.

Trends: Progress tracking is either reported on or not. Most of the companies assessed provide for quantitative progress following up on the KPIs. This type of progress tracking was mostly presented in tables at the end of the report. The tracking is mostly annual – perhaps due to the publication frequency. Many of the companies provided for progress tracking back a few years. How many years the progress could be tracked varied with history between 2015-2021 (2021 to be the fiscal year).

Quantitative progress tracking can be found in some of the assessed reports too. For qualitative progress, it is often presented as a "case-study" giving an example on specific activities', commitments' and practices' effect. Such progress tracking is rarely presented in tables due to its difficulties to make internal and external comparison. Yet, qualitative progress was mostly described with initiatives for enhancing diversity and inclusion.

Best Practice:

- For quantitative progress tracking, provide for an indicator of progress in comparison to the target for the reader to easily discover the progress.
- Describe the unreached or "off-track" targets. This includes not only giving a rationale but also to provide for future steps to get back on track.
- If linking targets with SDGs, align the progress with SDGs as well.
- Provide for qualitative progress where suitable.

Avoid:

- Not providing quantitative metric for targets easily assessed with such measures. This could, for example, be an ambition of "reducing plastic waste" making it difficult to measure the extent of progress.
- Overly optimistic yearly targets. If too many short-term targets seem unlikely to be reached – the legitimacy of your sustainability efforts may be reduced.

Comparison to 2021: The frequency of progress tracking amongst the assessed report has, compared to last year, increased from 85% to 90%. Just as last year, many companies track the progress three years back – mostly in quantitative terms. However, when disclosing progress in qualitative terms it was more common to track the progress one to two years back.

PROGRESS TRACKING

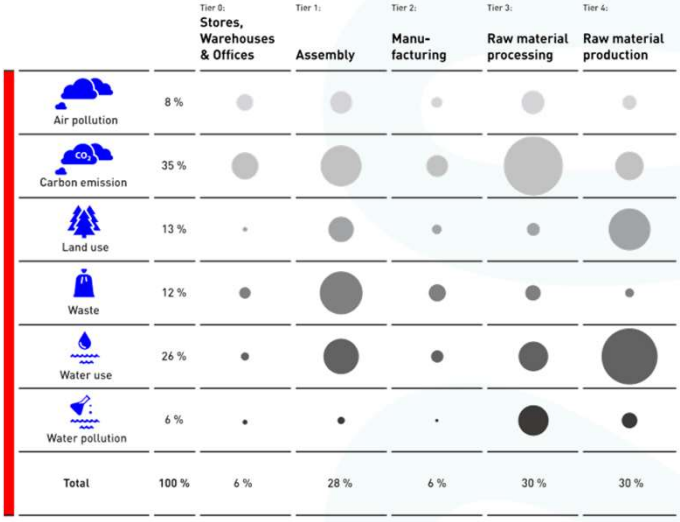
Best practice: Schneider

This table presented by Schneider gives an overview of the company's targets, progress, how it contributes to a sustainable development and how/what effort is planned to reach the targets. Also, the progress is tracked in relation to the long-term target. All these components is presented in the same table, it enhances the transparency and authenticity of the company's sustainability-related actions and progress.

Schneider Sustainability Impact

Long-term commitments aligned to UN SDGs	2021-2025 programs	Baseline[2]	2021 progress[3]	2025 Target
Climate	1. Grow our Schneider Impact revenues[4]	70%	71%	80%
	2. Help our customers save and avoid millions of tonnes of CO_2 emissions	263M	347M	800M
	3. Reduce CO_2 emissions from top 1,000 suppliers' operation	0%	1%	50%
Resources	4. Increase green material content in our products	7%	11%	50%
	5. Primary and secondary packaging free from single-use plastic, using recycled cardboard	13%	21%	100%
Trust	6. Strategic suppliers who provide decent work to their employees[1]	--	In progress	100%
	7. Level of confidence of our employees to report unethical conduct[1]	81%	+0pts	+10pts
Equal	8. Increase gender diversity in hiring (50%), front-line management (40%) and leadership teams (30%)	41/25/24	41/27/26	50/40/30
	9. Provide access to green electricity to 50 million people	30M	+4.2M	50M
Generations	10. Double hiring opportunities for interns, apprentices and fresh graduates	4,939	x1.25	x2
	11. Train people in energy management	281,737	328,359	1M
Local	+1. Country and Zone Presidents with local commitments that impact their communities	0%	100%	100%

Room for improvements:
This progress tracking gives an overview of where, in the value chain, the largest impact appears. However, because the company do not link the impact to any specific targets nor practice it is, for the reader, difficult to grasp what effort is done to decrease the negative impact.



SHARED VALUE INITATIVES

Frequency: 55%, 23/42

Difficulty: Medium. Shared value could be created with many different approaches. Thus, the complexity and difficulty level of quantifying societal and financial benefits of a company will differ.

Definition: Creating Shared Value (CSV) is a concept within the field of sustainability. The main premise behind shared value is that a company's competitiveness and the health of societies are dependent. CSV aims to address and solve issues by leveraging the resources and innovation of the private sector. Thus, enhancing both the financial value of the company and creating sustainability value at the same time. This should be done in a measurable way.

In this subcategory, cases, and an overview of how the company's business model works to deliver shared value is counted as it portrays how social and environmental value creation is integrated in the company's competitive advantage.

Trends: Shared value initiative varies amongst the companies assessed. However, employee wellbeing and eco-friendly design of products is commonly referred to as a way of creating shared value. Some reports refer to the strategies of core business to demonstrate their value creation for both the company itself and the society. Top reports address the impact of their value creation in short-term and long-term. Some of the reports provide case studies of projects and result of initiatives.

While companies address shared value initiatives, not many of them provide eye-catching yet informative visuals. It is critical to notice that it is a difference between offering products and services that is a more sustainable – i.e. a better – option to an already existing product in the market and creating additional value to society. The topic of shared value can be somewhat difficult to distinguish, thus visual illustration of value creation could be of beneficial for the reporting company.

Best Practice:

- Display the value creation by linking the core business, sustainability strategy and the value – preferably in a visual infographic as a complement to text.
- Disclose both short-term and long-term effects on the various sustainability parameters to demonstrate a more integrated shared value approach.
- Provide case studies or examples of how the company's shared value initiatives have a positive impact on society.
- Link the value impact to SDGs and quantify the impact.

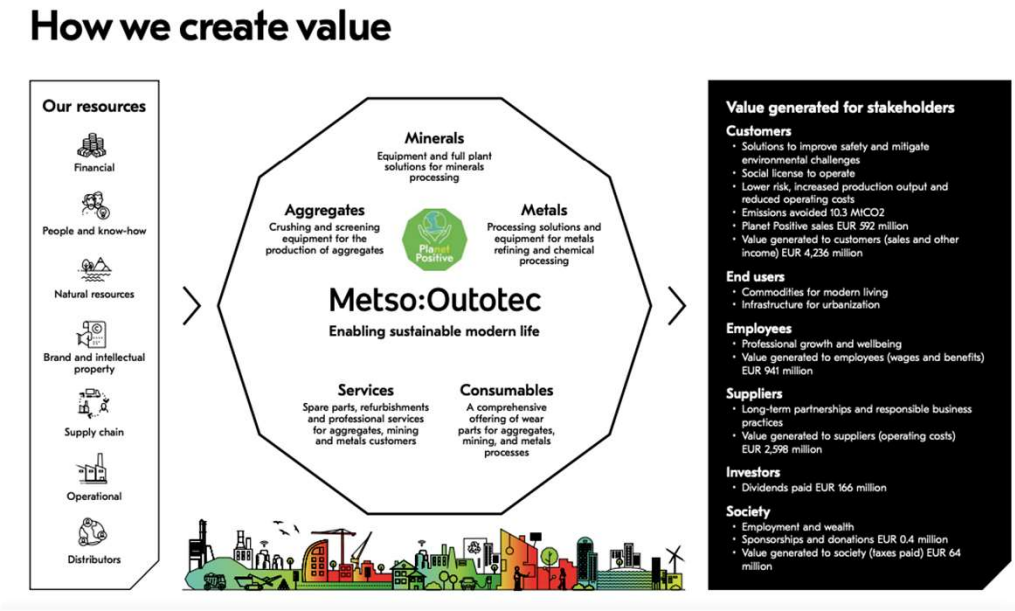
Avoid:

- Only referring to activities that aim to create value and forget to describe the actual value to be created.
- Only present the value creation in text form without visual aid.

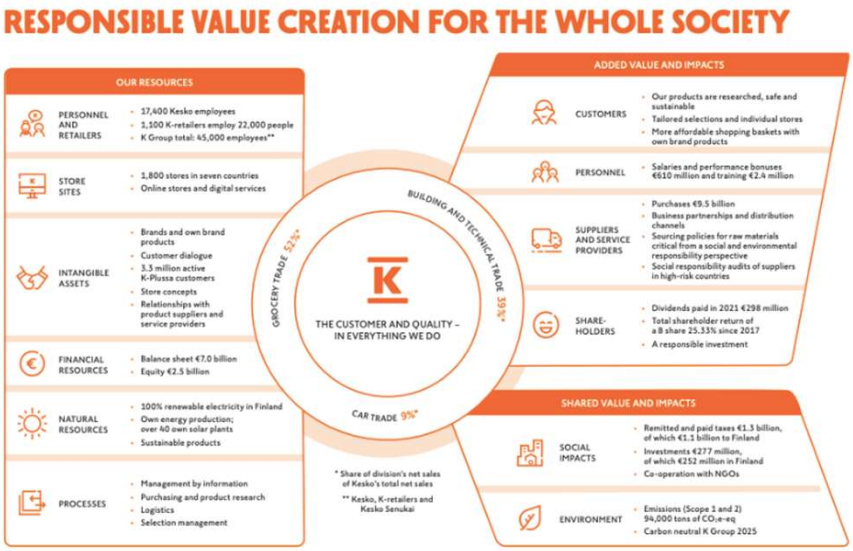
Comparison to 2021: The frequency of shared value initiatives decreased from 85% to 55% this year. This is a significant decrease, yet the definition of creating shared value is now stricter compared to earlier. However, if compared to the result of benchmark analysis in 2020, the frequency of shared value represented only 31% of the assessed reports. Thus, in respect to the stricter definition on shared value, the frequency of 55% of the companies presenting shared value initiatives can be considered as fairly high.

SHARED VALUE INITATIVES

Best practice: Metso: Outotec Corp
This visual picture gives a clear hint on how they use their resources to create a value for different stakeholder groups while it creates value for the company itself.



Best practice: Kesko
A visual picture of how the resources is transformed to create added value and the impact, also how it creates shared value for the society and the environment. In addition, the company has a table of the investments done to provide wellbeing in the society with a progress of two years.



CIRCULAR ECONOMY

Frequency: 64%, 27/42

Difficulty: Hard. Many different methods and approaches can contribute to a circular economy and the process of doing so may be very complex.

Definition: Circular economy can be described as a concept of production and consumption with the aim of closing disposal and waste loops – i.e. an economic system that targets zero waste and pollution of material and product lifecycles. The ultimate goal of a circular economy is to decouple the environmental pressure from economic growth. For a company to be counted in line with a circular economy the report must present activities, related to the business' operations that contribute to a circular economy.

Trends: The reports assessed reveal different approaches in which the companies initiate activities contributing to a circular economy. The scale of contribution varies as well where some of the companies produce products or services that aid to closing the loop on the society-level or the ecosystem of the company. Most of the companies refer to activities that support closing the loop of the company itself. To some extent, whether a company initiate activities contributing on a society-level or company-level seems to vary depending on the company's characteristics.

Many of the assessed reports mention circularity to some extent. However, as the frequency exposes, far from every company demonstrates activities related to circularity in general nor in relation to their own operations.

Best Practice:

- Disclose activities where the issue related to waste and pollution of material/products is material in relation to the company's operations.
- Including a visual aid to demonstrate what activities and processes that aim to close the loop are referred to.

Avoid:

- Refer to the topic as part of your target(s) with no further explanation on how to contribute to a circular economy.

Comparison to 2021: N/A (New topic)

CIRCULAR ECONOMY

Best practice: Vestas Wind System

This infographic gives a clear and structured overview of how they contribute to a circular economy, in which sense (i.e. design, operational and material) and how far they have come in relation to targets

Best practice: Koninklijke Philips

By categorising activities and initiatives with actions related to the concept of circular economy, it becomes simple and easy to understand how the company contributes to circularity.

Addressing some of today's most pressing challenges such as climate change, transition to a circular economy and restoration of biodiversity will require a tremendous joint effort from regulators, society and businesses and quantum leap innovations across many industries. At [redacted], we believe that microbial science and fermentation will be a key enabler in driving this change over the coming decades.

Room for improvements:

This is the only way that this company refers to a circular economy – as one of the most pressing challenges. However, the company do not make any further statement or explanation on how they contributes to one.

BIODIVERSITY

Frequency: 76%, 32/42

Difficulty: Medium. Disclosing how the company's raw materials and waste affects biodiversity with a comment on the mitigation techniques is reflected as a first step considering the biodiversity and thus quite easy. However, integrating such issues as a part of the company's sustainability strategy may lead to changes in business practice which may be way more difficult.

Definition: Biodiversity is one of the most urgent topics connected to planetary boundaries. Also, the health of biodiversity has a great influence on climate change. The subcategory includes the disclosure of how the company's activities on biodiversity. It includes mitigation practices and what the company do to minimise potential negative impact on biodiversity moving forward. Only reports that provide a separate section dedicated to biodiversity, and environmental protection or are considering the risks of harming biodiversity for specific topics are counted in this section.

Trends: The depth of disclosure regarding biodiversity appears to vary amongst the assessed reports. Some companies mention biodiversity briefly throughout the report while others dedicate larger sections about biodiversity itself, how the harm is mitigated and what the company can do to restore and flourish the biodiversity.

The disclosure of biodiversity is commonly made in qualitative terms representing initiatives and actions. Companies operating in areas where biodiversity is considerably threatened are, to a greater extent, tend to provide information on both actions taken and a plan for further initiatives. Furthermore, disclosure in quantitative terms was less common.

Best Practice:

- Provide an in-depth discussion of how the company impacts biodiversity and what actions are/to be taken to ensure protecting and mitigate impacts in the future.
- Display what impact the company has on biodiversity and where in the value chain this impact appears.
- Quantify KPIs related to biodiversity and track the progress.

Avoid:

- Only disclosing biodiversity as an issue without specifying how it is related to the company's business nor providing information on how the risk of harm is mitigated/aim of reducing the negative impact.

Comparison to 2021: The frequency of biodiversity disclosure has increased significantly from 65% to 76%. This increase may partly be due to the enhanced debate about the necessity of biodiversity restoration for the health of the planet – not least in terms of climate change. Furthermore, the EU Taxonomy that includes biodiversity as a topic to disclose is likely to be another factor influencing the increase.

BIODIVERSITY

Best practice: BNP Bank

This section is giving an understanding of how the company enhance the positive impact on biodiversity through their Biodiversity Roadmap. The table presenting KPIs and achievements related to the topic enhances its authenticity.

Environmental sustainability: In 2021, we launched our Biodiversity Roadmap, which details our plan to embed biodiversity considerations across all of the pillars of our sustainable investment approach. This includes funding a project with the CDP to develop common biodiversity corporate reporting metrics, helping investors to better assess biodiversity impacts. Our proxy voting, individual and collaborative engagement as well as our public policy supports our high-level expectations regarding environmental sustainability with a specific focus on deforestation and water efficiency. We are also working with a number of industry experts and collaborative initiatives such as the Ceres Working Group on Land Use and Climate and the Taskforce on Nature-related Financial Disclosures to advance this important topic.

KPI	Achievement
Water footprint of our portfolios	• We measured the water footprint of our AUM invested in corporates and sovereigns where data was available.
Number or % of companies below sector water efficiency levels operating in water-stressed areas	• Both water stress exposure and direct water intensity data are available for 17% of our AUM invested in corporates. On average, these companies withdraw 6% of their water from water-stressed areas. Out of the 432 companies in which we are invested that report to CDP Water on at least one facility at risk from water stress, 20 declare having sites with water risks in the Yongding He river basin, China, the most water-stressed in the world.
Number of companies that commit to/have a policy on No Deforestation, No Peat, No Exploitation (NDPE)	• We developed a rating system for corporate deforestation policies and traceability systems. Through this, we have found that a large proportion of companies in relevant sectors do not satisfy our criteria to earn a 'strong' rating. Most notably, more than 30% of our AUM in relevant sectors is invested in companies with 'weak' or no policies. These companies form the focus for potential engagement activities.
Number of companies that trace and monitor commodity sourcing	• 70% of our sovereign AUM is invested in countries that have endorsed the 2014 New York Declaration on Forests (NYDF).

GRI 304: BIODIVERSITY

Significant impacts of activities, products, and services on biodiversity

Our activities have the potential to affect biodiversity, both at our manufacturing sites and indirectly through the way our equipment is used by customers.

Our equipment manufacturing sites, assembly and service workshops are mostly in industrial parks (zoned for industrial use) with limited biodiversity sensitivity, and in which the environmental permits take into account potential biodiversity and endangered species impacts.

When opens new sites, we require that they are built with tight controls over their environmental impacts, and we check whether construction requires an environmental permit. In case the construction could have an impact on biodiversity, an environmental impact assessment is be carried out (impacts on flora, fauna, endangered species, water management, pollution or habitat conversion).

The operations of our customers in the aggregates and mining industries typically have significant land footprints, often in environmentally sensitive areas, and land disturbance and pollution can impact habitats and species. If not properly manufactured, used, or maintained, s products have the potential to harm the biodiversity surrounding our customers' plants.

To mitigate this risk, in cooperation with customers, we design products and processes to minimize the release of effluents and atmospheric emissions. 's technological focus in this regard is mainly on closed water loops, raw material efficiency, tailings management and emissions management systems. These have a positive impact on conserving natural habitats, reducing land-use impacts, preventing pollution and reducing groundwater consumption. It is also beneficial to customers in that it contributes to minimizing the amount of raw materials needed as inputs for operating their plants.

Room for improvements:

The company describes how biodiversity is affected both direct and indirect of their activities, yet the reader gets minimal information of their actions to prevent it. It would be affordable for the company to set targets and KPIs for them to progress over the years. That would increase the legitimacy of their work.

STAKEHOLDER ENGAGEMENT

Frequency: 90%, 38/42

Difficulty: Easy. Companies involved in sustainability practices should engage with their stakeholders to get a better understanding of how the business activities are affecting their stakeholders. This part simply requires presenting who the engaged stakeholders are and in which manner the company is engaging with the stakeholders.

Definition: Stakeholder engagement is a set of practices that a company takes to involve and engage with stakeholders in corporate activities. Engaging with stakeholders, such as owners, employees, customers, or suppliers, is necessary to enhance both the company's and the stakeholders' understanding of sustainable business. Thus, stakeholder engagement can be considered a core activity of being a sustainable company.

Trends: Most companies use GRI Standards to address stakeholder engagement and thus it is common that companies disclose information regarding processes to identify and select stakeholders to engage with, the approach and dialogue techniques for engaging with the stakeholders and what topics each of the stakeholders group consider as critical. Yet, the quality and extent of communicating on stakeholder engagement remains uneven among the top reports.

Furthermore, the dialogue and engagement techniques are commonly presented in a table describing (i) stakeholder group, (ii) technique of engagement, and (iii) interest as a complement to an aggregated materiality matrix summarising the most critical topics.

Best Practice:

- Display all key stakeholders, their interest/expectation and distinguish what engagement technique(s) has been applied for the specific stakeholder group. A table is an effective and structured way to display these dimensions.
- Include all stakeholder engagement strategies and enhance the in-depth technique in the engagement processes. This will allow for stronger collaboration, authority, and thus well-founded decision-making.
- Communicate short cases to demonstrate existing dialogues and the approach towards engagement activities. This will enhance the report's authenticity not only for the section of stakeholder engagement but for the entire report as a company's sustainability actions should derive from a strategy based on stakeholder interest.

Avoid:

- Only providing an example of the most critical stakeholders and an approximate number of stakeholders engaged – e.g. employees and customers.
- Paragraphs of text. For topics like stakeholder engagement – which somewhat could be compared in its different layers – the best course of action is to provide a simple table of the key stakeholders, techniques of engagement and the result of engagement.
- Only addressing the topic of stakeholder engagement briefly throughout the report. Make space for a section where the engagement with stakeholders is described for the reader to get a holistic view of all key stakeholders and its interest/expectations.

Comparison to 2021: The frequency of engaging with stakeholders is decreasing to a small extent from 91% to 90%. Although this fall in frequency is not significant, there was a decrease in last year's result too which may indicate for a small trend of decreased effort in disclosing stakeholder engagement practices.

STAKEHOLDER ENGAGEMENT

Who they are	What they need/expect	Our actions in 2021
Customers		
– Households – Small and medium-sized enterprises – Large corporates and institutions – High net worth individuals	• Convenient and easy access to expert advice • Broad range of competitive financial products and services • Sustainability advice and sustainable choices • Personal approach	• Customer feedback systematically collected through various channels, continually adjusting services in response • Met customers' need for safety and flexibility during the pandemic by increasing and enhancing remote interaction, launching new digital services and providing instalment-free periods on loans • Provided dedicated training in local communities to support customers with less digital experience • Responded to growing customer demand for sustainability-linked products by further expanding Sustainable Choice offering • Held close dialogues with corporate customers to support them in navigating the new European Union (EU) Taxonomy Regulation
Employees		
– Almost 30,000 employees from all over the world	• Fair employment terms • Professional development opportunities • Productive working environment • Safe and inclusive workplace • Recognition	• Closely tracked employee well-being and engagement through quarterly People Pulse surveys • Held regular Performance and Learning Dialogues to support professional development • Introduced a new flexible working model, enabling employees to work from home for up to two days a week where possible • Set targets to improve gender balance at senior leadership levels
Shareholders		
– More than 500,000 private individuals across the Nordics – Large institutional investors	• Long-term business strategy • Timely and transparent communication • Sustainable practices and sustainability commitments	• Held investor meetings, ran questionnaires and hosted Annual General Meeting to gain insights into expectations and needs • Incorporated additional environmental, social and governance (ESG) disclosures into quarterly and annual reporting
Suppliers		
– Close to 10,000 suppliers	• Adherence to contractual terms • Timely payment • Being a responsible buyer	• Supported companies under financial strain during the pandemic by paying supplier invoices as soon as they were registered and approved in the central payment system • Continued to agree and work towards common targets in areas such as climate impact, human rights and labour rights • Integrated sustainability screenings into daily outsourcing practices
Authorities		
– Government bodies – Market authorities – National supervisory authorities – European Central Bank – Wide spectrum of political and economic interest groups	• Accurate and professional implementation of regulatory and supervisory requirements • Incorporation of ESG into regulatory requirements • Strategic approach to climate-related and environmental risks • Expert contributions to policy discussions	• Confirmed resilience through participation in EU-wide stress test • Followed European Central Bank recommendation to limit dividend payments and share buy-backs at height of the pandemic
Society at large		
– General public	• Taking responsibility for im-	• Was a substantial taxpayer in our main countries of operation

Best practice: Nordea

This table provided by Nordea gives a clean and easy-to-compare overview of the stakeholder groups engaged with, examples of who is included in that specific group, what interest that is verified by that stakeholder and what actions that have been taken during the fiscal year to engage with the group

Room for improvements:

This infographic is to demonstrates the company's stakeholder engagement. However, giving the information of 5000 stakeholders to be engaged with and only showcasing the most common stakeholder groups (i.e. employees, suppliers, clients and NGOs) as example of the different stakeholders engaged does not give much value. Due to the vague information sharing, the legitimacy of material topics being based on stakeholders' interests may decrease

TESTIMONIALS

Frequency: 76%, 32/42

Difficulty: Easy. Testimonials are inexpensive and easy to implement. It can be as simple as having a short sustainability related interview with the company's CEO but is more effective if supplemented by quotes from employees or external contributors.

Definition: Testimonials, such as messages, quotes, and interviews, collected from people inside and outside the company, is a narrative technique widely found in corporate reporting. Testimonials go beyond traditional reporting techniques as it gives a "more human side" of the business and is thus found to carry high persuasive potential.

Trends: The most common form of testimonials is message from the CEO. Such a message is an effective method to fulfil the GRI requirement 102-14 (A statement from the most senior decision-maker of the organisation). Often, the message is presented early in the report covering a sum-up of the year and some forecasts of what is becoming critical for the company in the short-term future. Some reports involved two or three people from the board in this message.

Some of the companies provided testimonials from other co-workers throughout the reports. Commonly, a co-worker assigned to the topic delivered the message describing activities, commitments, and the importance of sustainability in relation to that specific topic. Yet, a few companies provided messages from other departments describing the importance of sustainability in general or a specific sustainability issue (e.g. biodiversity, water resilience, equal opportunities) for the company's future operations.

Best Practice:

- Allow for other co-workers than the top management team to present their views on sustainability. This will enhance the authenticity of sustainability being integrated throughout the company.
- Use portraits and descriptions. Firstly, it grabs the reader's attention and, secondly, enhances the reliability by giving a face to the statement.
- Addressing critical issues for the company while also making the section essential by representing stakeholder needs.

Avoid:

- Incorporate testimonials that are too technical or unexciting leaving stakeholder interest behind.

Comparison to 2021: Incorporating internal quotes remains a common practice in sustainability reports. However, compared to last year there is a significant decrease in frequency falling from 91% to 76%.

TESTIMONIALS

Best practice: **ING Groep**
This testimonial from one of the co-workers gives its view on climate and biodiversity issues. Providing stories from someone that is not a part of the board can enhance the legitimacy as this gives a, perhaps more, authentic view of actions taken.

Vanessa Temple is from ING's climate risk initiative in Brussels and Amsterdam

"The biggest climate risk is the loss of biodiversity"

"Climate change is an engaging topic that drives collaboration and mobilises people into action. Ever since I was a child I've been concerned about what we're doing to our planet. Working in Wholesale Banking for over 20 years, I'd engaged with clients on the topic and helped originate sustainable finance deals. But I wanted to do more, be part of a purpose-led change. I joined a team that's embedding climate risk at ING. Although it's a regulatory requirement, it's so much broader: it's about everything we do. Climate risk affects our business and our clients. Every transaction will also be assessed on climate risk considerations. It influences all other types of risk: operational, market, credit and liquidity risk. It's a topic that's still evolving, but in some sectors (like energy), we've been working on climate change scenarios and transition planning since the 2015 Paris Agreement (to keep global warming below two degrees Celsius). As we develop more tools and gather more data to report on, we'll understand more about climate risk and become better at managing it. Physical risks like floods and hurricanes are easy to see, but the biggest climate risk for humanity is the loss of biodiversity - in our oceans, insects, bees - due to deforestation, pollution and global warming. It will trigger migration, food issues, water access issues, threatening our survival, impacting human rights and quality of life. On the other hand, understanding climate risk opens up many opportunities, for example to invest in new technologies and accompany our clients in their climate transition strategies."

Best practice: **UniCredit Group**
This quote is an effective way of showing that sustainability is part of the culture and embedded in their business since it comes from one co-worker that is not the CEO.

Room for improvment:
To show the results of a survey is an interesting way to visualise what the co-workers think of the company. But the transparency and credibility are somewhat lost since we know nothing about the groups participated. It could be more effective to have a quote from a co-worker as a complement.

WORKER PULSE SURVEY QUESTIONS: AVERAGE RESPONSES [1]

	2021	2020
If my friends or relatives are looking for a new job, I would recommend this factory.	85%	79%
If I have a complaint or suggestion, I am willing to speak up.	84%	78%
If I raise a complaint or suggestion, I think it will be treated seriously by management.	82%	77%
I feel comfortable talking to my direct supervisor.	84%	78%
My workplace is free from abuse and harassment cases.	84%	78%
I know what to do if I experience any abuse or harassment.	81%	75%

1 The percentage figures indicate the average response on a five-point Likert type scale where 100% respresents 'strong agreement' and 0% 'strong disagreement.'

RISK MANAGEMENT

Frequency: 90%, 38/42

Difficulty: Hard. Correctly predicting the risks and creating an action plan to handle them could be considered a difficult task even for the most experienced sustainability experts.

Definition: A risk, in the business perspective, is a situation where practice potentially could bring significant harm to either a company's own business (e.g. profits, reputation or long-term prospects) or societal impact (e.g. social and/or environmental negative consequences). In the case of risk management, it involves complying with the company's Code of Conduct, taking preventative actions, and enacting internal and external auditing.

Trends: The communication on risks runs from macro to micro level and most of the companies discuss multi-level risks where there is an increased awareness of risk management through supplier and customer due diligence. TCFD and GRI's reversed standards are two driving force.

Due to the multi-level characteristics of common risk management, it may be difficult for the reader to get an overview of the risks that the company is facing, the severity and what actions are taken to minimise the risks. It, therefore, could be beneficial for a company to communicate (i) the risk, (ii) severity, and (iii) action taken composed. Furthermore, some companies outline the risk management as a separate section of the report while other companies discuss the issue as a section of the context – e.g. for each material topic.

Not many of the assessed reports provided information on risk-mitigation nor whether there is a team working towards mitigating the stated risk. Companies may benefit from including transition risks related to changes in markets, natural disasters, lack of natural resources, socio-economic issues, etc. as these could be predicted long-term consequences of keeping "business-as-usual".

Best Practice:

- Present the severity of identified risks and communicate some rationale of prioritisation. The rationale could be derived from e.g. financial aspects, legitimacy, relations, planetary thresholds, and human rights violation.
- Disclose who oversees a specific risk.
- Acknowledge shifts that may appear in risks. Understanding the development of risks is crucial allowing for effective resource allocation and risk prevention.
- Include structured tables or subsections that detail a list of risks, mitigation, and management strategies, and who is responsible for risk management, since the topic often appear comprehensive.

Avoid:

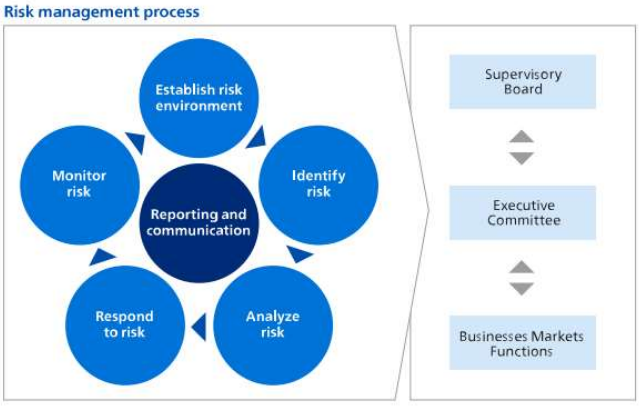
- Only referring to financial risks and forget to interlink sustainability-related risks with operational risks.
- Not disclosing mitigation strategies and associated actions. Reporting on risks and associated actions allows companies to develop a framework for risk management, track shifts and impose necessary control measures. This will as well enhance the legitimacy of the company's sustainability report.

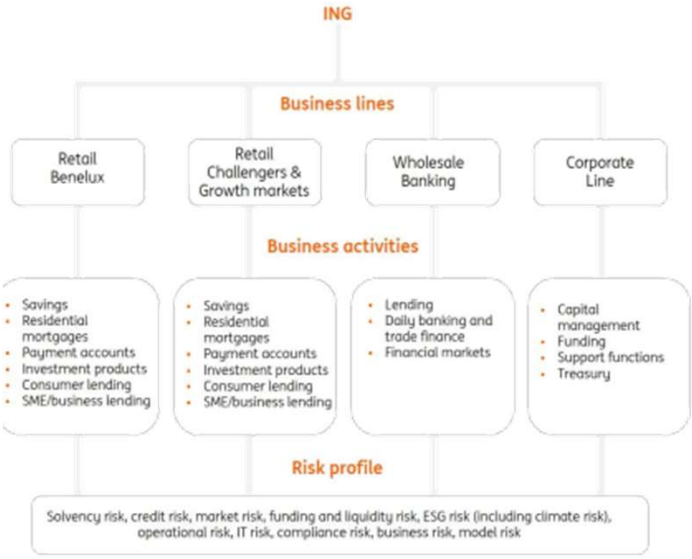
Comparison to 2021: The frequency of disclosing how to manage the risks critical for the company remains similar to last year now representing 90% compared to 91%. Risk management has, although its high frequency, the potential to develop in quality.

RISK MANAGEMENT

Best practice: Koninklijke Philips

This illustration gives a clear and structured overview of the company's process for managing risks. This type of process is well-established that can be identified in UN Guiding Principles of Business and Human Rights and the OECDs guidelines for due diligence





Best practice: ING Groep

This illustration gives a clear and structure overview of what risks are apparent to the company linked to the company's business areas.

Room for improvements:

This graphic show the company's identified risks divided by dimension. However, there is no description on actions and management processes to handle these risks.

EXTERNAL ASSURANCE

Frequency: 74%, 31/42

Difficulty: Easy. Receiving assurance of data validity from a third party does not require a significant amount of time. Time and effort are mostly required for contract management and compliance with the external assurer's data and comment requests. Yet, external assurance is costly.

Definition: External assurance of a sustainability report confirms the accuracy of both quantitative and qualitative sustainability related information presented in the report. The verification is usually done by reputable accounting companies. In some countries, external assurance of sustainability reports is a mandatory practice by law.

Trends: External assurance is mostly on the sustainability related information only while some companies had sustainability data reviewed as well. Four accounting firms hold a dominant presence in this field – i.e. EY, Deloitte, KMPG and PwC – which is likely due to their reputation, legitimacy, and experience. These four accounting firms appeared in 74% of the externally assured reports.

Why use External Assurance? Increased trust and credibility – stakeholders show a greater interest and confidence in a company's sustainability efforts if the data has been externally reviewed and verified. Given the rise in sustainability related investment, the improved trust is likely to have a positive financial impact for the company in cases where agencies and investors take sustainability-related data into account. Reduction of data quality risks – third party assurance reduces the risk of errors, thus reducing the need for re-statements and as well avoiding reputation loss associated with retraction and re-statement of data.

Comparison to 2021: The frequency of providing external assurance has decreased from 87% to 74%. If looking back at the benchmark analysis from 2020, external assurance had a frequency of 74%. This indicates for last year's findings to have been more of an exception. This is somewhat surprising as the proposal for new regulation on sustainability reporting from the EU is suggesting for external assurance to be mandatory in the near future.

COMPANIES ASSESSED

Rank 2022	Rank 2021	Corporation	Country
1	21	Vestas Wind Systems A/S	Denmark
2	24	Chr Hansen Holding A/S	Denmark
4	1	Schneider Electric SE	France
7	2	Orsted A/S	Denmark
8	12	Atlantica Sustainable Infrastructure PLC	United Kingdom
9	55	Dassault Systemes SE	France
12	38	Johnson Controls International PLC	Ireland
12*	7	Kering SA	France
13	93	Koninklijke KPN NV	Netherlands
24	4	Neste Oyj	Finland
25	19	Iberdrola SA	Spain
29	39	Alstom SA	France
31		Legrand SA	France
35	36	Novozymes A/S	Denmark
37	27	Verbund AG	Austria
40	8	Metso Outotec Corp	Finland
51		Atea ASA	Norway
55	84	SAP SE	Germany
55*	14	Storebrand ASA	Norway
56		Koninklijke Philips NV	Netherlands
57	34	Arcelik AS	Turkey
59		UniCredit SpA	Italy
60	67	Commerzbank AG	Germany
61	37	ING Groep NV	Netherlands
62		Quadient SA	France
63	88	Henkel AG & Co KgaA	Germany
67	65	Sanofi SA	France
69	87	Kesko Oyj	Finland
70	86	Nordea Bank Abp	Finland
73	92	Industria de Diseno Textil SA	Spain
76	46	BNP Paribas SA	France
77		Puma SE	Germany
78	79	Unilever PLC	United Kingdom
82	76	Adidas AG	Germany
83		Coloplast A/S	Denmark
84	35	BT Group PLC	United Kingdom
90	56	Intesa Sanpaolo SpA	Italy
91	82	AstraZeneca PLC	United Kingdom
92		KBC Groep NV	Belgium
93	49	Allianz SE	Germany
95	89	Telefonaktiebolaget LM Ericsson	Sweden
96	75	Pearson PLC	United Kingdom

ABOUT FOREVER SUSTAINABLE

Forever guides companies that want to be more strategic when it comes to sustainability. We help our clients to develop a focused sustainability strategy building on materiality and stakeholder dialogues. We integrate a sustainability dimension into our clients' overall corporate strategy, forming a sustainable business strategy in line with Shared-value thinking.

Our intelligence services monitor the international frontier of knowledge in sustainability, both academically and in practice. With our expert team, we strive to provide our clients with insights and transformation within the field of sustainability.

Reach out if you…

- Need support improving your sustainability strategy or report.
- Are in need of specific industry insights.
- Would like to get a GAP analysis of the benchmarks presented in this report for your own company.

TALK TO US

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