

Survey of best practices, trends and benchmarks in Sustainability reporting

2010

Contents

Key findings	04
Fundamental steps for good reporting	06
Interview: Véronique Graham, Business & Society Belgium	07
1 - Focus your report on what matters	10
Interview: Patricia Everaert, Universiteit Gent	12
Talk with the stakeholders in order to know their expectations	14
Provide pertinent and expected information	16
Provide context for your CSR strategy and actions	18
2 - Build stakeholders trust	20
Interview: Jan Turf, Bond Beter Leefmilieu	22
Senior management statement to reinforce your commitment	24
Stakeholder statements to show transparency	26
Assurance to ensure truthfulness of the information	28
3 - Manage your sustainability and get everyone involved	30
Interview: Gregory Gil Suarez, Belsif	32
Governance structure to enable efficient management of sustainability activities	34
What gets measured gets managed	36
4 - Deliver a strong message through effective communication	38
Interview: Simon Leysen, Morris & Chapman Belgium	40
Attention-grabbing design	44
Accessibility to reach greater audiences and expand information	46
How did we conduct the research and who did we survey?	48
Glossary	50
Members	51

The number of sustainability reports published in Belgium is slowly but constantly growing and now reaches all types of organisations: private and public companies, not-for-profit organisations, sector federations, authorities, etc. However, the quality and format of the reports vary greatly. Half of the organisations surveyed publish a separate report on their sustainability information, while the other half integrates this information in the annual report. For some this represents only a few additional pages, while for others there is a healthy balance between the financial and non-financial information addressing both shareholders and other stakeholders' expectations. This diversity of approaches makes it difficult to compare reports.

Key findings

While the majority of organisations publish a section on stakeholders and define their approach to stakeholder engagement, there are still too few that enter into a meaningful dialogue with stakeholders to define the materiality of their report and ask for specific feedback. Similarly, there is no systematic and comprehensive approach to key performance indicators (KPIs) and organisational aspects (how is CSR internally implemented? Who has the final responsibility for CSR?) are often forgotten.

Finally, there are still too few organisations that make good use of new media, in particular their website. Most organisations simply upload their report as a PDF and miss the opportunity to provide more attractive and timely information.

Main trends that came out of our survey:

56% of organisations report against the GRI framework

35% provide an overview of their KPIs

47% describe how their strategy integrates the sustainability performance

61% define their approach to stakeholder engagement

40% report on their CSR procedures and management systems

23% provide an assurance report or a review

98% refer to the website

BUSINESS & SOCIETY BELGIUM

Business & Society Belgium is a member organisation that unites more than 60 companies from various sectors with a common interest in Corporate Social Responsibility (CSR).

Our services aim to provide companies with tools and information to enable them to develop their CSR policies and activities. We strongly believe in transparency and the exchange of experiences as leverage for CSR. The B&S network offers CEO's, CSR managers and other professionals a forum for and feedback on the implementation of CSR in different domains.

To promote CSR in Belgium, we communicate and cooperate on a regular basis with stakeholders (the government, civil society, academia, consumers, etc).

We are the exclusive Belgian partner of the European network CSR Europe. This means that we have access to best practices and experiences relating to CSR in other European countries and that we cooperate to promote CSR at a European level.

For more information, please visit www.businessandsociety.be.

“Sustainability report, Corporate Social Responsibility (CSR) report or report on sustainable development: names may vary, but the aim remains the same. It is a matter of reporting on environmental and social performances as well as the organisation’s performance on governance, whether it is a private or a public one, profit-making or not. To report on one’s CSR strategy demands time and resources, both human and financial, but the “return on investment” can be significant. Before immersing ourselves in the contents of the CSR reports, let us first examine the successive steps necessary to good reporting.

More and more organisations consider the CSR report as a serious management tool contributing to the dialogue with the stakeholders and helping to mobilize the employees around a continuous improvement of an organisation’s environmental, social and governance performance. The increasing number of companies and non-governmental organisations (NGO) competing for the Award Best Belgian Sustainability Report, organized by the Institut des Réviseurs d’Entreprises with the support of Business & Society Belgium and KAURI, confirms this. There were 43 participants in 2009, compared to only 21 the previous year.”

Fundamental steps for good reporting

However, “One shouldn’t draw hasty conclusions regarding this progress”, adds Véronique Graham, Project Manager of Business & Society and member of the Award’s jury. “Indeed, the number of Belgian reports recorded by the Global Reporting Initiative (GRI) – the framework of reference on CSR reporting most used in the world – remains relatively stable: there were 12 at the end of 2009, compared to 16 in 2008 and 10 in 2007. As the Award is becoming more widely known, it is logical that more and more organisations are participating. There are encouraging signs, particularly the increasing number of NGOs applying – 7 in 2009.”

What are the main points you have noted after reading the CSR reports that make up the sample used in this research?



Véronique Graham
Project Manager of Business & Society, Belgium

Véronique Graham: My first observation is that the organisations have become bolder when it comes to transparency, i.e. they are not content with reporting on what is going well, they also report on difficulties or obstacles encountered.

The organisations have also understood they had to attach importance to materiality, i.e. to report on those points most relevant to their activity and the expectations of all stakeholders. However, one finds they still rarely enter into a meaningful dialogue with their stakeholders in order to define this materiality before the start of the reporting process, something which reduces their credibility. Also, few organisations communicate on the concrete actions put in place following this dialogue.

Do organisations tend to put forward their vision and objectives rather than the concrete and measurable progress?

V.G.: This is indeed a failing one notices in some reports, which turn out more like communication and marketing tools than management tools. Following this logic, the report fuels “greenwashing”, something which responsible investors in particular are likely to track down. This is an obvious error of strategy. A strong CSR policy and its reporting must rest on a series of pertinent key performance indicators with regard to the organisation’s activity, which in particular allow the measuring of the evolutions through time. In this field, one must point out the fact that many NGOs still very often concentrate their performance measurements on the activities related to their mission rather than on their internal policies, which only provides a fragmented view of things.

Another point which to me seems deficient concerns the measurement of an organisation’s impact upstream (supply chain) and downstream (a product’s ecological footprint until the end of its life cycle, for example). The companies making the effort to comprehend the issues in this global perspective are still rare.

How should, in concrete terms, an organisation wishing to follow the path of reporting, or wishing to improve its reporting, act?

V.G.: Reporting on one's CSR policy cannot be improvised. It takes time and energy, in particular at the data collection stage. This requires an important internal mobilization, but the task is not insurmountable! Business & Society helps each member of the network with its reporting procedure. First of all we carry out a CSR audit because, in many cases, the company is active in various CSR fields but is not always aware of this and does not communicate this to its employees, and least of all externally. The tool we have developed allows a 360° analysis of the company from the social, environmental and governance points of view. The assessment report comprises a benchmark allowing the organisation to place itself in relation to the other members of Business & Society according to about a dozen parameters.

Once the CSR position has been audited, it is fundamental that the organisation defines who its stakeholders are and how it will enter into a dialogue with them. This stage is still too often ignored, even though reporting is the cornerstone of a transparent and interactive relationship with the various stakeholders. Next, it is important to precisely define both the report's content (boundary, material challenges, performance indicators, aims) and its formal aspects (graphics concept, format, number of pages, complementarity with the website). The way the CSR report fits into the global communication strategy is also essential. For both those starting the reporting process and those striving to improve it, it seems useful to me to favour two values – transparency and permanence – with the long-term objective of continuous improvement.

For more information,
feel free to download
the practical guide
“Reports and Sustainable
Development” put
together by Business &
Society Belgium at
www.businessandsociety.be

1

AUDIT YOUR CSR POSITION

Carry out a detailed screening of everything you undertake regarding environmental, social and governance matters. Examine how CSR fits (or not) into the organisation's global management. Identify your strong points, your weaknesses and your obvious failings. Business & Society can support you efficiently during this first stage. Through interviews with the heads of departments, a member of its team will draw up a complete assessment report.

2

IDENTIFY AND START THE DIALOGUE WITH YOUR STAKEHOLDERS

Who are your main stakeholders, how do they perceive your organisation and what are their expectations regarding reporting? The answers to these three questions are fundamental because they will allow you to define the stakeholders' level of implication in the reporting process. Indeed, several dimensions are to be taken into account: at what point in the process should one integrate external opinions? How should one organize the assessment of the process by the stakeholders? Up to what point does one take into account external opinions and should one communicate these?

3

DEFINE THE REPORT'S CONTENT AND FORM

What is your report's boundary? What is the most pertinent information to be inserted? Should you draw up a global report or a local one? Should you follow the GRI guidelines? Is it preferable to have your report audited by an independent expert? What choices should you make regarding graphics? Do not underestimate the time needed for both this strategic reflection and for the collection of data within the organisation. Good internal communication is vital in order to properly carry out this process.

The five key stages of good reporting

4


INTEGRATE THE CSR REPORTING TO YOUR COMMUNICATION STRATEGY

The report on its own does not guarantee transparency. It is therefore important to integrate it into the global communication strategy. The expectations of your various target groups are not homogeneous: make sure to choose the most pertinent channels of communication for each one of them. In order to do this you need to establish which content you will save for hard copies and what further information you will upload on your corporate site or to a CSR site. Never forget to ask for readers' (or net surfers') feedback.


5

CONSIDER THE LATER STAGES

The reporting process fits into a continuous improvement procedure. This is why the opinions and criticisms expressed by your stakeholders are essential. Do not delay thinking about the possible improvements to your paper and/or electronic report. Can you refine the approach on content and form, take the level of reporting further following the GRI guidelines or increase distribution? Don't hesitate to ask for support not only from your stakeholders, but also from a specialized organisation such as Business & Society Belgium.



**1 - Focus your report
on what matters**



Professor Dr. Patricia Everaert, from the Faculty of Economics and Management at the University of Ghent, keeps a finger on the pulse of Belgian companies. She has been conducting a number of studies since 2007 analysing up on how companies listed on the Belgian stock market report on their CSR activities. In addition, being a member of the jury, she participates in the yearly Award for Best Belgian Sustainability Report, presented by the IBR. She points out some current trends.



Professor Dr Patricia Everaert
Faculty of Economics and Management
University of Ghent

Interview: **Patricia Everaert,** Universiteit Gent

CSR reports: A positive trend!

Is an integrated reporting in which the efforts regarding CSR are taken into account in the annual report now the rule or the exception?

More and more companies listed on the Belgian stock market report on their CSR efforts in their annual report. This is, by the way, a very good thing. This way one obtains a balanced view of the company's general performance, not only in the financial or economical areas, but also those areas which don't concern economic performance. It is important that these should be approached together: the company's strategy translates itself into both economical and non-economical achievements, so it is logical that these should be presented together in an annual report providing an overview of the results achieved in the past year.

Are all aspects of sustainability discussed in these annual reports?

No. Attention is drawn to those aspects which are closely linked to the company's activities and which consequently will end up in the annual report. A petrochemical company, for example, will provide extensive data on environmental aspects, whereas this would hardly make any sense in the case of a bank. Yet there are some clear trends to be noted. Some themes are often recurring in the annual reports of the Belgian stock market listed companies while others are hardly ever touched upon. Typically, about 85% of the annual reports provide extensive data on all aspects concerning the employees' wellbeing. The environment comes second: it receives due attention in 70% of the annual reports. Interaction with the community is mentioned in 50% of the reports we examined and in 40% of the cases, product responsibility is treated in much detail, e.g. everything concerning labelling, health and safety aspects of products or services. Human rights, on the other hand, are rarely addressed (11%), possibly because in Belgium they are acquired rights. However, whenever this aspect is discussed, it concerns suppliers.

Is standardization important in order to make benchmarking possible?

A number of qualitative and quantitative indicators have been defined within the framework of GRI (Global Reporting Initiative) which enable the assessment of CSR activities, though these indicators are not relevant to all companies. The concrete initiatives regarding sustainable undertakings are so closely connected with the company's activities that standardization becomes very difficult. The GRI framework is a good basis to start from, but there are still a few bridges to cross before we can apply this to all companies. Benchmarking may be possible and useful for companies with similar activities, but this can certainly not be generalized.

Are there best practice tips for companies wishing to report on their CSR activities?

An all-encompassing form of reporting certainly deserves a recommendation. The company's vision on CSR should be clearly explained in the annual report, preferably at the beginning. This should be followed by the CSR actions, to be further materialized in key performance indicators. This will provide a meaningful image of the sustainable policies.

The CSR efforts are best reported by field, namely the employees, the environment and the role in society. In addition, extra attention could be given to product responsibility by focusing on and further developing client-oriented CSR actions.

A good sustainability report is actually best drawn up in three steps: what do we want to achieve, how are these objectives translated into concrete actions and what qualitative and quantitative indicators do we apply in order to assess our efforts? By carrying out this exercise in every field we will not only obtain a meaningful report, but also a full CSR one.

CSR reporting: a PR tool or an account of real efforts?

The companies examined lay out concrete objectives and also realize them. So the trend is clearly a positive one. On the other hand, the report on sustainability can be improved by using more quantitative performance indicators and by expanding efforts to more fields.

Talk with the stakeholders in order to know their expectations

Entering into talks with the stakeholders constitutes one of the pillars of social responsibility and reporting. This dialogue enables one to gather information which determines the main expectations and interests of the stakeholders and thus, to anticipate and address potential disagreements and problems. There is a wide range of practices allowing the creation of relations with stakeholders. Some organisations have developed regular and very accomplished processes of dialogue, but they are a minority. Some of them have understood that the growing expectations of the stakeholders can be considered not as risks to be managed, but as sources of business opportunities: relations with the stakeholders become more integrated and the commitment towards them is part of their strategy. The process is no longer limited to listening and information, but has moved to the stage of collaboration.

- ✓ **Create a mapping and identify your main stakeholders and examine their expectations from the beginning of the discussions on the content of the report as well as your commitments towards them.**
- ✓ **Indicate the process put in place so as to take into account the stakeholders' expectations.**
- ✗ **If you do not mention the results from the dialogue with the stakeholders, backed up with figures and/or examples, your procedure will lose a good part of its credibility.**
- ✓ **Do not hesitate to submit your report to your main stakeholders so they can voice their opinions and communicate their expectations.**

THE SITUATION

In order to be credible, the CSR report should in principle combine two points of view: the organisation's point of view, which defines what it considers as its social responsibility, sets objectives and self-assessments – and the stakeholders' point of view, which indicates what they expect from the organisation and how they perceive its performances. A good report is not just a collection of good news items, it must also integrate criticism so as to fuel the improvement procedure.

Within our sample, almost three organisations out of four (72%) devote a section to their stakeholders and a majority (61%) explain their methods of commitment towards them or towards some of them.

On the other hand, a minority takes into account all of its stakeholders and does not limit itself to one or two “obvious” groups, primarily workers, clients and/or shareholders. Rare are those having a real consultation through a stakeholders panel, for example, in order to define the CSR strategy or even the content of the report. Less than half of the organisations (44%) indicate the results generated by the dialogue with their stakeholders. C&A's sincerity deserves to be mentioned here.

We will point out an emerging trend: some reports mention the theme of the workers' participation outside the legal framework of dialogue. This is sometimes even the subject of a specific rubric, as, for example, with Dow and Greenpeace.

One drawback: if most organisations highlight what they give to their stakeholders, few in turn emphasize what these same stakeholders give them (except for the workers and the shareholders).

BENCHMARKS

- 72% have a separate section on stakeholders¹**
- 61% describe stakeholder engagement approaches²**
- 44% provide results obtained through consultation/feedback³**

¹ Takes into account reports that present more than only internal stakeholders (e.g. focus on clients or local community) based on points 4.14 & 4.15 of the GRI

² Based on point 4.16 of the GRI

³ Takes into account organisations that had any kind of feedback (e.g. satisfaction survey, road show, action following complaint from NGO). The percentage would be much lower if we considered feedback from all main stakeholders, for example through panels. Based on point 4.17 of the GRI.

BEST PRACTICES

AB INBEV

Citizenship 08

AB InBev describes in detail the means used by the group to identify and assess the key expectations of its stakeholders. This identification leads to priority areas of action.

- ✓ The priority areas of action are abundantly detailed in separate reports which can be consulted on the brewery group's website.

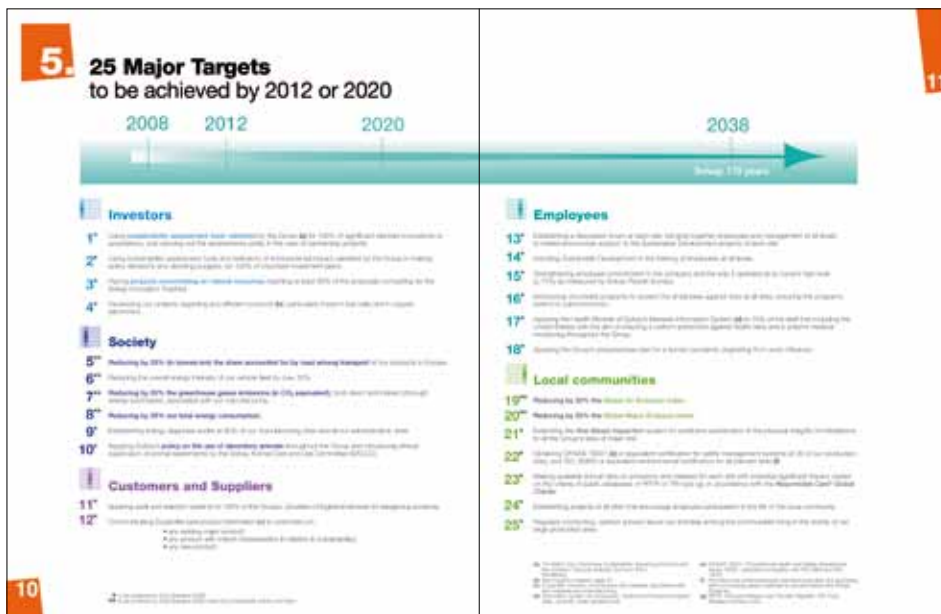


SOLVAY

Toward Sustainable Development - Assessment and Prospects 2008-2012

Solvay lays out the strategic lines of its sustainable development policies according to its stakeholders, subdividing them into five targets: the investors, society, the clients and suppliers, staff and the subcontractors and the local communities. The sustainable development stakes are thus taken into account through the prism of the group's stakeholders, which is entirely original. The report as a whole is paced and centered on the objectives, commitments and results for each category of stakeholders. The report mentions the efforts carried out during several accounting periods and specifies the objectives for 2012 or 2020.

- ✓ Each objective aimed at a stakeholder is illustrated by an example showing the progress made regarding a problematic situation as well as by indicators (with figures) where appropriate.



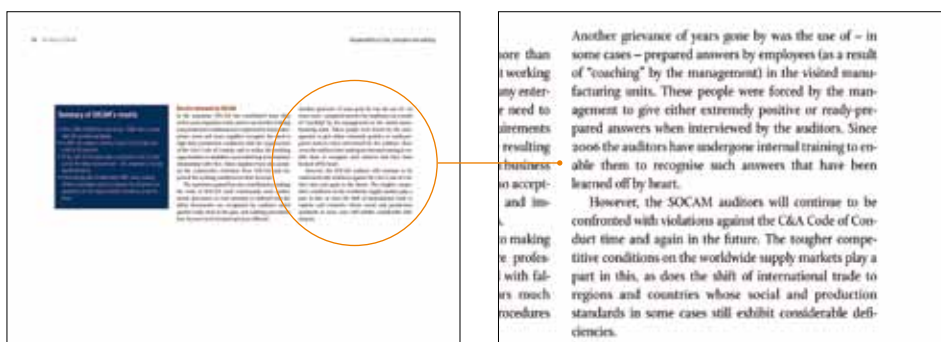
Other reports worth mentioning:
Umicore, Rezidor, Belgacom, Unilever, Rosy Blue.

C&A

Acting Responsibly - C&A Report 2008

On the way to collaboration with many of its stakeholders, C&A recounts and calculates its relations with NGOs in particular. The company explains how the materiality has been defined by taking into account the impact of its activities on its continued existence and on society. It mentions the results of the dialogue with its stakeholders and illustrates this with concrete examples.

- ✓ C&A does not hesitate to show the limits of its CSR action and to relate failures incurred.



Provide pertinent and expected information

The credibility of the sustainability report is established by taking into account sustainable development's real stakes as they relate to the activities of an organisation. So the identification and the choice of themes appearing in the report constitute a very important stage in its design process. It should provide pertinent information: this means the organisation must concentrate on the areas where its impact is very significant. However, this is not enough. The stakeholders, particularly the investors, wish to compare one organisation's performance with that of others in the same sector. It is therefore fundamental to refer to internationally recognized principles or guidelines.

- ✓ **Try hard to identify and rank the most important risks and stakes. Also explain clearly the process used to rank the themes you are dealing with.**
- ✗ **Do not work behind closed doors when deciding which themes to deal with, but include your main stakeholders in your taskforce.**
- ✓ **Clearly indicate which analysis grid you are using: Global Reporting Initiative, UN Global Compact, initiative from the World Business Council for Sustainable Development, etc.**

THE SITUATION

A majority of organisations from our sample (56%) follow the GRI guidelines and at the end of their report present a summary chart referring (for each parameter) to the report's relevant page and, if possible, to complementary information sources (in particular annual report and/or website).

A certain number of organisations, however, simply mention they have applied the GRI guidelines, which sometimes gives the impression that this is only a "moral guarantee" (we haven't taken them into account in our benchmark).

This dual approach is even more striking when it comes to the UN Global Compact since only two companies – SAPPI and AB InBev – put forward their advances for each of the ten principles of this grid, which measures the sustainable behaviours of the organisations. Others only mention they are Global Compact trainees with no further information provided (among others: KBC, Rosy Blue, Rezidor, Henkel and Unilever).

Among the organisations applying the GRI framework, only 13 (i.e. 30%) declare a reporting level A, B, or C⁴ and only some of these add a "+" sign to it which means their self-assessment has been submitted to and independent expert for advice. This advice can later be passed on to the GRI for validation. This procedure has the effect of making the approach to the stakeholders credible, in particular for the long-term investors. The "model" is most certainly Triodos, the only company from the sample to boast a level A+ "GRI checked" for its 2008 annual report.

BENCHMARKS

- 56% follow the GRI guidelines and put these forward in a summary table**
- 30% declare a reporting level A, B or C**
- 5% present their advances in relation to the UN Global Compact (by way of a table)**

BEST PRACTICES

HENKEL

CSR Sustainability Report 2008

From the first page of its report, Henkel defines the scope of its report and explains the result of a "permanent dialogue with a large range of stakeholders" and that it meets "the requirements of the European Chemical Industry Council (CEFIC), the criteria of various financial rating and environmental agencies and the GRI recommendations". It explains which are sustainable development's challenges related to its operations and how it has grouped these in five areas centered around its vision. It shows in considerable detail the

methodological aspects of its CSR strategy and how it is reported on its website, to which it refers several times in its report.

- ✓ Although it is very condensed (37 pages), Henkel's CSR report is a model of precision.



⁴ For more information on GRI categories, please see www.globalreporting.org

SAPPI FINE PAPER EUROPE

Sappi and Sustainability 2008

The stationery group presents at the end of its report two summary tables: one presenting its advances regarding the 10 UN Global Compact principles and the other listing the GRI directives it has met (but without specifying the reporting level).

Through the Global Compact, an organisation must not only question its level of sustainability, but also admit its weaknesses. For example, SAPPI notes with regard to Principle 2 (Make sure their own corporations are not complicit in human rights abuses): “We adhere to the standards of the ILO and legal labour conditions. However, we do not stipulate the protection of human rights in our procurement standards and this is an area that will be a focus of ours going forward.”

The image shows two side-by-side summary tables from SAPPI's 2008 report. The left table is titled 'United Nations (UN) Global Compact - communication on progress' and lists 10 principles with corresponding actions and metrics. The right table is titled 'The Sustainable Global Compact' and lists 10 GRI directives with corresponding actions and metrics.

Other reports worth mentioning:
Delhaize and Heidelberg Cement Benelux (for their good definition of the report's scope),
AB InBev (for its UN Global Compact table).

TRIODOS BANK

Annual Report 2008

Triodos Bank is the only company from our sample to have aimed at, and obtained, a level A+ for its reporting, according to the GRI framework. In the summary table at the end of its report it incorporates numerous references to the website with specific links.

- Triodos shows that sobriety (its report is entirely “monastic”) rhymes with sustainability!

The image shows a detailed GRI summary table from Triodos Bank's 2008 report. It lists various GRI indicators and their corresponding values, organized into sections like 'GRI 1-10', 'GRI 11-12', and 'GRI 13-14'. The table is presented in a clear, structured format.

Provide context for your CSR strategy and actions

Providing information on the organisational profile allows stakeholders to better understand the broader context in which the CSR activities of the organisation are taking place. By providing information on its products and services, the markets where it operates, the financial strength and the overall goals, the reader can have a better idea of the sustainability of the organisation and identify the issues that are relevant. Otherwise, your CSR strategies will appear as being disconnected from the reality because the materiality will not be clearly linked to your core business.

- ✓ **Do provide information on your activities and/or service, your brands, your financial strength, your size and the places where you operate.**
- ✓ **Show how your sustainability actions relate to your business activities.**
- ✗ **Do not assume that the reader knows what your organisation is doing or the sector that you are in. This should be clearly explained.**

THE SITUATION

Most organisations (81%) write a section on their organisational profile at the beginning of their report where they present their brands, products and services, places where they operate, organisational context such as number of employees, net sales, assets, etc. and significant changes in size, structure and ownership. This provides the reader with an overall idea of the organisation activities and scale.

A good CSR report should describe what a company is and will be doing in all spheres of activities and places to ensure economic, social and environmental sustainability but should also clearly explain what these activities are and the related challenges.

Unfortunately, organisations often omit important information in their sustainability reports describing the challenges and opportunities linked to their activities, the sector and places where they operate and the key impacts these challenges have on the sustainability of the organisation and its financial performance. Only half of them describe how their strategy integrates economic, social and environmental performances.

To illustrate their argument, many organisations use visuals such as a map of countries where they operate, pictures of their main products, diagrams, pictograms, illustrations and charts.

BENCHMARKS

- 81% publish a section on organisational profile⁵**
- 47% describe their strategy and vision and how it integrates economic, environmental and social performance⁶**
- 44% show a map of presence in countries or regions where the organisation operates**

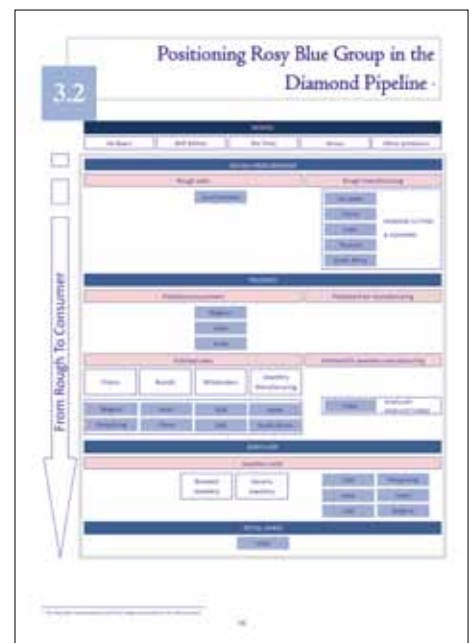
BEST PRACTICES

ROSY BLUE

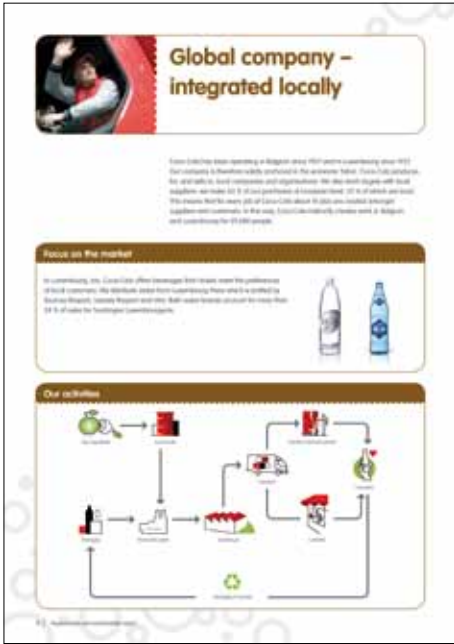
Corporate Social Responsibility Report 2008

The first report of Rosy Blue excels in the clear explanation of the diamond sector and the related challenges. The report gives an overview of all the steps - from mining all the way to the consumer - and details each of these steps. It also clearly explains where Rosy Blue is active. For the diamond sector, supply chain is an important challenge and by including this aspect in the organisational profile, Rosy Blue helps the reader to understand its challenges.

- ✓ **The challenges linked to the sector where Rosy Blue operates are clearly explained and supported by diagrams and tables.**

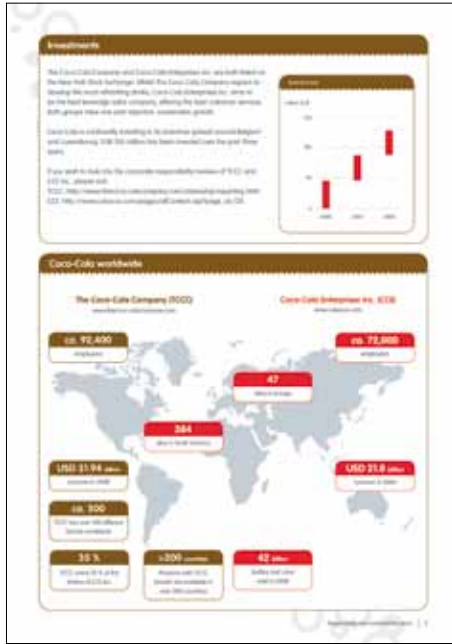


⁵ based on point 2.1-2.10 of the GRI
⁶ based on point 1.1 the GRI



COCA-COLA Belgium & Luxembourg 2008 Report on Sustainable Development

Coca-Cola makes intensive use of visuals to present its profile. A map identifies the countries in which the company operates along with key data on employees, revenues, brands and operations. A chart summarizes the investments in Belgium and



Luxembourg. A diagram is used to explain the activities the company is involved in and the production process. This is a first step to show the broader context to the reader. The next would be to make the link between CSR actions and these activities.

- ✓ A visually attractive report. In one glance the reader gets a good overview of the company's activities.

Other best practices: **Delhaize, SNCB, Umicore, Spadel, Bekaert and Indaver.**




BASF ANTWERP Report 2008

BASF has developed a very unique way of presenting the information. The company integrates a local report on its activities in Belgium in the global report. As a consequence, the activities in Belgium are put in a broader context. For each operating segment in which it operates, BASF offers a clear description of its activities and the main financial data. A full page map identifies the location of the company's production sites, regional headquarters, sales, EBIT and employment scale while providing supporting comments.

- ✓ Presentation of the organisational profile of the Belgian company—together with the global profile and highlights of the challenges and opportunities—allows the reader to get a better view of the broader context and the sustainability of the company.



2 - Build stakeholders trust

The background of the page is a deep blue gradient. In the upper left and right corners, there are several overlapping, semi-transparent circles of varying sizes, creating a bokeh effect. The circles are lighter blue and white, blending into the background.

Confident following the positive collaboration with the professional federation essencia on the preparation of his first report on sustainable development, Jan Turf, political coordinator of the Bond Beter Leefmilieu, argues in favour of an increased engagement of the stakeholders in the reporting process.



Jan Turf
Political Coordinator
Bond Beter Leefmilieu

Interview: **Jan Turf,** Bond Beter Leefmilieu

Involve the stakeholders more

What are the main expectations of the stakeholders regarding reporting?

Jan Turf: First of all, the reporting procedure must be complete, by that I mean one should not only account for the positive aspects, but also the negative ones. Failing that, the exercise amounts to a self-congratulatory exercise. So we are favourable, as a stakeholder, to the use of the Global Reporting Initiative (GRI) international directives, which allows comparability between organisations. It is the only relevant framework for companies. Regarding the NGOs, we expect a lot from the new framework adapted to organisations such as ours.

By applying the GRI methodology, the organisation must then define what is really relevant in its specific case. It seems essential to me, at this level, to mobilize the stakeholders early in the process since what is pertinent to the organisation is not necessarily relevant to them. My unique experience of this type is linked to the first report on sustainable development from essenscia, the Federation of Chemical Industry and Life Sciences, published in 2009. The heads of essenscia have been consulting Bond Beter Leefmilieu for a long time already, on a quarterly basis, which has facilitated common thought. We first defined together the main elements which we considered pertinent both on a social and environmental level, then we selected from these elements those for which it was possible to collect data at the sector level in a controllable way. We quickly came to the conclusion that we were going to retain those criteria meeting legal requirements, be it on a federal level or a regional one. The following stage consisted in establishing bases for comparison. The temptation to choose elements of comparison which are to the advantage of the organisation or, in the present case, the sector, is always very strong. This is why the involvement of the stakeholders at this stage is also important: it allows for the debate to remain objective.

I will add a final point, which is the report's periodicity. An annual or biannual basis is optimal, the additional requirement being not to modify the material elements selected or the way they are measured. Naturally, this does not prevent the addition of new criteria within the framework of a process of continuous improvement. Here again it is useful to consult the stakeholders.

A point concerning the chemical industry and which seems important to us is the extent of the environmental impact of a product during its entire life cycle. You can indeed produce whilst limiting your ecological footprint, yet sell a product that will pollute when used. The various sub-sectors have been invited to write a text, to be included in the last part of the report, explaining the dimension "products". Unfortunately this part has turned into a nice little advertising speech! I'm happy to read that insulation materials help save energy, but this kind of argument is not sufficient when dealing with a serious analysis on the environmental impact of a product during its entire life cycle. As a stakeholder, we have asked essenscia to base this analysis on facts for the next report in 2011.

Few companies are engaged in such a global approach. According to you, what is preventing them from doing so?

J.T.: I understand very well the psychology of companies. There is a fear that some elements can be used against them. "It will be used to harm us!" is an argument I have often heard. There is always a risk that the media in particular will interpret things in a certain way, but we remain convinced it is best to favour openness and transparency. The stakeholders have an important role to play in this.

Do you consider it preferable for an organisation to get its sustainability report validated by an external auditor, as is done for annual accounts?

J.T.: To me, validation by the stakeholders is more important than validation by an external auditor. Stakeholders have expectations and hope that these will be met. Verifying this is not part of an independent expert's mission. Of course, I am not against the idea of a company getting professional assistance in its sustainability initiative, but it would be regrettable if it were to the detriment of a dialogue with the stakeholders. Provided, of course, that the organisation seeks the trust of its stakeholders, they (the stakeholders) must take part in the debate at all the stages of the reporting process.

Senior management statement to reinforce your commitment

The management statement is the opportunity to show the company's senior-level commitment to sustainable development, give it a human face and communicate its messages. It is often the first element of the report that the reader will look at. Therefore, it is vital to get it right so as to reinforce credibility and to show stakeholders that their concerns are understood and being addressed. This can be done by expressing a commitment to economic, social and environmental goals while being transparent on what the major associated challenges are, how these will impact on the future business strategy and how the organisation is addressing those.

- ✓ Do write a statement signed by the senior management of your organisation.
- ✓ The statement should be candid, focus on the most significant information and highlight the organisation's commitment to economic, social and environmental goals.
- ✗ Do not forget to report on the challenges regarding the three pillars of sustainable development and how the company is addressing these.
- ✓ Do not provide only the good picture; explain the key positive and negative achievements and happenings that occurred during the reporting period.

organisations clearly mention their challenges and where they underperform or experience setbacks. As a consequence, they miss the opportunity to show openness and consideration towards their stakeholders.

BENCHMARKS

- 91% have a signed statement from the chairman or CEO
- 60% of the statements cover economic, environmental and social considerations
- 35% begin the message before page 3

BEST PRACTICES EXAMPLES

UMICORE

Report to Shareholders and Society 2008

In this statement, the CEO and president are more transparent than most reports regarding the achievements, difficulties and challenges experienced by the company. It explains how Umicore's performance has been affected by the financial crisis and the resulting financial and social impact. It also mentions the commitment to the three pillars of sustainable development.

- ✓ By explaining what the major difficulties were and how these have been addressed, this statement reinforces the credibility of the organisation.

THE SITUATION

Nearly all reports (91%) have a senior management statement signed by their chairman and/or CEO. Some have statements from senior managers in several places in the report but just over than half (60%) use this opportunity to really convince the readers that their organisation has the determination and ability to fulfil its commitments regarding the three pillars of sustainable development.

A good statement will demonstrate commitment to all three pillars, be candid about what did not go well and will explain what the challenges are and how these can impact the future performance. Many organisations focus only on the economic aspects, essentially disregarding many stakeholders, while others focus only on the social and/or environmental pillars and fail to mention how these relate to the overall strategy of the organisation. Even less



DELHAIZE GROUP

Corporate Responsibility Report 2008

Delhaize Group distinguishes itself through the senior management statement. The chairman and the CEO are signed a statement on page 1 of the report where they not only commit to social, environmental and economic objectives, but also establish a clear link between their CSR activities and the contribution these make to their business, the environment and the health and welfare of people. They address the consumer in particular but do not neglect the business message to the shareholders, the “thank you” message to their employees and the attention to the environment. Moreover, the company integrates a short statement from senior managers around the globe to illustrate the various sections. To reinforce credibility even further, one could highlight in more depth the difficulties faced by the organisation.



- ✓ This statement goes straight to the point, clearly establishes the link between the CSR activities and the impact on long-term profitability and addresses all stakeholders.



HEIDELBERGCEMENT BENELUX

Report on Sustainable Development 2007/2008

This statement committed the short and long-term contribution of the company and sector to sustainable development in the global picture. The language used is very friendly and personal, thereby reinforcing the trustworthiness of the report. The statement gives the feeling that the General Manager is being sincere and talking directly to the reader. The social, environmental and economic commitments are clearly present.



- ✓ The personal tone used to address the reader increases the feeling of openness and consequently the credibility and positive image of the company.

Stakeholder statements to show transparency

Providing a testimonial from external and internal stakeholders as well as experts enables your organisation to increase its credibility. It is important that the testimonies appear trustworthy, providing comments on weaknesses or setbacks as well as accomplishments. If they only give a positive picture of the company, they will also appear too commercial and less credible. It is also recommended to use the original “oral” language of the stakeholder rather than re-write it. Testimonials at the beginning of chapters will allow hearing the voice of the stakeholder while comment in the text or review of the report will increase credibility. Finally, it is important to develop a visual style for case studies and testimonials that will distinguish this information from the rest.

- ✓ Do include both testimonials from internal and external stakeholders.
- ✓ Do make testimonies, case studies or comments visually different.
- ✗ Do not have the testimony re-written by a communications professional; keep it in the original language style to gain credibility.
- ✗ Do not make the testimonials overly positive.

THE SITUATION

Stakeholders need to hear from other stakeholders, not just from the company’s management and employees. However, only one-fifth (21%) of the reports analyzed include both comments from internal and external stakeholders. Only a small minority included comments from their staff (only 7%). Some organisations using both internal and external comments also systematically start chapter heads with a testimony and alternate the various stakeholders. This is the case for Umicore, Coca-Cola, Belgium & Luxembourg and Solvay.

Most organisations draw the attention to the comments or statements by using a larger font, quotation marks, colours, italics and/or boxes. Some organisations also use such testimonials as case studies. Such is the case of Rosy Blue.

Testimonials and case studies should be balanced, reporting on achievements as well as disappointments, but should not sound like they have been written by a communications professional. By trying to convince the reader that the organisation is outstanding, statements from suppliers

such as “Prestigious projects can only be supported by world players like...” appear overly commercial and therefore do not reinforce credibility. Nevertheless, some reports have demonstrated the value of keeping a more personable language in the testimonies such as the case of Trividend.

BENCHMARKS

- 21% include testimonials and/or commentary by external and internal stakeholders
- 7% include testimonials from internal stakeholders only
- 7% start main chapters with a comment from a stakeholder

BEST PRACTICES EXAMPLES

SOLVAY

Towards Sustainable Development Assessment and Prospects 2008-2012

Solvay initiates each head chapter with a full-page statement from a different stakeholder under the headline “...the situation as seen by a risk capital investor / employee / customer/ ecologist / neighbour of a plant”. It uses quotation marks, a picture of the stakeholder expressing his/her view and brings to the fore one part of the comment (in bold and on the picture). Moreover, the company regularly includes boxes called “up for discussion” containing comments from stakeholders.

- ✓ This report is designed to address the various stakeholders and makes sure to integrate their views, which allows for increased credibility.



ROSY BLUE

Corporate Social Responsibility Report 2008

Rosy Blue offers an incredible amount of testimonies from stakeholders in various forms and places in the report. The company includes numerous comments using text boxes in the stakeholders section and elsewhere in the report. The only downside is that the reader can be lost when confronted with so many testimonies.

In addition to the numerous comments, Rosy Blue makes good use of case studies and interviews to reinforce its messages.

- ✓ This report uses the voice of stakeholders in many ways: comments, case studies and interviews.



Other best practices:
Umicore, C&A, Trividend, Coca-Cola



UNILEVER
Sustainable Development 2008:
An Overview

Unilever offers very few, but well chosen, comments from stakeholders using them in the text in order to reinforce their argument and increase credibility. For example, when the company reports on its efforts to reduce emissions, it integrates a short comment on these efforts from Greenpeace in bold and red text. The fact that the comment is standing out and is short increases its chance of being read. Moreover, the comment does not appear overly positive. In this example, "Greenpeace encourages Unilever to accelerate its replacement

programme [of fluorinated gases in ice cream] worldwide".

- ✓ Unilever makes clever use of short, visually obvious comments from stakeholders, thereby reinforcing their points and not disconnecting them from the rest of the text.

Assurance to ensure truthfulness of the information

By involving an independent person in the process and providing his/her opinion on the sustainability report, assurance is another good way to increase credibility, demonstrate openness and sincerity and gain stakeholder trust. Assurances by auditors are often limited regarding the area of improvements but are very trustworthy. By contrast, stakeholder reviews often provide more meaningful comments with suggestions for improvements. This process also provides the corporate responsibility practitioner with additional leverage internally.

Ideally, external auditors should examine a variety of performance data, management processes and strategy against assurance frameworks for non-financial reports, such as AccountAbility's AA1000 Assurance Standard or the International Standard on Assurance Engagements ISAE 3000. Otherwise, assurance statements are difficult to compare.

- ✓ **Do provide a review of your report by an external auditor and/or external stakeholders.**
- ✓ **Do provide the reader with meaningful external comments on the content of the report.**
- ✓ **Do explain the scope of the assurance and the methodology used.**
- ✗ **Do not expect all comments to be positive; any tendency to spin can be tested by the assurer.**

THE SITUATION

Assurance in Belgium remains very limited with 23% of the reports being reviewed and only 19% by auditors or consultants. Several companies replace formal third party confirmation of accuracy with stakeholder reviews, which often reduces the cost and increases the number of informal comments. This is, for example, the case of the report of Delhaize Group reviewed by BSR (the Business & Society Belgium equivalent in the US) and C&A's report reviewed by various stakeholders. The best reports will include both an assurance on data, management processes and strategy by external auditors in conjunction with a stakeholder review offering more informal comments on how the report can be further improved. None of the reports surveyed included both.

The use of standards developed as assurance frameworks for verifying the credibility of non-financial reports is still negligible. No review uses the AccountAbility standards (AA1000) and only two (Toyota Motor Europe and Umicore) use the International Standard on Assurance Engagements (ISAE3000). All comments from audit agencies confirm the trustworthiness of the information presented in the reports, with the exception of just one report.

BENCHMARKS

- 23% provide an assurance report or review on the non-financial information**
- 19% of assurance reports are conducted by accounting firms or CSR consultancies**
- 7% of assurance reports or reviews provide meaningful commentary on how the content of the report can be improved**

BEST PRACTICES EXAMPLES

UMICORE

Report to Shareholders and Society 2008

Next to the review of the company's accounts, Umicore provides a comprehensive "Assurance Statement for Environmental, Health, Safety and Social Reporting" from ERM Certification and Verification Services, both on information and data collected as well as the claim

of Umicore to comply with the GRI. This allows the company to label its report with a B+. The statement clearly describes the scope, objectives, methodology and its limitations as well as providing conclusions and meaningful recommendations for improvements in future reports. Furthermore, the approach used is based on the International Standard for Assurance Engagements 3000.

- ✓ This state of the art assurance statement reviews the information, the data and the GRI claim as well as providing meaningful comments and following the accepted ISAE 3000 guidelines.





C&A

Acting Responsibly – C&A Report 2008

In addition to testimonies from internal and external audiences within its report, C&A offers (at the end of the report) reviews on the report from selected stakeholders: a representative from the trade union, a social NGO with whom C&A is engaged on social standards (Terre des homes), a professor working for Triple Innova and helping C&A to reduce its emissions as well as a representative from Organic Exchange who collaborates with C&A on the issue of

bio-cotton. All these stakeholders provide positive or negative comments on the report and their relation with C&A. These stakeholder reviews are essential steps to building stakeholder confidence.

- ✓ By providing the feedback of stakeholders on the report, C&A improves credibility and fosters an honest, beneficial dialogue with stakeholders.

Other best practices:
**Toyota, Indaver,
 Belgacom and Triodos**



DELHAIZE GROUP

Corporate Responsibility Report 2008

Delhaize Group provides an independent review statement of their report by Business for Social Responsibility (BSR). In addition to highlighting the strengths, achievements and areas for improvement of the 2008 report, BSR offers recommendations on how to further improve the report. Rich in comments, the statement does not express an opinion on accuracy, materiality or completeness of information provided.

- ✓ This statement offers clear and meaningful comments by sustainability reports specialists.

3 - Manage your sustainability and get everyone involved

Although financial volume is not yet what it should be, investors show increasing interest in the spreading of environmental, social and governance-related information. Socially Responsible Investing (SRI) only featured 6.29% on the Belgian Collective Investment Schemes (CIS) market at the end of 2009⁷. Nevertheless, this percentage places Belgium among the European leaders on SRI. Grégory Gil Suarez, Belsif coordinator (Belgian Sustainable & Socially Responsible Investment Forum), gives a general overview of investor expectations.



Grégory Gil Suarez
Belsif coordinator

Interview: Grégory Gil Suarez, Belsif Coordinator

Investors in search of transparency

What are the big problems regarding CSR reporting identified by your members?

Grégory Gil Suarez: During an inquiry conducted in 2009 amongst our members they (the members) identified the main problems as the following: comparability (between companies or within a single company from one year to another), credibility (temptation to only publish good news and/or plain greenwashing), the quality of the information and figures as well as consistency (not using standard key performance indicators). The final challenge concerns communication support. Beyond the sustainability report, the investors would be favourable to complementary forms of communicating with companies on environmental, social and governance matters (ESG). Whether all parties are prepared to devote time to this remains to be seen. I would not take it for granted.

Do all your members express the same demands?

G.G.S.: No. Belsif currently has 19 members: financial institutions, NGOs and research organisations such as Vigeo or Sustainalytics. Their expectations regarding CSR reports are not necessarily all the same, but there are nevertheless some common demands towards the companies: identifying, together with the internal and external stakeholders, the ESG (environment, social and governance) problems, legible and easily accessible information and an honest control, preferably carried out by an external auditor.

As for the rest, each one of our members establishes their priorities according to their own strategy. Within the framework of their investment strategy, and after having checked that the questions dealt with in the report are the most pertinent regarding the company's activities, banks analyze companies through a very wide spectrum covering both strategy and performance. Some banks will particularly focus their attention on specific points. Triodos Bank, for example, examines whether part of the management's remuneration is linked to the achievement of sustainable objectives (note: there's currently a debate on this in the Netherlands where some companies, in particular Akzo Nobel, are acting as pioneers).

Do your members believe there is enough transparency?

Like the banks, research organisations insist on the presence of key performance indicators – ideally collected over several years – that include the evaluation of progress made and the communication of the company's objectives. Vigeo and Sustainalytics would like the company to show transparency both when addressing matters of possible controversy and when it comes to their suggested solutions. Furthermore, Vigeo stresses the importance of taking into account social and environmental problems in the risk management policies while Sustainalytics focuses its attention on the implementation of CSR strategy and corporate governance into its decision-making structure. Relations with stakeholders also appear among the research organisations' main demands.

What is the real impact of bad reporting on investor strategies and decision-making?

G.G.S.: It depends on the amount of time the investor can devote to the analysis of a given company. If he has limited time, then difficulties finding some pieces of information will be perceived as a lack of transparency and could have an influence of the investment decision. In the eyes of the investors, accessibility of information is crucial.

Governance structure to enable efficient management of sustainability activities

To make explicit how CSR is implemented and managed within the organisational structure is a major issue. It is important to not only present the governance structure, but also the managerial procedures and systems linked to CSR as well as your precise commitments in this field (mission, values, code of conduct, etc.). It should be noted and is indicative to note that in some sustainability reports the words “corporate governance” only appear among the titles on the GRI grid... when there is one.

- ✓ When your CSR report is separate from the annual report, make sure you do not completely ignore corporate governance. A simple reference to the annual report and/or the website for more information will convey how much interest you take in it.
- ✓ Explain clearly how the CSR strategy is put in place throughout your organisation, from its definition to its control. This can be done either in a specific section of the report or in a more scattered way (for example by business unit).
- ✗ If the reader does not perceive that the top management – be it of a company or any other organisation (public service, NGO...) – is the first defender of this policy, he/she will read the rest of the report with some skepticism.
- ✗ Section 4 of the GRI framework (Governance, Commitments and Engagements) is sometimes hastily filled in by some organisations who are content with a vague description of their management body.

THE SITUATION

In 65% of cases the organisation presents its management structure and explains the various roles of its management bodies. However, “corporate governance” often stops there. In two cases (a company and an NGO) the word “governance” only appears on the GRI grid at the end of the report!

The organisations explaining how CSR is taking shape within the company by means of an ethical charter or a code of conduct

and detailing their commitments and key values are, according to the results obtained (49%), still too few. Some of them do indeed refer to business principles or other ethical guidelines, but do not specify if or where these documents can be consulted. In this regard, Triodos shows complete transparency: it lists all the useful internet links via the GRI grid – and they work, which isn't always the case...

Finally, an even smaller number of participants (40%) detail the procedures, present the teams and the structures dedicated to CSR. Delhaize Group, Rosy Blue and again C&A take this approach even further.

BENCHMARKS

65% present their governance structure⁸

49% report on internally developed statements, mission, values and codes of conduct⁹

40% speak about CSR procedures and management systems¹⁰

BEST PRACTICES

DELHAIZE GROUP

Corporate Responsibility Report 2008

The retail banner devotes a double page to the presentation of the Corporate Responsibility Team, the CR Steering Committee, which supports the former, and the CR Structures in place in the various operational entities.

⁸ Based on point 4.1 of the GRI

⁹ Based on point 4.8 of the GRI

¹⁰ Based on point 4.9 of the GRI

- ✓ With pictures to illustrate this, we discover the essential links of the CSR strategy's implementation within the group.



C&A

Acting Responsibly - C&A Report 2008

On page 10 of its sustainability report, the textile retail chain presents an organisation chart of its CSR structure, which is overseen by the European Executive Board. On the next page it details the procedures and the responsibilities of the main participants involved in the CSR strategy, up to the highest levels of management.



- ✓ Perfectly clear and accurate: a perfect example.



KBC

Corporate Social Responsibility Report 2008

The financial institution devotes a specific section to Corporate Governance even though this matter is detailed, as it should be, in its annual report. Here it specifies certain points of its corporate governance policy which it deems essential. It also refers to its annual report and its website for more information.

- ✓ This "straight to the point" presentation has the virtue of clarity. The rubric is well-positioned, just after the message from the chairman and the CEO.

Other reports worth mentioning: **Belgacom, SAPPI, Solvay** and **AB InBev** for their clear references to their annual report/website for more information on corporate governance.

What gets measured gets managed

The choice of key performance indicators (KPI) must correspond as much as possible to the company's activities. These should be quantified, as far as possible, in order to be able to measure the evolution of social and environmental performance. The approach regarding the objectives to be achieved requires the same discipline. Failing this, your sustainable strategy will be comparable to a catalogue of good intentions...

- ✓ Give greater importance to the indicators and objectives relevant to your activities.
- ✓ Try, as far as possible, to quantify indicators and objectives.
- ✗ Do not bury key figures in a wealth of information. Highlight them one way or another.

THE SITUATION

Very often still, companies gather a few standard performance measurements, such as accidents at work (industry) or paper consumption (services), and present these as a token of their social responsibility. Admittedly these measurements are important, but they are far from being sufficient. A good report on sustainable development must contain a series of key performance indicators that make sense with regard to the company's activities, allow comparisons with other participants in the same sector and which are presented with convincing comments.

A KPI summary table, placed at the beginning or at the end of the report, makes for easier reading, particularly when the report is dense (which is often the case – a point actually being debated). Just one company out of three (35%) chooses this approach and not necessarily in an exhaustive way.

A similarly rigorous approach must guide the definition of the medium and long term objectives. Some companies put themselves in the clear rather easily by writing down a number of vague objectives for the next ten or even fifteen years. It is still relatively rare to find reports on sustainable development (42%) which clearly mention progress made regarding

these objectives. What is more frequent is that the information exists but is lost in the volume of information presented (we have taken this assumption into account in our calculations, which explains the rather flattering percentage in our benchmark). So regarding readability, the comment will be: can do better...

BENCHMARKS

- 81% show progress over time of sustainability performance
- 42% report on progress against sustainability objectives
- 35% have a KPIs summary table¹¹

BEST PRACTICES

TOYOTA MOTOR EUROPE Sustainability Report 2008

Toyota Motor Europe, whose head office is in Brussels, proceeds by case studies involving one or more KPI, both in its environmental and its social approach. The report indicates for each of them the efforts made over several accounting periods (from 2001 for most environmental KPIs) and specifies the 2010 objective, which is rather rare. Both the methodology and the possible changes made to the objectives are clearly explained. Regarding the environmental part, this exercise is repeated for each department: production, logistics, after-sales service, etc.

- ✓ The case studies allow illustrating very concretely the important measures of sustainable performance.

The screenshot shows a table with multiple columns, likely representing different KPIs and their corresponding values or trends. The text is small and difficult to read, but it appears to be a structured summary of key performance indicators.

The screenshot displays two case study sections. The first, 'Environment: Toyota forest in Bulgaria', includes a photograph of a person planting a tree. The second, 'Environment: Schools for Sustainable Development in UK, Czech Republic and Poland', includes a photograph of a child. Both sections are numbered 23 and 24 respectively.

¹¹ We have taken into account an overall summary table or a summary table per section

DEXIA

Sustainable Development Report 2008

From page 5 of the report, Dexia draws up a complete table of the 2008 objectives, their state of progress and the concrete measures put in place to achieve these objectives. For each of the five chapters (funding of collective equipment; retail, insurance and fund management bank; relations with surrounding society; social

responsibility; environmental responsibility) the banking group lists its key performance indicators. This overall view is complemented by a list of the 2009 objectives.

- ✓ The state of progress of each 2008 objective is indicated in a very visual way by means of a coloured strip.



Other reports worth mentioning:

- Belgacom, Indaver, Delhaize, Heidelberg Cement Benelux, SNCB, Umicore, UPS**

THE REZIDOR HOTEL GROUP

Sustainability report 2008

The Rezidor Hotel Group, whose Corporate Office is established in Brussels, sums up its CSR strategy for the accounting period under review in a very clear way on two double pages at the end of its report. In five columns it clearly illustrates its policy per stakeholder group (employees, clients, property owners, stakeholders, suppliers, authorities etc.), its global objectives, its indicators, its specific objectives for 2008 and their degree of realization.

- ✓ This “summary of progress” is of exemplary clarity.



4 - Deliver a strong message through effective communication

Thoroughly reflecting on how paper copy and electronic copy complement each other allows for the optimization of one's CSR reporting. Advice from Simon Leysen, Managing Director of Morris & Chapman, Belgium.

ONE REPORT OR TWO?

I do not have a definite opinion on the question of whether we should gather the financial report and the report on sustainable development in one document or, on the contrary, keep them separate. I think one can argue in favour of both opinions with convincing arguments. The CSR report can be integrated in the annual report as this might lead to economies of scale or has environmental benefits. But we think it is a lot more important to focus on making the content of the CSR report available online in a user friendly and user centric way.

ANNUAL OR BI-ANNUAL CYCLES?

Most companies still think about CSR reporting in annual or bi-annual cycles. This timeline creates a clear target and year-on-year comparisons of indicators are a key element of any CSR report. However, the CSR report could also be used as a basis for a more continuous process of communicating online on CSR related activities. The online hub of the CSR report can be the basis of a true corporate citizenship pillar of the corporate site which would be closely linked to other sections of the site.



Simon Leysen
Managing Director
Morris & Chapman, Belgium

Interview: **Simon Leysen,** **Morris & Chapman Belgium**

Make better use of the Web's potential

Your agency works with large international clients, both institutional and private. How do you perceive communication around CSR in Belgium?

Simon Leysen: Many of the organisations we work with invest a lot of time in CSR reporting, yet in the end it appears they do not communicate enough, or at least not efficiently enough. Reporting practices remain very traditional in the sense that companies and organisations generally favour paper copies. They seem to me to be unavoidable because, despite technological advances, paper still has its ardent champions. However, a printed version and an online PDF are not enough to maximize the communication potential of a CSR report.

Our research shows that a majority of organisations simply offer the uploading of a PDF of their CSR report on their website.

S.L.: That is exactly the problem. A CSR report should not be something companies do “on the side”, but should be at the core of the business. The CSR reporting should therefore be just as visible as the other aspects of the company. Restructuring information so as to present it in a format more user-friendly than a PDF does not create much additional cost in the budget for the drafting of a report on sustainable development, but it does allow for a considerable increase in the company's visibility on the search engines.

Although PDF files are indexed by search engines, web pages will tend to get a much better ranking. Having the information displayed on web pages will enable the company to update the META information¹² on a page by page basis, increasing visibility in search engines on a specific keyword basis. Finally, reports with dedicated sub-sites allow visitors to link to specific pages or sections within the report on social bookmarking sites.

So in a way, the web is a worldwide display window for any organisation, whether small or large.

S.L.: That's exactly it. It allows, by some sort of snowball effect, to reach an almost unlimited number of people. The level of Internet penetration in Belgium verges on 70%, while it exceeds 60% within the European Union. When compared to the few thousand paper copies produced, the number of potential visitors is not even comparable! Relayed by blogs, social networks, discussion forums, a positive action for the environment which would be credited to a company, for example, will enable it to acquire in a very short time considerable – and measurable – recognition.

One of the most important advantages of shifting the focus from a printed report to online reporting will be statistics and users feedback. Log analysis will provide the company with a wide range of metrics on who is interested in the report and what sections are most popular. This is the kind of feedback that would be very difficult to get with a paper or PDF copy only.



¹² Meta elements are HTML or XHTML elements used to provide structured metadata about a web page. They can be used to specify page description, keywords, author of the document, last modified and other metadata.



The web also allows one to enrich the content by means of audio and video material, possibly even animation.

S.L.: Information presented using rich media is easier to take on board and in many cases is more powerful. Moreover, CSR related videos can be loaded on the company's YouTube channels, thereby making the video accessible to 300 million YouTube users¹³. One of the web's advantages is that the product does not have to be completely "polished", a lesser quality becoming a guarantee of authenticity, thus making the result even more credible.

Does this strategy allow the company to get closer to its stakeholders?

S.L.: Regarding stakeholders, the web allows one to present different content for each of the target groups together with a very functional advantage: being able to "pick" useful information and to use it as it is. A journalist could download the picture of a project, or a high-definition graph, to incorporate it into his article; a university professor could pick a diagram on the life cycle of a product and use it at a conference; an investor could insert a company profile in PowerPoint when presenting his investment portfolio. In each case it will add extra value to the information. By moving beyond the PDF, you give users the freedom to consult and navigate the content as they please. A true online version breaks free from the rather linear presentation of a PDF and will enable the visitors to browse, navigate, read, print, search and share as they see fit¹⁴.

One of the internet's major assets then is to allow interaction with the stakeholders. B2C (Business to Consumer) companies in particular have everything to gain from this dialogue. Imagine how a large retail banner could take advantage from the positive suggestions made by its customers, or even its staff. In the corporate world, perception is reality. And consumer perception – assuming you are on their radar – drives both boycotting and "buycotting"! In these times of modern activism, each positive or negative comment on the web can have a considerable impact. In short, it is vital to decompartmentalize practices because today information travels at the speed of light – in every direction.

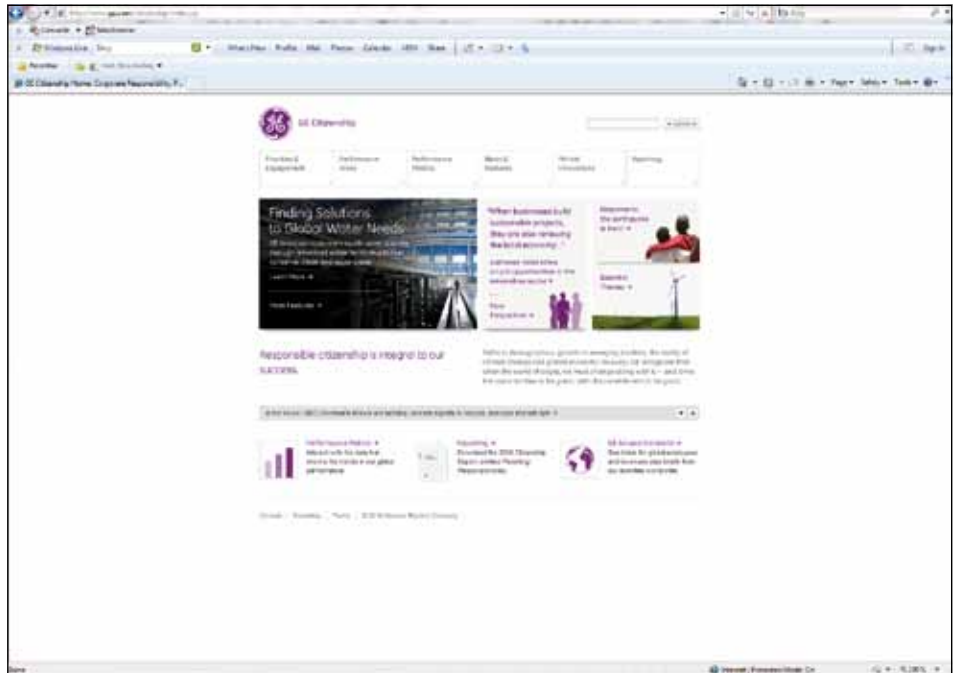
¹³ Interesting link: <http://www.chevron.com/globalissues/corporateresponsibility/2008/>

¹⁴ Interesting link: <http://www.heinz.com/CSR2009/>

Interesting links:

<http://www.ge.com/citizenship/index.jsp>

<http://www.hp.com/hpinfo/globalcitizenship/>



Attention-grabbing design

Even if your report on sustainable development does not pretend to become the next best-seller, you should make the cover attractive. For the reader, it is the first eye-catcher. However, a nice layout should not be used to hide a meagre content: beautiful photographs will never replace values or sustainable objectives! No point either in losing the reader in a labyrinth of pages resembling pre-internet phonebooks. Having the ability to synthesize often allows you to remain consistent.

- ✓ **Living up the cover of a strong message makes the reader want to read further. The message chosen must reflect your company's strategy and must be within the scope of your global communication approach.**
- ✗ **Banish all jargon specific to your profession from your texts as it is not accessible to lay persons.**
- ✓ **If your business sector is a complex one, remember to publish a glossary of technical terms at the end of your report as it is aimed at very different target groups.**

THE SITUATION

Almost half of our sample (47%) has chosen to publish financial, social and environmental annual data in one document, a sign that CSR is increasingly integrated into organisations' global strategy. Umicore distinguishes itself subtly from the others by declaring it "reports to the stakeholders and to the company". It will be interesting to monitor the evolution of this practice in future. The 23 organisations which separate the CSR report from the annual report usually maintain a good balance between the two, with an average of 50 pages for the CSR report. Only two companies (C&A and UPS) go beyond 100 pages.

Most organisations add a slogan to the cover of their CSR report, a slogan which they hope will be attractive. Often, though, these messages lack originality and/or pertinence. In this regard, NGOs have a much more pragmatic approach, which makes sense: it is particularly the case for Vredeseilanden and Trias.

From a visual point of view, the CSR reports vary from the minimalist approach (Triodos) to a profusion of graphic effects and colours (Delhaize). Both approaches

are valid (in the case of NGOs it is above all a matter of whether they can afford it) and each reader will appreciate either, depending on his/her personal taste. However, it is important not to use an exuberant layout to hide blatant failings in content as the stakeholders (particularly the investors) will not fall for this!

Too few organisations ensure that the vocabulary specific to their business sector or to CSR in general is explained in a glossary: only 5 out of a total of 43 make this effort¹⁵. Yet such an approach has the virtue of making general understanding of your report easier.

BENCHMARKS

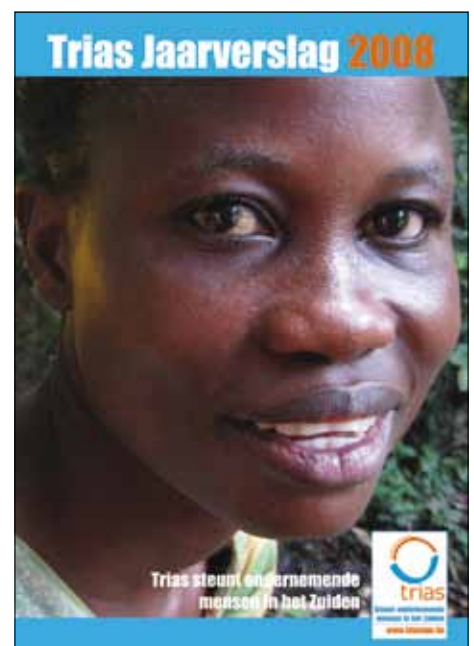
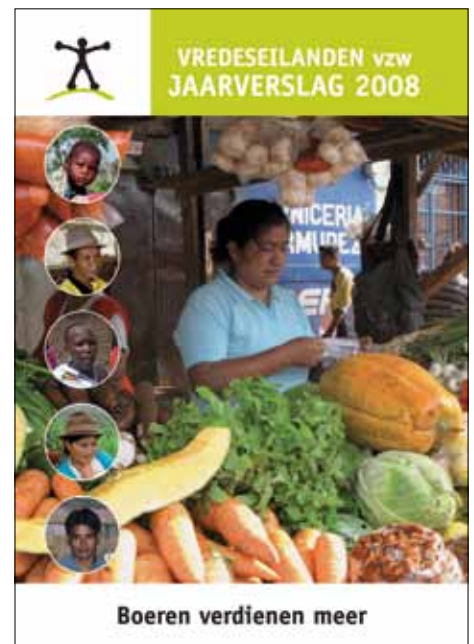
- 67% have a cover theme or message**
- 12% publish a glossary of terms**
- 50= average number of pages for separated CSR reports**
- 47% publish 2 reports in 1 (annual report and CSR report combined)**

BEST PRACTICES

VREDESEILANDEN and TRIAS Annual reports 2008

Both of these NGOs have put a strong message on the cover of their annual report that is clearly linked to their activities: "The farmers earn more" (Vredeseilanden) and "Trias supports entrepreneurs in the South". The pictures on the cover add even more weight to these messages.

- ✓ The human being is at the centre of most reports from the NGOs that are part of our sample. This is also the case in the CTB report, the Belgian cooperation and development agency. Not all pictures are of good quality, but at least they are authentic.

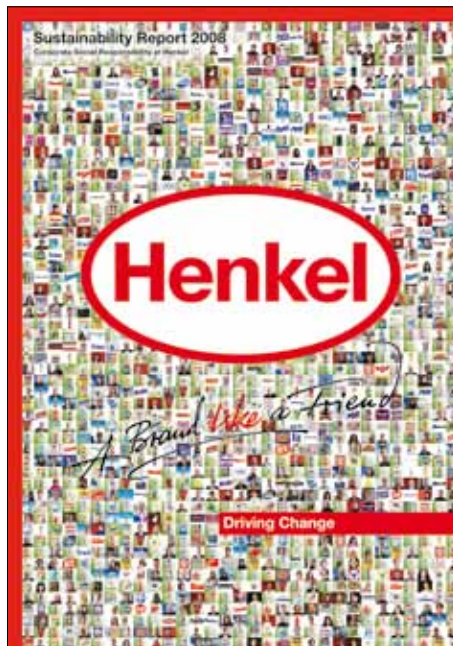


HENKEL

Sustainability Report 2008

The cover of Henkel's CSR report immediately catches the eye thanks to its patchwork of faces and brand names. The colour red (a connecting theme throughout the report) and the use of various fonts further increase its dynamism.

- ✓ Henkel has used the same graphics for the whole of its 2008 publications and, from one year to the other, it adapts the same concept using a slightly different form.



SAPPI FINE PAPER EUROPE

Sappi and Sustainability 2008

The stationer group is one of the few companies from our sample to publish at the end of its report a one page glossary comprising both vocabulary specific to its business sector and concepts linked to CSR and sustainable development.

- ✓ A simple glossary in alphabetical order is of great help to the reader.



Other reports worth mentioning:

Vanheede Environment Group (for its cover illustration), **Belgacom** (for its original design), **Toyota Motor Europe**, **Rosy Blue**, **Delhaize** and **Umicore** (for their glossary)

Accessibility to reach greater audiences and expand information

CSR relies on an interactive communication approach with stakeholders and the public at large. What better relations tool than the web to have at one's disposal a wide audience? Though it is not enough to just put one's sustainability report in a PDF format on the organisation's website to make the best of electronic spreading of information. The website – corporate or dedicated to CSR – allows one to present more information or to provide targeted information for specific stakeholders.

- ✘ Do not just make the paper copy of your report available as a PDF on your website as you will lose out on one of the main assets of the web. Consider an HTML presentation, which provides better readability. Add for example links showing graphs or extra explanation on the GRI grid.
- ✔ Make sure the CSR section is easy to locate on the home page of your website or create a mini site dedicated to CSR.
- ✔ Make use of all the web's resources, in particular the possibility to post videos.
- ✘ Do not frustrate your stakeholders by not inviting them to comment on your sustainability report, whether on paper or electronic.

THE SITUATION

Save for one exception (no doubt an oversight), all reports from our sample refer to the organisation's website. While this is a positive, it is not always used to the full extent of its potential. In some cases one finds a PDF of the report's paper copy and nothing more; in other cases the stakeholder will have a nice surprise. Indeed, more than three organisations out of four use their website as a communication tool in order to circulate additional information. Generally, the NGOs from our sample are not the top students in this respect.

Too few organisations refer throughout their report to their website for additional information: AB InBev, in particular, uses this technique by catching the reader's eye via an original graphic element. Henkel has opted for a similar approach.

The accessibility of CSR information on the website is not always optimal. In 56% of cases this dedicated section can be accessed directly from the home page (we have included the selection by scroll-down menu via another rubric on the home page in our benchmark). In some cases the search for useful information requires going through the site map which will, it must be said, put off more than one potential reader. Some companies will thus miss the opportunity of a greater recognition in those circles concerned about sustainability – in particular those promoting socially responsible investing (SRI) – when it would be easy to improve browsing on their website.

Finally, less than four organisations out of ten explicitly ask for feedback from their stakeholders. This is a very low figure, knowing the CSR presupposes a constant dialogue.

BENCHMARKS

- 98% of the reports refer to the website¹⁶**
- 74% present additional CSR information on their website¹⁷**
- 56% have a CSR or sustainable development rubric on their home page¹⁸**
- 37% specifically ask for reactions and comments from the readers¹⁹**

¹⁶ We have taken into account reports which refer to the website at the end or within the report for more information
¹⁷ We have taken into account additional information, including on governance
¹⁸ We included access through a main menu on the home page
¹⁹ We have excluded reports that were only mentioning an email, questions or contact without explicitly inviting feedback

BEST PRACTICES

SPADEL

www.spadel.com

The section on sustainable development is easy to spot on the Spadel website. Information is presented in a clear and concise manner by way of six sub-rubrics which in essence repeat – in HTML format – the content of the report “Spadel and Sustainable Development”.

- ✔ The website, being very functional, allows for easy browsing.

AB INBEV

www.ab-inbev.com

The brewery giant is one of the few who make use of video to add a dynamic element to its CSR information. By clicking on the rubric “Responsible Brewer” or via the quick link “Citizen Report 2008”, one will get to two filmed statements, one devoted to the programme “Responsible Drinking”, the other to AB InBev's commitment to the environment. In both cases the person speaking is one of the group's vice-chairmen.

- ✔ The videos give more weight to the top management's commitments.

SOLVAY

www.solvaysustainable.com

The Solvay is one of the few who have created a website specifically dedicated to CSR. It comprises a large quantity of information useful to the stakeholders, divided into rubrics: commitments, strategy, objectives, projects, figures, reporting, etc. The bloc “Related information” provides, broken out by theme, additional information.

- ✔ A precious source of information for each category of stakeholders.



Other reports worth mentioning:
C&A, Indaver, Vanheede Environment Group, HeidelbergCement Benelux, Delhaize Group, Greenpeace

How did we conduct the research and who did we survey?

WHY WE PRODUCED THIS SURVEY

Business & Society is the point of reference for CSR in Belgium and a platform for companies to exchange best practices and receive input in order to progress in CSR. It is therefore part of our mission to help our members to progress in CSR, including in sustainability reporting. We believe that sustainability reporting is an important component of being a responsible company. Reporting not only helps organisations to manage sustainability internally and get more buy in, but it also reflects the openness and transparency of an organisation towards its employees, suppliers, customers, investors and communities. To be effective, a report should focus on the issues affecting the organisation in line with stakeholder expectations, be honest and communicate on the sustainability performance with clarity.

In 2008, we published a **“Practical guide: Sustainability reports”** explaining all the steps that a company should follow in order to produce an effective report. This survey is an addition to the guide to illustrate some of the current trends and provide input to companies.

HOW WE CONDUCTED THE SURVEY

This survey includes the duty of all organisations in both public and private sectors to behave in a socially responsible way. This reflects the expectations of stakeholders participating in the working group to develop the ISO 26000 guidelines: industry, government, labour, consumers, non-governmental organisations and others. Therefore, throughout this survey, we mostly use the terms “sustainable development” or “social responsibility” as these can apply to many types of organisations. Likewise, we refer to “sustainability reports” rather than “CSR reports”.

We have analysed the websites and reports submitted in June 2009 by the 43 organisations who participated in the Award for Best Belgian Sustainability Report 2009. We have taken the decision to make no prior selection in order to reflect the entire Belgian landscape. Consequently, the quality of the reports studied varies greatly. Nonetheless, in order to make this publication useful for the reader, we have illustrated each chapter with examples of best practices. Among the participants are 30 private companies, 3 semi-public companies, 3 public companies and 7 not-for-profit organisations. Many organisations now produce their annual reports and sustainability reports in conjunction. While the annual report covers operating and financial performance, a sustainability report details the company's performance against specific environmental, economic and social goals and metrics. 47% of the organisations submitted

an annual report including information on their sustainability performances and activities. For some of these, the amount of financial information and non-financial information is well-balanced (e.g. Umicore) while others only include a small section on sustainability.

This survey doesn't attempt to evaluate the accuracy of the information being reported. Instead, we've looked at how effectively companies have been communicating their strategies and performance. We provide an overview of the current situation, an insight into a desirable situation and best practice examples as well as interviews from various stakeholders: academics, NGOs, investors and communication agencies.

Each report has been reviewed on approximately 40 components that we believe assess the quality of a report and that appear most critical according to the GRI and the stakeholders we interviewed. These components can be grouped in six categories:

- **Content:** including organisational profile, scope, definition of materiality, case studies, statements, testimonials, governance and CSR management systems, stakeholders engagement, assurance reports and reviews
- **Performance:** including objectives and targets, key performance indicators, achievement and non-achievement against targets, comparability across organisation and in time
- **Structure:** including integration with annual report and website, GRI and Global Compact
- **Reporting principles:** including relevance, reliability, clarity, comparability, timeliness, completeness, verifiability, data accuracy and collection
- **Support:** including type of paper used and its environmental properties, PDF only, online readability and treatment
- **Design:** including use of pictogram's, graphs, diagrams, photographs, quotes and themes

WHO WE SURVEYED

- 1 - AB InBev
- 2 - Aquafin
- 3 - BASF Antwerpen
- 4 - Bekaert
- 5 - Belgacom
- 6 - Bond Beter Leefmilieu
- 7 - BP Geel
- 8 - C&A
- 9 - HeidelberCement Benelux (Cimenteries CBR)
- 10 - Coca-Cola Belgium-Luxembourg
- 11 - Cofinimmo
- 12 - Corporate Funding Programme
- 13 - Coopération Technique Belge - Belgische Technische Coöperatie
- 14 - De duurzame drukker
- 15 - Delhaize Group
- 16 - Dexia
- 17 - Dow Benelux
- 18 - Durabilis
- 19 - Etex Group
- 20 - Evonik Degussa Antwerpen
- 21 - Greenpeace
- 22 - Henkel
- 23 - Indaver
- 24 - KBC
- 25 - NMBS Groep - Groupe SNCB
- 26 - Protos
- 27 - Rezidor Hotel Group
- 28 - Rosy Blue
- 29 - Sappi Fine Paper Europe
- 30 - Sipef
- 31 - Solvay
- 32 - Spadel
- 33 - Steelcase
- 34 - Toyota Motor Europe
- 35 - Trias
- 36 - Triodos
- 37 - Trividend
- 38 - Umicore
- 39 - Unilever
- 40 - UPS
- 41 - Van de Velde
- 42 - Vanheede
- 43 - Vredeseilanden

Glossary

Assurance

The process of auditing the quantitative results of a CSR report to ensure they are an accurate representation of the company's performance. Assurance statements can also provide recommendations on reporting techniques and content.

Assurance Standard AA1000

Set of assurance guidelines published by AccountAbility setting parameters and benchmarks for providing effective accurate assurance of CSR reports. More information can be found at www.accountability21.net.

Assurance Standard ISAE 3000

Assurance framework published by the International Federation of Accountants. More information can be found at www.ifac.org.

Boundary (GRI definition)

The boundary for a sustainability report refers to the range of entities whose performance is covered in the organisation's sustainability report.

Content Index (GRI definition)

A GRI content index is a table or matrix that lists all of the Standard Disclosures and where responses to the Disclosures can be found (page number or URL). Reporting organisations can also add references to organisation-specific (non-GRI Guidelines) Indicators. The Content Index provides users with a quick overview of what has been reported and increases the ease of report use. A Content Index is especially important if some of the Disclosures appear in other reports such as a financial report or previous sustainability reports.

CSR

Process of continuous improvement whereby companies voluntarily and systematically integrate social, environmental and economic considerations in their management while recognizing the interests of its stakeholders. <http://www.poddo.be>.

Global Reporting Initiative (GRI definition)

GRI's vision is that reporting on economic, environmental and social performance by all organisations is done routinely in a manner comparable to financial reporting. GRI accomplishes this vision by developing continuously while improving and building capacity around the use of the GRI's Sustainability Reporting Framework. All Reporting Framework components are developed using a global multi-stakeholder consensus-seeking approach.

Indicator Categories (GRI definition)

Broad areas or groupings of sustainability topics. The categories included in the GRI Guidelines are: economic, environmental and social. The social grouping is categorized in terms of Labour Practices, Human Rights, Society and Product Responsibility.

ISO 26000

The International Organisation for Standardization has launched the development of an International Standard providing guidelines for social responsibility and common guidance on concepts, definitions and methods of evaluation. The working group that is to develop ISO 26000 is composed of industry, government, labour, consumers, non-governmental organisations and others, in addition to a geographical and gender-based balance. <http://www.iso.org/sr>.

Materiality (GRI definition)

Threshold at which an issue or Indicator becomes sufficiently important that it should be reported. Beyond this threshold not all material topics will be of equal importance and the emphasis within a report should reflect the relative priority of these material topics and indicators. Materiality for sustainability reporting is not limited only to those sustainability topics that have a significant financial impact on the organisation. Determining materiality for a sustainability report also includes considering economic, environmental and social impacts that cross a threshold in affecting the ability to meet the needs of the present without compromising the needs of future generations.

Performance Indicator (GRI definition)

Qualitative or quantitative information about results or outcomes associated with the organisation that is comparable and demonstrates change over time.

Profile Disclosures (GRI definition)

The numbered information requirements in Part 2 of the (GRI) Guidelines that set the overall context for reporting and understanding organisational performance.

Stakeholder (GRI definition)

Stakeholders are defined broadly as those groups or individuals:

- (a) that can reasonably be expected to be significantly affected by the organisation's activities, products and/or services; or
- (b) whose actions can reasonably be expected to affect the ability of the organisation to successfully implement its strategies and achieve its objectives.

Sustainability (or CSR) Report (GRI definition)

Sustainability reporting is the practice of measuring, disclosing and being accountable for organisational performance while working towards the goal of sustainable development. A sustainability report provides a balanced and reasonable representation of the sustainability performance of the reporting organisation including both positive and negative contributions.

Sustainable Development (UN definition)

Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Members

May 2010

Ahlers	Novo Nordisk
Alpro	De Post - La Poste
Artoos	PricewaterhouseCoopers
AXA	Randstad Belgium
Baxter	Reynaers Aluminium
Belgacom	Ricoh Belgium
BNP Paribas Fortis	Ronveaux
Bosch	Rosy Blue Group
Care	Sanofi Pasteur MSD
Careco	SD Worx
Cera	Siemens
Citibank Belgium	Sodexo
Coca-Cola Belgium-Luxembourg	Solvay
Cofely Services	Spadel
Cofinimmo	Still movin
Danone	SWIFT
Delhaize Group	Total
Deloitte	Tractebel Engineering
Delta Lloyd Life	TNT Express
Dexia	UCB
Ecover Belgium	Umicore
Electrabel	
Elia	
Ernst & Young	
Etex Group	
GDF Suez	
Geseco	
GlaxoSmithKline Biologicals	
Hay Group	
ICHEC-Entreprises	
ING	
Infrabel	
Jani King	
Janssen Pharmaceutica	
Johnson & Johnson Europe	
KBC	
Microsoft	
MIVB - STIB	
Mobistar	
Moonen Packaging	
Nationale Loterij - Loterie Nationale	
Novartis Pharma	

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