FOREVER
SUSTAINABLE BUSINESS

2023

SUSTAINABILITY REPORTING BENCHMARK

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FOREVER SUSTAINABLE BUSINESS

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ABOUT THIS REPORT

This report is produced by Forever Sustainable to identify trends and best practices of sustainability reporting in Europe - including best practices and what to avoid. The report has been produced by analysing the sustainability reports from the 45 European companies included in the 2023 Corporate Knights Global 100 Index.

The report is divided into three categories, *Structure*, *Scope and Engagement*, with a total of 14 subcategories, called topics. Compared to last year's benchmark report the topics are mostly the same, with a few changes. Due to the decreasing use of SDGs in connection to KPIs and similair metrics, the topic *SDGs & KPIs* has been removed in favour of SDGs now being included in the *Frameworks* topic. Meanwhile, KPIs have been integrated with the *Progress Tracking* topic.

A new category for this year's benchmark report is *Double Materiality*, an expansion on the *Materiality Analysis* topic that considers both the impact business has on sustainability (e.g. climate) as well as how sustainability in turn can affect the business (e.g. financially). *Double Materiality* has garnered increased focus over the last year, especially since it is part of the new EU directive CSRD. Therefore, CSRD is also a new addition to the *Frameworks* topic for this year.

For each of the 14 topics the report provides an analysis of their frequency in analysed reports and the level of difficulty to implement them. Also describing the topics, trends, best practices and what to avoid when disclosing the topics, as well as comparing the findings to those in the 2022 benchmark report. The report also includes visual examples to showcase best practices and room for improvement. An overview of the categories and topics can be found on the following page.

ABOUT THIS REPORT - OVERVIEW OF TOPICS

Structural	Scope	Engagement
MATERIALITY ANALYSIS	PROGRESS TRACKING	STAKEHOLDER ENGAGEMENT
DOUBLE MATERIALITY ANALYSIS	SHARED VALUE	TESTIMONIALS
SUSTAINABILITY GOVERNANCE STRUCTURE	CIRCULAR ECONOMY	RISK MANAGEMENT
SUPPLY CHAIN MANAGEMENT	BIODIVERSITY	EXTERNAL ASSURANCE
FRAMEWORKS		
ETHICS		

EXECUTIVE SUMMARY

Through the careful analysis of 2022's sustainability reports, it has become evident that there remains a persistent and continued focus on the field of sustainability within reporting. The majority of topics this year have seen an increase in frequency, with topics *Ethics* and *Frameworks* achieving inclusion in 100% of the analysed reports. Additionally, more narrow topics such as *Biodiversity* and *Circular Economy* observed a significant increase in frequency from last year, indicating an increased focus on topics which were once considered niche.

Another change is in the use of the SDGs. While the SDGs have remained a focus amongst many of the reports, they have become less reported on in correlation to specific KPIs or targets. Their functionality has largely become similar to that of other frameworks, providing a standard by which companies can assess their sustainability efforts tangibly but briefly. As the topics change, so do the effort and resources required to implement them. Following the analysis of the annual reports, *External Assurance* and *Shared Value* have undergone a revision in difficulty, changing to medium and hard respectively. This revision reflects the time and money required to have increasingly ambitious sustainability information assured, as well as the challenge in implementing strategies that might change the fundamental focus of the business.

The main theme in the analysis of this year's reports can be summarised as depth. While the frequency shows a broad implementation of many topics, there is also a significant variance in the depth in which they are disclosed. The disclosure of a topic can range from detailed accounts and visualisations to mentioning the use of a topic in sustainability work, without elaborating further. This shows that while many of these topics are included, not all of them can be considered prioritised. Therefore, going beyond frequency, the best practice and room for improvement examples shows this variance in depth, while also providing inspiration to anyone who might wish to expand upon and improve their sustainability work. Finally, there is a table below giving an overview of the frequency of topics in the analysed reports with a comparison to last year (with increases in green and decreases in red).

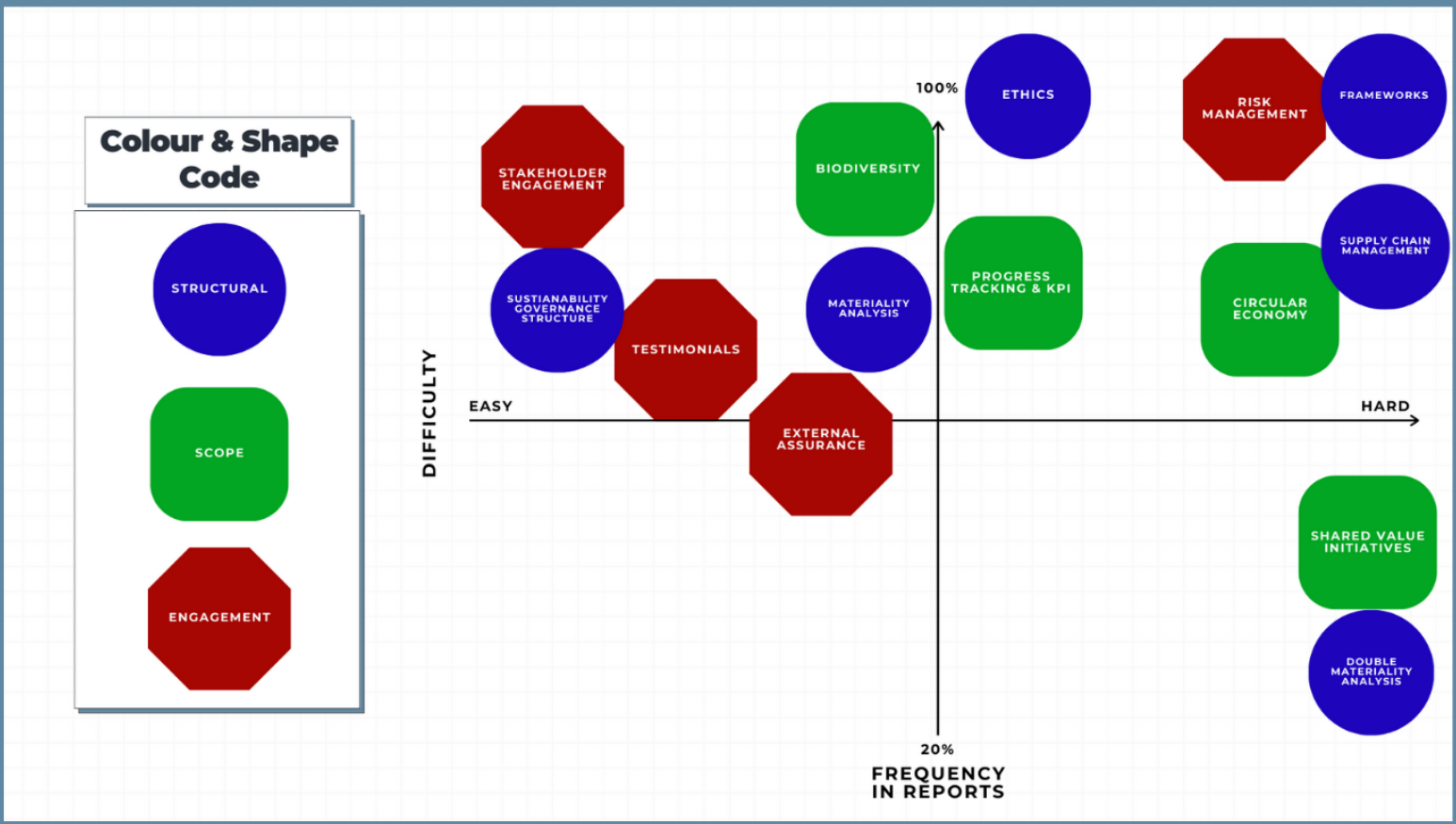
	2023		2022	
Materiality analysis	37/45	82%	34/42	81%
Double materiality	10/45	22%	N/A	N/A
Sustainability Gov. Struc.	37/45	82%	32/42	76%
Supply Chain Management	43/45	96%	36/42	86%
Frameworks*	45/45	100%	37/42	88%
Ethics	45/45	100%	37/42	88%
Progress Tracking & KPIs*	42/45	93%	38/42	90%
Shared Value*	14/45	31%	23/42	55%
Circular Economy	37/45	82%	27/42	64%
Biodiversity	42/45	93%	32/42	76%
Stakeholder eng.	40/45	89%	38/42	90%
Testimonials	34/45	76%	32/42	76%
Risk Management	44/45	98%	38/42	90%
External Assurance*	36/45	80%	31/42	74%

*Indicates change made to topic since 2022's report

MATRIX OF SUSTAINABILITY REPORTING

Forever Sustainable has developed a matrix demonstrating the sustainability topics' frequency, with difficulty to implement on the x-axis and frequency in analysed reports on the y-axis. The matrix includes all topics analysed in this report and aims to provide an overview of the topics, as well as a quick insight on the difficulty and frequency of implementation in annual reporting.

While perhaps also offering some insight regarding which topics to look into more, for those looking to expand their sustainability efforts and reporting. Topics such as *Stakeholder Engagement* or *Testimonials* might not require as much resources as other topics on the list, while still providing legitimacy and being excellent ways of improving a sustainability report. While topics such as *Risk Management* or *Shared Value* can prove much more complex to implement. Here the frequency can also give some insight into which topics are perhaps more standard in annual reporting (such as *Risk Management*) and which are more niche (such as *Shared Value*). This can offer direction both for those wishing to bring their sustainability up to a high standard and those wanting to specialise and stand out more.



MATERIALITY ANALYSIS

Frequency: 82%, 37/45

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

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

Trends: Assessing material topics relevant for the business as well as their stakeholder remains a common practice in sustainability reporting. While topics chosen vary between companies, common themes are climate (e.g. emissions), customers (e.g. satisfaction), ethics (e.g. human rights) and security (e.g. cyber security). Although often mentioned early in the reports, not all findings are presented visually. With some merely mentioning that a materiality analysis has been conducted. When material topics are presented visually they are often done so in a matrix, with impact on the business on one axis and impact on stakeholders on the other. Although not all matrices are included in the main report, visualisations may also end up in the appendices to serve as a complement to descriptions of material topics.

There is some polarisation present within reporting on materiality analysis. The analysis often take a very prominent place in the report, For example through integration with KPIs and other goals or being connected to entire chapters to which the topics relate. But it can also be being something mentioned briefly as having been conducted, without much further elaboration. Therefore, while being very frequently present in sustainability reporting, efforts and importance placed on materiality analyses, especially when it comes to presenting and explaining material topics, can vary greatly.

Best Practice:

- A visualisation of material topics such as a matrix, with clear x and y axes showing both business and stakeholder impact.
- Clear categories and subcategories making it easy to understand the material topics and how they correlate to the matrix. Avoid including too much information in the matrix which can be included beside it instead.
- Integrating the material topics throughout the report for example through integrating topics into headlines and chapters or connecting them to KPIs and goals.

Avoid:

- Only mentioning a materiality analysis have been made without explaining how and showing the resulting material topics.
- A cluttered and unclear visualisation e.g. by having too many material topics or unclear categories and/or subcategories.

Comparison to 2022: The frequency has risen marginally from 81% to 82% compared to 2022. Showing a continued usefulness in determining material topics for companies and stakeholders.

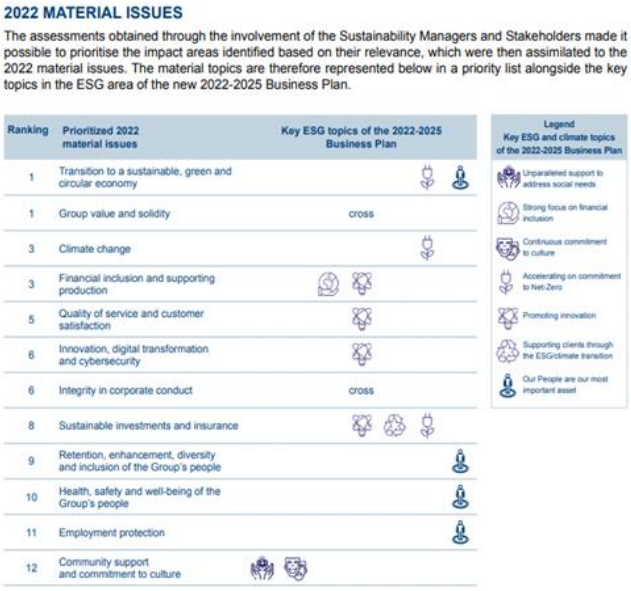
MATERIALITY ANALYSIS

Best practice: Storebrand ASA

Storebrand ASA's matrix makes the distinction between material topics very clear. Both through dividing material topics in levels of importance and by categorising them. All while clearly linking the topics in the matrix to the corresponding categories. Leading to a very legible matrix that is easy to understand.

Room for improvement:

The material topics are presented in a way including visual elements but not in a matrix. While the topics are ranked, many topics have the same rank, making it harder to determine which topics are the most material. With the visual elements and including legend being hard to follow and understand. This company would benefit from presenting the material topics in a matrix and dividing topics into categories rather than connecting them to themes using visual elements.



2022 MATERIAL ISSUES

The assessments obtained through the involvement of the Sustainability Managers and Stakeholders made it possible to prioritise the impact areas identified based on their relevance, which were then assimilated to the 2022 material issues. The material topics are therefore represented below in a priority list alongside the key topics in the ESG area of the new 2022-2025 Business Plan.

Ranking	Prioritized 2022 material issues	Key ESG topics of the 2022-2025 Business Plan
1	Transition to a sustainable, green and circular economy	
1	Group value and solidity	cross
3	Climate change	
3	Financial inclusion and supporting production	
5	Quality of service and customer satisfaction	
6	Innovation, digital transformation and cybersecurity	
6	Integrity in corporate conduct	cross
8	Sustainable investments and insurance	
9	Retention, enhancement, diversity and inclusion of the Group's people	
10	Health, safety and well-being of the Group's people	
11	Employment protection	
12	Community support and commitment to culture	

Legend
Key ESG and climate topics of the 2022-2025 Business Plan
- Unparalleled support to address social needs
- Strong focus on financial inclusion
- Continuous commitment to culture
- Accelerating on commitment to Net-Zero
- Promoting innovation
- Supporting clients through the ESG/climate transition
- Our People are our most important asset

DOUBLE MATERIALITY ANALYSIS

Frequency: 22%, 10/45

Difficulty: Hard. Double materiality requires not only assessing and mapping the company's impact on each topic but also the impact of the topics on the company, requiring an understanding of both company activities and risk assessment, as well as how they relate.

Definition: The concept of double materiality in sustainability takes the single materiality analysis a step further. It is both about assessing the impacts of the organisation on topic, and about the impact the topic has on the organisation and its financials. This is done through an outside-in (affects on organisation by the topics) and an inside-out (the organisations impact on the topics) perspective.

Trends: Through the CSRD EU directive more companies will be required to include double materiality in future reports. Although this will become a requirement for many companies, double materiality is not commonplace in today's reports. While single materiality analysis remains very common, most companies do not report on double materiality. Companies that mention double materiality in current reports are often in a preparatory state to be able to include it in future reports.

Those that already report on double materiality either incorporate it as part of their regular materiality analysis or create a separate materiality analysis as a complement to the single materiality analysis, while possibly drawing connections between the two analyses. Important topics within double materiality are similar to those within regular materiality assessments, with material topics including climate and ethics.

Best Practice:

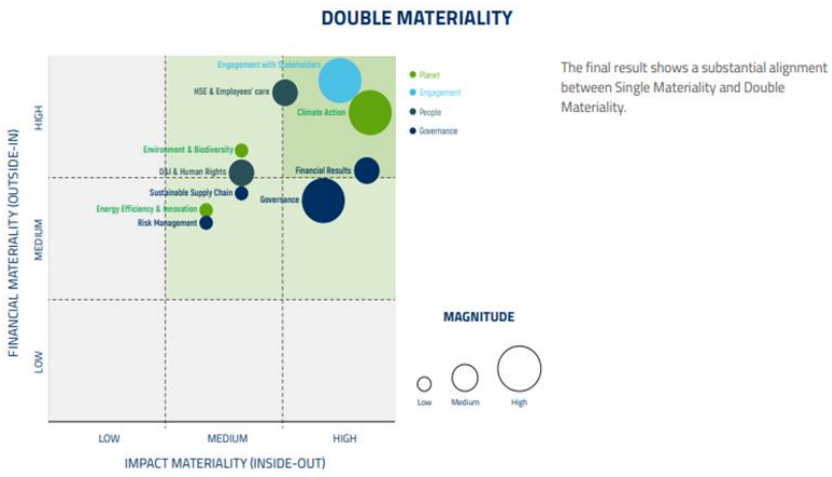
- A visualisation of material topics such as a matrix, with clear x and y axes showing both inside-out and outside-in impact.
- Clear categories and subcategories making it easy to understand the material topics and how they correlate to the matrix. Avoid including too much information in the matrix which can be included beside it instead.
- Integrating the material topics throughout the report for example through integrating topics into headlines and chapters or connecting them to KPIs and goals.

Avoid:

- Only mentioning a double materiality analysis have been made without explaining how and showing the resulting material topics.
- A cluttered and unclear visualisation e.g. by having too many material topics or unclear categories and/or subcategories.

Comparison to 2022: New topic for 2023.

DOUBLE MATERIALITY ANALYSIS



Best Practice: ERG
The double materiality analysis has not only been conducted but is also presented in a matrix. With a selection of a manageable number of material topics that are presented in a way which makes it possible to both understand which category it corresponds to, but also its magnitude.

Room for improvement:
Here double materiality is only written as having been implemented without a visualisation or an explanation of what the resulting material topics were. This analysis would benefit from going more in-depth into how the analysis was done, what the resulting material topics were and then presenting them using some sort of visualisation.

Improving how we prioritise
This year, we used a double assessment to define material issues from two perspectives:

- **Impact materiality**
  Examining the impact that the Company's activities have on the environment, people, and economies.
- **Financial materiality**
  Examining the impact of sustainability issues on the financial value of the business.

We enhanced our scoring process by engaging our internal expert working groups directly in the process of scoring potential material issues for impact and likelihood. The top-ranked issues were then validated and approved by our Corporate Sustainability Committee.

SUSTAINABILITY GOVERNANCE STRUCTURE

Frequency: 82%, 37/45

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

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

Trends: Describing the governance structure of sustainability within the company remains a frequent part of reporting. Often in some way relating to the overall governance structure, sustainability governance can still be confusing. While the existence of a sustainability function is often mentioned, the practical role of that sustainability function within the governance structure is not as often described. It is more common to instead see the governance structure itself described, often through visualisations in the form of hierarchical structures.

Meaning it is not always the case that sustainability takes centre stage when governance structures are described and even when expanded upon sustainability might often be described in terms of how it relates to the overall structure, rather than how it is implemented throughout the company. Especially in terms of division of responsibility regarding sustainability. Therefore there is a gap in reporting between more in-depth explanations of sustainability governance and overall explanations of the governance structure in which sustainability is included.

Best Practice:

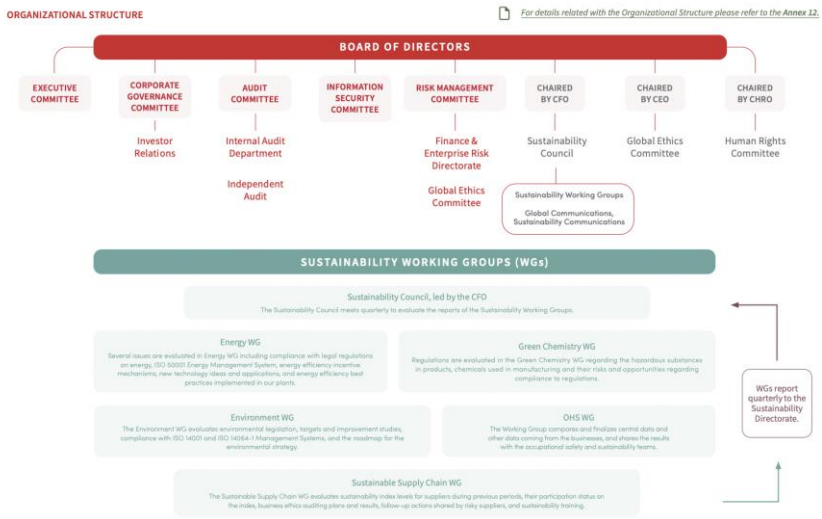
- Describing and defining the role and responsibility of sustainability governance within the organisation and how it relates to the governance structure overall.
- A visualisation clearly outlining the overall governance structure while highlighting the role of sustainability functions within the organisation.

Avoid:

- Only mentioning sustainability as part of the governance structure without expanding on its role within the organisation.
- Providing a visualisation of the governance structure that does not include sustainability.

Comparison to 2022: Reporting on sustainability governance increased from 76% to 82% indicating an increasing focus on sustainability governance. Although gaps still remain in how much the role and responsibilities of sustainability within the organisation are expanded on.

SUSTAINABILITY GOVERNANCE STRUCTURE



Best Practice: Arcelik AS
This governance structure clearly highlights the role of sustainability within the overall governance structure, including who is responsible for the sustainability working groups. While then also expanding on the structure of the sustainability working groups and their responsibilities. Leading to a broad understanding of sustainability work and governance within the organisation.

Room for improvement:
This text box, while dedicated to sustainability governance, does not give a view of how sustainability is implemented in the wider organisation. A visualisation of how it relates to the overall governance would make it much easier to understand the role of sustainability within the company.

Sustainability governance

A Sustainability Board chaired by President & CEO Mauricio Graber, and composed of representatives of the business divisions and key internal functions ensures that sustainability and ESG are effectively anchored in the organization. The Sustainability Board ensures ownership, involvement and commitment from the entire business in defining, prioritizing and executing on sustainability and ESG objectives.
To ensure Board stewardship, the Board of Directors has anchored oversight of sustainability and ESG matters in its Board and respective board committees.

SUPPLY CHAIN MANAGEMENT

Frequency: 96%, 43/45

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

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

Trends: The topic of supply chain management is highly relevant in sustainability reporting. Human rights concerns and ensuring supplier compliance with company guidelines pertaining to such issues remain common concerns. These issues are often seen as part of the company's material topics and are often found mentioned as part of a materiality analysis. But it is not unusual to see whole sections dedicated to supply chain management in sustainability reporting. The focus on supply chain management also varies depending on the industry the company is active in, with some industries often having larger supply chains than others and therefore more to work with in terms of supply chain management.

While supply chain management remains a focus for most companies the way it is implemented in the reports varies. More often than not there is a detailed explanation of what issues are being worked with, human rights perhaps being the most common concern addressed. But it is not as common to describe concretely how those issues are being addressed and even more rarely are there explanations and visualisations of where in the supply chain problems are being addressed.

Best Practice:

- Highlight what and how supply chain concerns are being mitigated, concretely describing initiatives to ensure potential problems within the supply chain are minimised.
- Describe the process of selecting suppliers and the use of any code of conducts or similar tools.
- Visualise the supply chain and where different types of risks are present and to what degree.

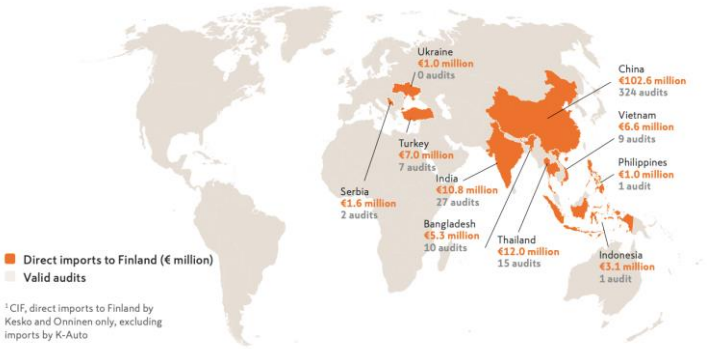
Avoid:

- Referring only to guidelines and frameworks aimed at supply chain management without expanding on how the company specifically works with mitigating issues.
- Only describing potential risks without explaining how they are addressed and where in the supply chain they are most prevalent.

Comparison to 2022: Supply Chain Management rose from 91% to 96% showing a noticeable increase in this year's reports. Although there remain possible improvements, mainly in describing how risks in the supply chain are being worked with.

SUPPLY CHAIN MANAGEMENT

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



[1] CIF, direct imports to Finland by Kesko and Onninen only, excluding imports by K-Auto

amfori BSCI audit results by area in 2022

Full audits	A Outstanding	B Good	C Acceptable	D Insufficient	E Unacceptable
Social Management System and Cascade Effect	1%	9%	77%	12%	1%
Workers' Involvement and Protection	55%	34%	9%	1%	1%
The Rights of Freedom of Association and Collective Bargaining	99%	1%			
No Discrimination	96%	2%	2%		
Fair Remuneration	42%	50%	6%	1%	1%
Decent Working Hours	16%	1%	4%	78%	1%
Occupational Health and Safety	76%	20%	1%	1%	1%
No Child Labour	99%				1%
Special Protection of Young Workers	99%	1%			
No Precarious Employment	99%	1%			
No Bonded Labour	98%	1%			1%
Protection of the Environment	87%	11%	2%		
Ethical Business Behaviour	96%	4%			
Follow-up audits					
Social Management System and Cascade Effect	2%	2%	29%	67%	
Workers' Involvement and Protection	59%	35%	6%		
The Rights of Freedom of Association and Collective Bargaining	100%				
No Discrimination	100%				
Fair Remuneration	32%	60%	8%		
Decent Working Hours	4%		2%	93%	1%
Occupational Health and Safety	87%	11%		1%	1%
No Child Labour	100%				
Special Protection of Young Workers	99%		1%		
No Precarious Employment	100%				
No Bonded Labour	100%				
Protection of the Environment	89%	10%	1%		
Ethical Business Behaviour	98%	2%			

amfori BSCI results in 2022, full audits

amfori BSCI results in 2022, follow-up audits

If the supplier underwent more than one amfori BSCI audit during 2022, the results of the latest audit only are presented.

Best Practice Kesko Oyj:

The visualisation provides a good overview of imports and provides the number of social responsibility audits in high-risk countries. Highlighting where most of the supply chain initiatives might be aimed. This while also providing a table detailing audit results giving an overview of the current standing of suppliers, giving insight into how supply chain risks are mitigated and the scope of supply chain work that might be left.

Room for improvement:

These text boxes represent one of many similarities in the report, where an aspect of supply chain management is explained, especially in terms of what issues are being prioritised. This would benefit from going more in-depth regarding how these issues are being handled in practice and by providing a visualisation of where risks are highest in the supply chain.

Our supplier ambitions

continues to work on its Supplier Sustainability Programme, which provides the framework for collaborating with suppliers. The programme supports our ambitions by supporting suppliers' efforts to reduce their emissions and identifying raw materials with a lower carbon footprint.

In 2021/22, surveyed 50 of our top-emitting raw material suppliers to map emission reduction activities in our value chain. The insights from the survey will inform our ongoing work.

Supplier ESG assessment

2021/22 saw the results of first ESG self-assessment survey piloted among 80 key suppliers across direct and indirect categories. The survey covered areas such as anti-bribery and anti-corruption, environmental protection, health and safety, human and labour rights, and supply chain responsibility. During 2022/23, will include the learnings from this pilot survey in the further development of our Supplier Sustainability Programme.

FRAMEWORKS

Frequency: 100%, 45/45

	TCFD	SBTi	EU Taxonomy	GRI	UNGPs	OECDs	SDGs	CSRD
2023	82%	71%	67%	67%	40%	62%	84%	20%
	37/45	32/45	30/45	30/45	18/45	28/45	38/45	9/45
2022	74%	60%	50%	74%	33%	45%	N/A	N/A
	31/42	25/42	21/42	31/42	14/42	19/42	N/A	N/A

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

Definition: Frameworks appearing in the reports stem from several ones including TCFD, SBTi, EU Taxonomy, SDGs or CSRD. The frameworks as a category means that the report mentions following the recommendations of either one of these guidelines, while reports who only mentions supporting a framework are excluded.

Trends: All companies assessed used at least one framework in their sustainability work, owing both to the number of available frameworks as well as an increasing focus on implementing frameworks to support sustainability work. This goes not the least in EU regulation such as with the coming CSRD requirements. While CSRD implementation remains low as of now other frameworks see widespread implementation already, such as the SDGs, TCFD and SBTis. The roles of these frameworks can be seen to go through a shift. For example, the SDGs being connected less to KPIs and used more as a complement in order to theme activities and sections of the report according to what type of benefit they aim to provide.

Best Practice:

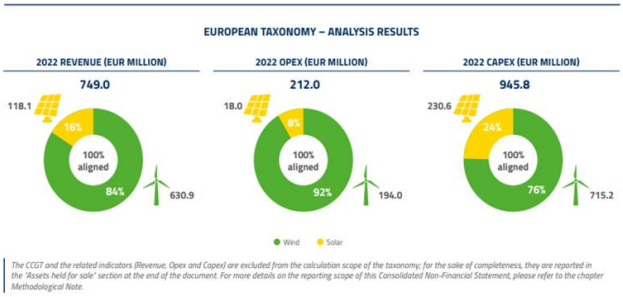
- Describe how the framework is or will be implemented, what efforts are made to stay in line with framework guidelines, as well as the benefit of adopting the framework.
- Visualise data beyond presenting raw figures in tables to better provide insight into framework progress and implementation.

Avoid:

- Only mentioning being in line with framework guidelines without explaining in what way.
- Not disclosing the scope of guideline implementation e.g. only mentioning the use of SDGs but not disclosing which ones.

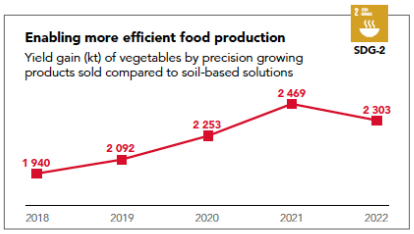
Comparison to 2022: A significant increase can be seen, going from 88% to 100%. Although present in every report use varies between different frameworks.

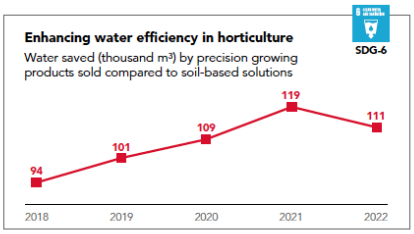
FRAMEWORKS

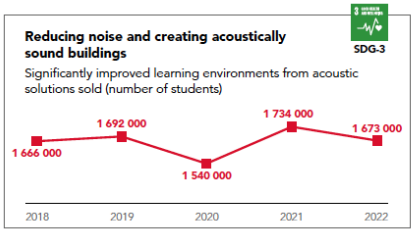


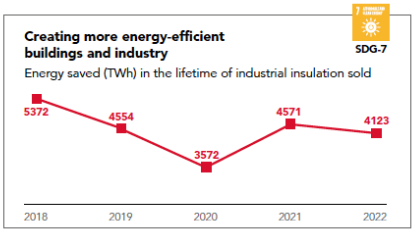
Best Practice ERG (EU Taxonomy): This graphic shows data for the most central aspect of the EU Taxonomy in a way that is easy to understand. Dividing it between wind and solar not only helps understanding but connects it to business activities in a way that is easy to grasp.

Best Practice Rockwool (SDGs): This graph provides not only an explanation of what is being done but also the metric used for measuring it. It tracks progress over time as well as which SDG sub target it is connected to. While only using one SDG per metric. Giving a good overview of what is being done and how it is going while keeping it simple and avoiding overcrowding the visualisation with multiple elements or SDGs.









Room for improvement:
This text only mentions which SDGs are in focus, while also mentioning supporting the UN Global Compact. Without mentioning in what way they are contributing to the SDGs or providing any statistics or illustrations. It would benefit from connecting specific SDGs to certain sections or activities of the report and visualising related data to give a better understanding of how they benefit and benefit from the SDG framework. The same goes for supporting the Global Compact, without further explanation it becomes hard to determine how they are actually supporting the framework.

As a leading global hygiene and health company, plays an important role in contributing to the achievement of the UN Sustainable Development Goals. We focus on goals 3, 5, 6, 12, 13 and 15, as this is where we have our expertise and can make the greatest contribution. supports the UN Global Compact and works to overcome global challenges through cooperation and partnerships.

ETHICS

Frequency: 100%, 45/45

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

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

Trends: Ethics were reported on in all of this year's reports, showing the high focus on ethics in sustainability reporting. With most initiatives relating to human rights or DEI (Diversity, Equity & Inclusion) efforts. Ethics is often found in different sections of the report owing to the fact that human rights topics are most often related to supply chain management and therefore also being described in sections relating to suppliers. With more internal topics such as diversity, equality and inclusion being found in a separate section of the report.

Topics regarding DEI often include gender equality especially in regard to management positions, LGBTQIA+ inclusion and diversity in the workforce with access to equal opportunities. The scope and method of disclosure varies, with all companies mentioning ambitions to work with these goals, while some include more concrete examples and cases to highlight specific ethics initiatives. While human rights are most often discussed in terms of supply chain management, it can also be disclosed as part of internal initiatives to promote human rights within branches of the company active in higher risk regions.

Best Practice:

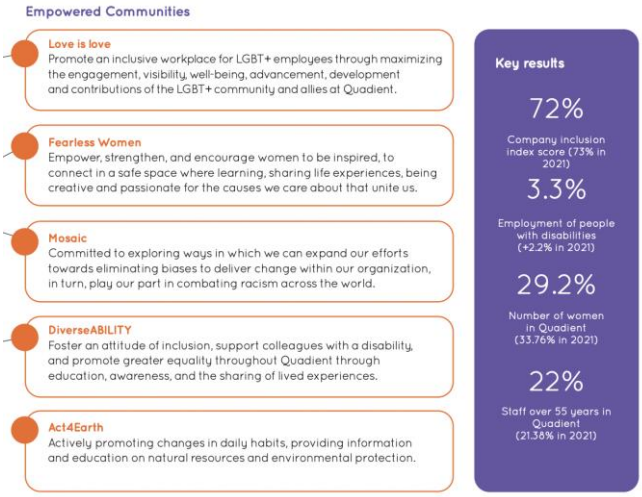
- Include case examples to better illustrate how specific topics are being implemented.
- Specify and highlight which groups are focused on in ethics initiatives regarding diversity and inclusion.
- Explain how ethics are a part of core business practices and how the company benefits from ethical practices e.g. regarding diversity, inclusion and safeguarding human rights.
- Show progress tracking for ethical initiatives to show the initiatives are not isolated but that they are continuously being worked with.

Avoid:

- Referring to ethics initiatives e.g. diversity or equality without specifying what that entails and expanding on the way it is implemented in the company
- Treating ethics initiatives as separate from core business.

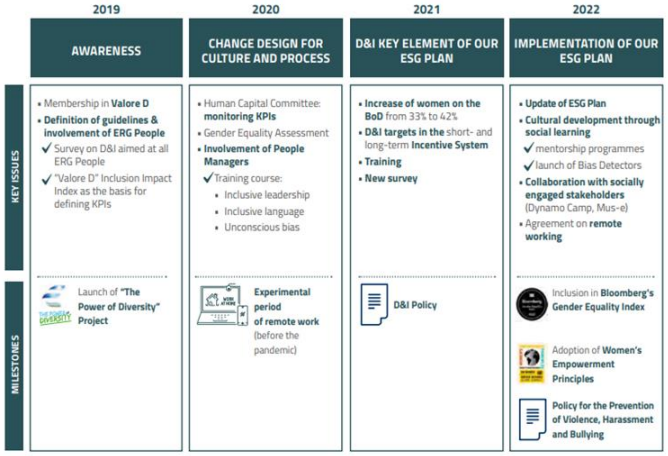
Comparison to 2022: The frequency of disclosing ethics rose from 88% in 2022 to 100%. Indicating how disclosing ethics can be seen as a fundamental of sustainability reporting, representing a necessary transparency in how business is conducted in practice, both within the company itself and among its suppliers.

ETHICS



Best Practice Quadient:
Here various diversity, inclusion and sustainability initiatives are presented individually. Providing both an overview of ethical practices while drawing a connection between ethics and environmental sustainability. Accompanied by quantified results to show current progress. Giving a balanced overview of information and progress tracking.

Best Practice ERG:
This informational graphic gives a historical view of ethics initiatives, providing legitimacy through showing how ethics have been worked with up until the most recent report. The complement of milestones, including related control tools adopted provide further legitimacy.



Social and digital inclusion:
- 2023: 60% of participants apprenticeship company found a paid job within 3 months
- 2025: PSO certification Tier 1
- 2023: MCF provides 100% of eligible chronically ill children with a Klasgenoot

Diversity:
- 2025: 25% of women at
- 2025: 35 % Women in sub top

Key results

Social and digital inclusion:
- 2022: 10,830 clients and patients used healthcare facilities to live with more autonomy
- 2022: 100% of eligible chronically ill children provided with a Klasgenoot
- 2022: Teletolk carried out 32,165 mediations and 261,924 calling minutes
- 2022: More than >30,000 customers with problematic debts received support in line with the NVVK covenant
- 2022: More than 2,300 customers successfully guided to the NSR (Dutch Debt Relief Route) to aid them with their financial situation
- 2022: Speaksee, a microphone system able to transcribe group conversations, available for Business Market and in 10 offices
- 2022: MijnKPN app and iTV made more accessible for people with visual impairment

Diversity:
- 2022: 22% women at
- 2022: 4 people employed and 86% graduated with poor labor market prospects

Room for improvement:
This information, while showing a variety of statistics regarding ethical initiatives, only focuses on gender when it comes to diversity. It would benefit both from having a broader scope of diversity including e.g. LGBTQIA+ and from including case examples or similar to showcase working with these topics beyond the progress tracking.

Women in workforce

	Target 2022	Realization 2022	Target 2023	Target 2024
Supervisory Board[1]	33.3%	50%	33.3%	33.3%
Sub Top[2]	32.5%	29%	33.5%	35%
PLA	27.5%	27%	29.9%	34%
≥ scale 12	25%	18%	30%	t.b.d.
All workforce	23%	22%	24%	24%

1 The targets for the Supervisory Board are according to the Gender Balance Act, which prescribes at least 1/3rd woman and 1/3rd man in Supervisory Boards
2 Direct reports to the Board of Management in management positions

PROGRESS TRACKING & KPIs

Frequency: 93%, 42/45

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

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

Trends: Progress tracking is either appropriately reported on or not. Amongst the majority of the reports, progress tracking can be found in the form of quantitative measurements of qualitative metrics that provide a gauge of the company's overall performance. This depiction of progress tracking was mostly presented in a table with annual milestones, containing the company's most essential and material KPIs. Most companies provided progress from the previous three years (starting at 2020), while outliers had a longer or shorter range.

Qualitative progress tracking also appeared in various reports but was rarely presented in tables due to the inability to compare it to a quantifiable target. There was also variation in this topic's representation: it was either found in its own section or was reported on under many subtopics throughout the report.

Best Practice:

- Demonstrate quantitative progression by providing an indicator of progress by years (preferably tracking three years or more) in comparison to the target goal.
- Include a range of categories in which targets can be set and progress can be tracked, integrating the various components of a company's overall performance.
- If utilising KPIs to track progress, provide strong links between each metric, its target, and how it relates to the company's greater goals.
- Provide qualitative data and descriptions to supplement quantitative progress.

Avoid:

- Targets provided can't be measured with quantitative metrics therefore progress cannot be quantified concretely/no evidence to support claims of progress.
- Providing an infographic with various measurements without explicitly explaining how each compares to a target.
- Setting overly optimistic yearly targets that reduce the legitimacy of a company's sustainability efforts.

Comparison to 2022: There was a slight increase of 3% in the frequency of progress tracking since 2022. In alignment with last years' trends, most companies reported on progress tracking in quantitative terms and provided data from three years back. However, in comparison to trends observed last year, very few companies linked their progress to the SDGs.

PROGRESS TRACKING & KPIs

Improve the health of the planet

Climate action	Target	2022	2021	2020
Zero GHG emissions in our operations by 2030 (% change in tonnes of GHG emissions from energy and refrigerant use since 2015)[a]	-100%	-68%†	-64%	-58%
Halve GHG impact of our products across the lifecycle by 2030 (% change in grams of CO_2e per consumer use since 2010)[b]	-50%	-19%	-14%[e]	-10%
Protect and regenerate nature	**Target**	**2022**	**2021**	**2020**
Help protect and regenerate 1.5 million hectares of land, forests and oceans by 2030 (hectares)	1.5m	0.2m	0.1m	–
100% sustainable sourcing of our key agricultural crops (% purchased)	100%	81%	79%	–
Implement water stewardship programmes in 100 locations in water-stressed areas by 2030 (number of water stewardship programmes)	100	8	–	–
Waste-free world	**Target**	**2022**	**2021**	**2020**
50% virgin plastic reduction by 2025 (% change in total tonnes of virgin plastic used vs 2019 baseline)[b,c,d]	-50%	-13%	-8%[e]	–
25% recycled plastic by 2025 (% of total used in packaging)[b,c,d]	25%	21%	18%	–
100% reusable, recyclable or compostable plastic packaging by 2025 (% of total tonnes of reusable, recyclable or compostable plastic packaging used)[b,c,d,f]	100%	55%†	53%	52%
Collect and process more plastic than we sell by 2025 (tonnes of plastic packaging collected and processed, % of tonnes of plastic sold)[d,c,d]	100%	58%	–	–
Maintain zero non-hazardous waste to landfill in our factories (% disposed)	0%	0%	0%	0%
Halve food waste in our operations by 2025 (% change since 2019)	-50%	-17%	-4%[g]	–

Best Practice: Unilever
This table presented by Unilever provides a cohesive visual of their sustainability goals organized within three categories: climate action, protect and regenerate nature, and waste-free world. Within each category there are various KPIs providing metrics by which the performance of the company within each topic can be measured, and the target goal/annual progress for three years for each KPI.

Room for Improvement:
This table provides the categories and material topics that are critical to sustainability efforts and the areas in which progress can be made for each, but fail to link these impacts to targets or compare them to past years. This visual is therefore insufficient for readers to fully grasp the extent of the progress made within these areas.

Total EP&L Value 2022: € 549 million		Tier 0 Own operations	Tier 1 Product manufracturing	Tier 2 Component manufracturing	Tier 3 Raw material processing	Tier 4 Raw material production
Air pollution	8%					
GHG emission	28%					
Land use	26%					
Waste	2%					
Water use	21%					
Water pollution	14%					
Total	100%	2%	6%	8%	28%	55%

SHARED VALUE

Frequency: 31%, 14/45

Difficulty: Hard. Shared Value can be created under many different approaches so difficulty can vary depending on the initiative, making it harder to implement from scratch.

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

Trends: Shared value creation was commonly mentioned as a core value of sustainability but was rarely elaborated on from an implementation lens. It was quite common amongst the reports to find that shared value efforts were supplemented by charitable or semi-charitable initiatives, or were often contained within a greater umbrella term of value creation. Some companies linked their core business model to the concept of value creation: although aiming to create value for society and the environment, their implementation came from a business-motivated approach.

This topic has proven to be difficult to distinguish and report concisely on, therefore it was very rare that companies did a sufficient job addressing all the points on the best practice checklist, if even reported on at all.

Best Practice:

- Demonstrate shared value creation by connecting the company's core business, sustainability strategy and added value.
- Represented in visual infographic form as a complement to text.
- Provide examples and case study results that demonstrate how shared value initiatives have had a positive impact on society and the environment.
- Create a more integrated shared value approach by linking initiatives' short and long term impact with various sustainability parameters (one of which could be the SDGs).

Avoid:

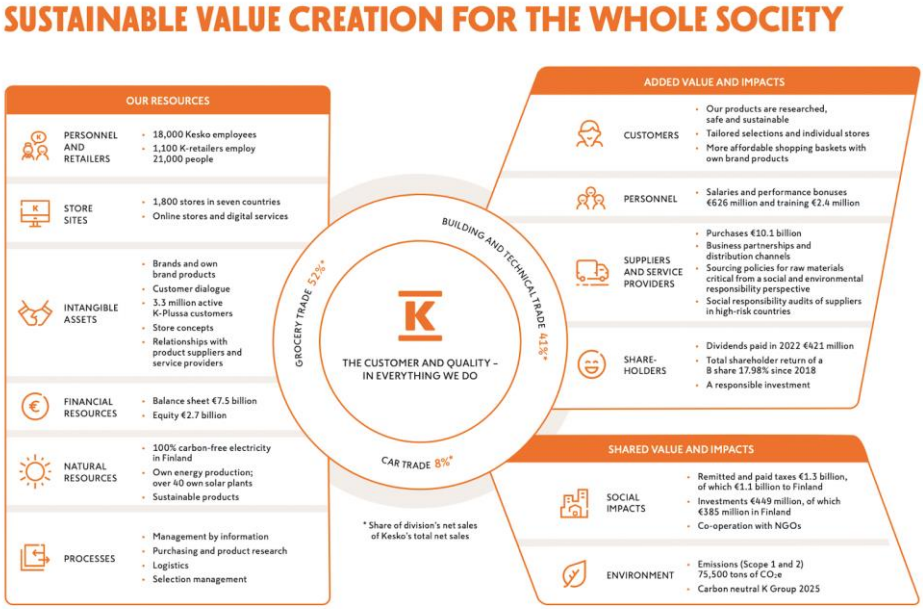
- Mentioning initiatives or activities that are meant to create value without elaborating on how and the type of value that is to be created.
- Mentioning value creation in text form without expanding on it or providing a visual/infographic that holistically ties everything together for the reader.
- Only focusing value creation around clients/stakeholders without expanding that into society as a whole.

Comparison to 2022: There was a drastic drop in the frequency of shared value reporting, with a decrease from 55% to 31% in the last year, however reverting to the same frequency exhibited in 2020 (31%). In the previous year it was more common to find shared value reported on in a more explicit and tangible manner— i.e. employee well-being, eco-friendly design of products— whereas this year it is more hidden under the general value creation umbrella. As the definition of shared value creation becomes more strict, it is getting exceedingly harder to report on sufficiently.

SHARED VALUE

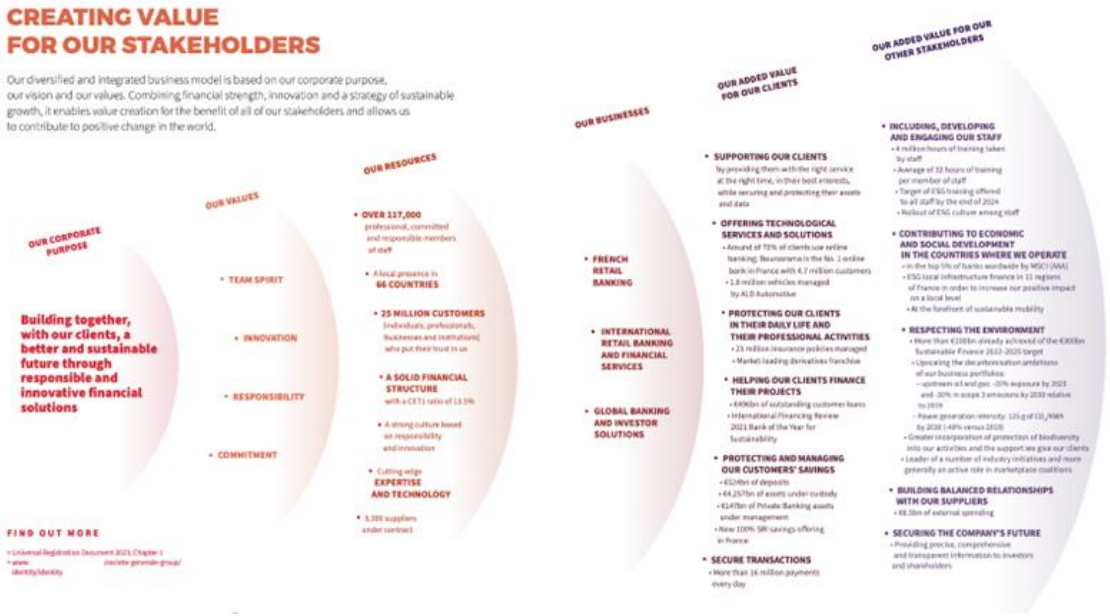
Best Practice: Kesko

This infographic provides a strong visual demonstrating how resources within the company are transformed through their business operations into added value for their customers and relevant stakeholders, as well as the creation of shared value for society and the environment, providing an excellent internal and external analysis of their value creation.



Room for Improvement:

This infographic provides a solid visual example of how the company's business model and corporate purpose creates value for their stakeholders and clients, however it focuses more on internal value added and only includes small bullet points about shared value creation concerning society and the environment.



CIRCULAR ECONOMY

Frequency: 82%, 37/45

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

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

Trends: There is no common definition or parameters for circularity therefore there was a great deal of variation in the approach companies took to address this topic. A lot of this variation was due to the different industries and spheres of work that the companies operated within, therefore allowing circularity to take on a different shape for each. There was also variation in the scale of the company's contribution to circularity, but most focused their efforts around closing the loop of the company itself. Some companies reported on circular economy as a topic and some briefly mention circular processes as a part of their work strategy. It is important to keep in mind that this is an easy topic to greenwash as it can be listed as a company goal/value without any further elaboration.

Best Practice:

- Provide information in a visual display/infographic that demonstrates circularity and processes that aim to close the loop.
- When it is appropriate: discuss activities that contribute to material/product-related waste and pollution and how the company addresses them.
- In addition to discussing current efforts to promote circularity, provide quantitative data to support claims.

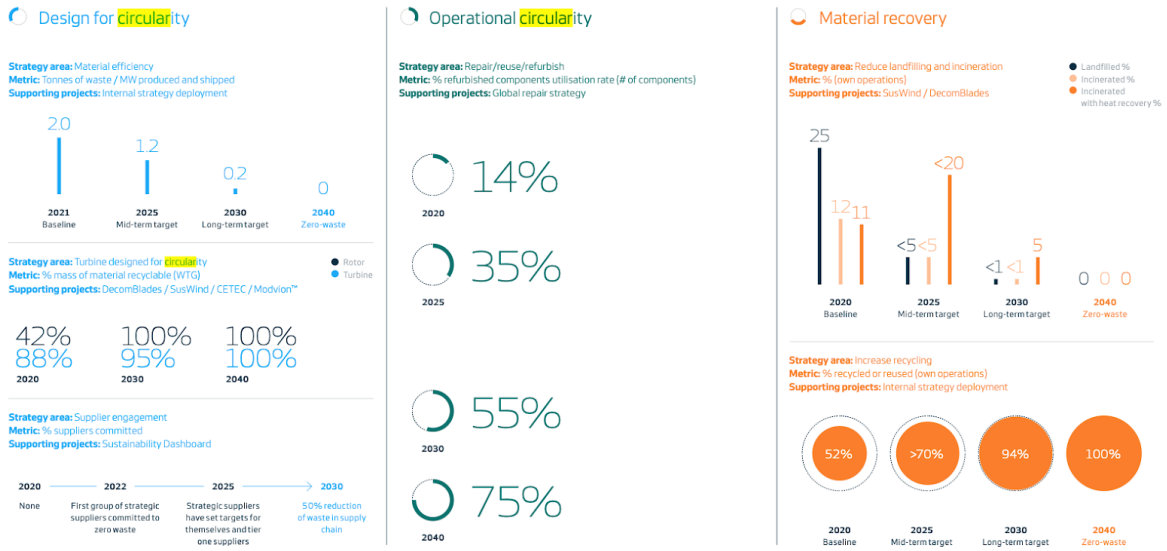
Avoid:

- Mention or reference circular economy as a company goal or core value without any further elaboration.

Comparison to 2022: There has been a big increase in the prominence of circular economy reporting as its frequency has risen from 64% to 82% in a year. This can largely be attributed to circular economy being a newly popular concept, only recently being recognized enough to report on by companies. In comparison to last year, more commonground has been found about circularity, and this universal definition has allowed for the higher frequency observed.

CIRCULAR ECONOMY

Best Practice: Vestas Wind Systems
This infographic provides a clear and concise overview of Vestas' design for circularity, their operational circularity, and their material recovery. This not only demonstrates their contribution to circularity within their company, but also their efforts to make the economy circular at a society level.



Room for Improvement:
Although this section addresses circular economy with detailed information about company efforts instead of briefly mentioning it, they provide no visual representation of it and no quantitative support of their claims.

Promoting the circular economy

Through our ProMec (Progressive Material Economy) initiative at the Darmstadt site, we are promoting a **sustainable, resource-efficient circular economy.** We are refining our solvent recycling practices, thereby minimizing the adverse environmental impacts from the disposal of our production waste.

Together with the Technical University of Darmstadt (TU Darmstadt), we continue to develop a **digital platform for the optimum use of waste and its avoidance**. The project aims to bring together waste generators and specialized waste recyclers. Furthermore, it will be a platform for a secondary market.

Additionally, our Healthcare Green Teams community shares circular economy best practices. In 2022, we fostered a best practice sharing community, which led to the establishment of circular hubs at five manufacturing sites (Vevey and Aubonne in Switzerland, Guidonia and Ivrea in Italy and Darmstadt) to promote the exchange of unused materials and give them a second life.

BIODIVERSITY

Frequency: 93%, 42/45

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

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

Trends: Although the topic of biodiversity has become exceedingly more prominent in the last year (no longer just reported on by manufacturing companies), it is largely covered as a subtopic and is still not seen as central to most company activities. There is a great deal of variation in the depth and extent of the reporting on this subject. The disclosure of biodiversity is again often found in qualitative form, presenting examples of initiatives and actions taken to address the issue. For companies that operate in areas threatened by the biodiversity issue, it is common that they dedicate a more thorough section towards this topic.

Best Practice:

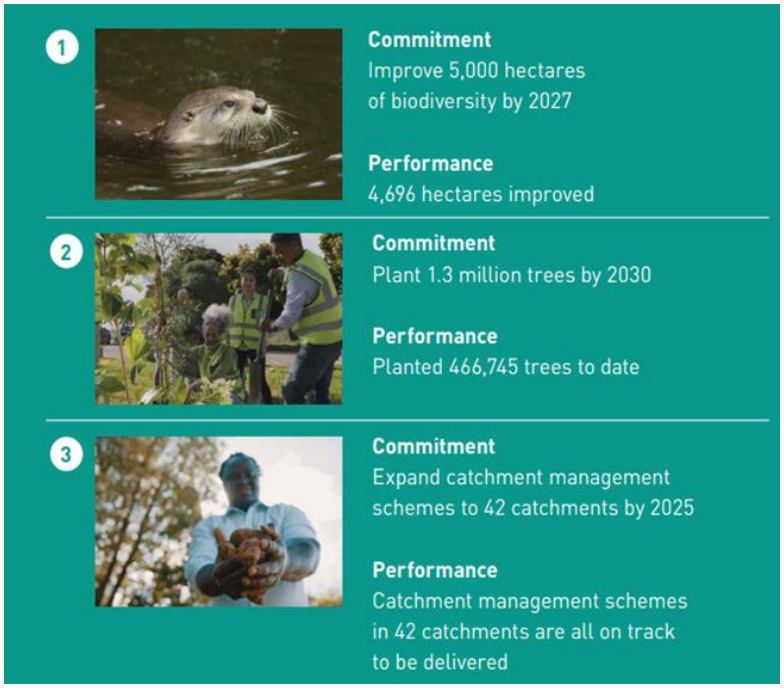
- Provide an in-depth discussion and concrete examples of company activities that impact biodiversity and lengths taken to mitigate the negative impacts of these activities both current and in the future.
- Present quantitative results of efforts taken to lessen negative impacts on biodiversity and their commitment to the future.

Avoid:

- Only disclosing biodiversity as an issue without specifying what aspects of their business model are direct contributors to it and the concrete solutions that they can work towards in the future.

Comparison to 2022: There was a significant increase in the frequency of biodiversity in the reports from 2022, with a jump from 76% to 93%. This may be due to the newly recognized necessity of biodiversity restoration for the health of the environment and its incorporation into the EU Taxonomy framework that is being included in most sustainability reports.

BIODIVERSITY



Best Practice: Severn Trent
This section provides a structured example of three areas that Severn Trent is looking to address that will help mitigate the company's negative effects on biodiversity. Within each category they provide their target goals and their performance in comparison to the target.

Room for Improvement:
This section mentions biodiversity in the heading but only briely touches on the environmental impacts that the company's operations have and disclose a singular measure taken to address this issue in writing.

Land use and biodiversity

facilities, including offices, data centers, test labs and production sites, are located in urban or semi-urban areas with limited impact on land use and surrounding ecosystems.

In some instances, supports customers when building telecommunication sites. In such cases standard procedures include considering location selection as part of minimizing the environmental impact from land use.

STAKEHOLDER ENGAGEMENT

Frequency: 89%, 40/45

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

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

Trends: There is a clear divide among different companies within the reporting on stakeholder engagement. Some companies briefly mention stakeholder groups while others fail to acknowledge stakeholders at all. Certain companies deeply integrate stakeholder engagement, using visualizations and graphics to present various e.g stakeholders, the frequency of engagement and the different stakeholder groups' responsibilities. Moreover, there is considerable diversity in how companies portray stakeholder engagement in the reports. Some opt for small paragraphs while others allocate substantial sections elaborating on their efforts in the field.

Best Practice:

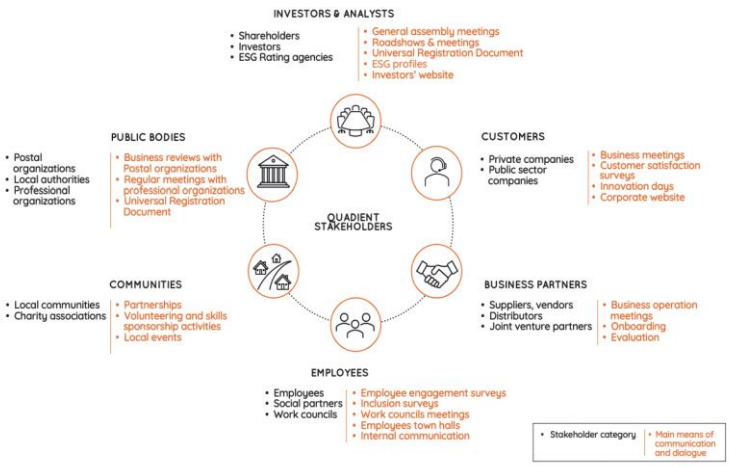
- Create a comprehensive overview of all key stakeholders, detailing their interests as well as expectations. This, while also highlighting the specific engagement techniques employed for each stakeholder group
- Utilizing a table format that presents stakeholder engagement related information in a clear and organized manner
- Incorporate all stakeholder engagement strategies and amplify the depth and frequency of the engagement process
- Illustrate real-life examples through short case studies that showcase engagement processes

Avoid:

- Only mentioning the most critical stakeholders
- Presenting information as paragraphs of text instead of providing a table
- Only addressing stakeholder engagement as a topic superficially through the report

Comparison to 2022: The stakeholder engagement frequency has experienced a minor decline from 90% to 89%. While this decrease is not considered significant, it follows a similar trend from previous year, but also from the year before that, suggesting a potential and continuing pattern of reduced effort in disclosing stakeholder engagement practices.

STAKEHOLDER ENGAGEMENT



Best practice: Quadient

This easy-to-understand and aesthetically pleasing visualization provided by Quadient, presents the various stakeholder groups clearly, as well as which actors are part of each group and through which strategies the company engages with them.

Best practice: Rockwool

This table includes information on stakeholder groups, frequency of engagement, approaches and portion of engagement as part of the report preparation process. It therefore provides a comprehensive overview that is easy to follow.

Stakeholder Type/Group	Frequency of engagement	Approach	Portion of engagement as part of the report preparation process
Non-governmental organizations	At least quarterly	• Calls • Meetings • Conferences • Materiality Assessment • Memberships • Funding through Foundation and Sponsorships • Employee volunteering	Participation in Sustainability Materiality Assessment
Industry Groups	At least quarterly	• Calls • Meetings • Conferences • Materiality Assessment	Participation in Sustainability Materiality Assessment
Labor Groups	At least quarterly	• Calls • Meetings	Participation in Sustainability Materiality Assessment
Media	At least quarterly	• Calls • Meetings • Conferences • Materiality Assessment	Participation in Sustainability Materiality Assessment
Academia	At least quarterly	• Calls • Meetings • Research partnerships • Employee matching programs for higher educational institutions • Materiality Assessment	Participation in Sustainability Materiality Assessment

Room for improvement:

This example lacks presentation of the stakeholder groups, their interests and expectations. It also lacks specification on strategies and the little information provided, is presented as a text. This demonstrates that the report in which the example is taken from, only mentions stakeholder engagement as a headline without demonstrating the company's actual work within the topic.

TESTIMONIALS

Frequency: 76%, 34/45

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

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

Trends: The inclusion of CEO testimonials at the beginning of the reports is highly occurring, although the content related to sustainability can differ significantly. This is particularly prominent when companies report on sustainability separately from their main reports.

Testimonials from other employees discussing their experiences linked to sustainability initiatives within the company are common, providing a broader perspective on the organization's commitment to sustainability. The scope of testimonials varies widely, ranging from in-depth paragraphs that elaborate on sustainability efforts to more concise and impactful single sentences.

Best Practice:
- Incorporation of portraits and descriptions to interlink with the statements
- Encourage input from all co-workers to enrich the authenticity of sustainability integration across the whole company
- Addressing vital issues for the company
- Making the testimonial essential by representing stakeholder needs

Avoid:
- Include testimonials of too technical or unexciting nature
- Incorporate testimonials that do not address sustainability issues

Comparison to 2022: Incorporating CEO testimonials at the beginning of the reports remains a common practice, as well as incorporating perspectives from other employees to provide a comprehensive view of the organization's sustainability efforts and commitments. Compared to last year, the frequency is exactly the same, 76%.

TESTIMONIALS

Best practice: Societe Generale
This testimonial includes a portrait of the speaker which captures the reader's attention. Moreover, it includes a description of the essential problems that the company addresses and which parties are involved.

BUSINESS CONSISTENCY: A KEY FACTOR IN TRUST AND ACCEPTABILITY

CAROLINE DE LA MARNIERRE, CHAIR AND FOUNDER OF THE *INSTITUT DU CAPITALISME RESPONSABLE* (RESPONSIBLE CAPITALISM INSTITUTE)

The Institut du Capitalisme Responsable (ICR) is an applied centre of research that looks at emerging practices of capitalism. It is in discussion with the business sector, investors, asset managers, public authorities, all stakeholders and citizens who want to see the development of an integrated and responsible way of thinking about running economic matters.

"In an uncertain world, shaken by the war in Ukraine, inflation, declining purchasing power, pension reforms and the ensuing strikes in France, business remains one of the last remaining structural strongholds of society. It therefore has an essential role to play in bringing society together. For this reason it needs to be consistent in its commitments and actions.

Consistency is about meaning, learning, dialogue, clarity and, to some extent, humility, which alone can create the level of confidence required to develop a sense of belonging. Coherence within the business sector needs to be based on a corporate purpose that enables a long-term view, a medium-term strategic plan and attentive governance. This is reflected in the balance between investment policy, compensation, the dividends paid and the contribution to taxation. A balance of shared values that support real and lasting growth."

Message from the President and CEO

2022 has been a significant year in many ways, for and for me personally. During the COVID-19 pandemic, played a critical role for society as a manufacturer of food and hygiene products. Unfortunately, when the public-health restrictions finally eased, the elation we all felt was cut short by Russia's invasion of Ukraine in February. We chose to immediately cease all operations in Russia and soon felt the impacts of the geopolitical situation. Supply chains are disrupted, and transport, energy and input costs have reached unprecedented high levels. Only through extraordinary efforts have we been able to cope with the recurrent supply shortages. I would like to express my warm appreciation to everyone in the family who has worked so hard to enable us to meet partner and consumer expectations. During this challenging period has sought to ensure the well-being of its employees while sustaining product deliveries and long-term value creation.

Room for improvement:
The testimonial lacks focus, with too many unrelated topics, making it challenging for readers to grasp the main point. Moreover, it adopts a negative tone, emphasizing challenges without highlighting positive aspects.

RISK MANAGEMENT

Frequency: 98%, 44/45

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

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

Trends: There is a divergence in how companies approach their presentation of their processes within the risk management realm. Some companies choose to focus on risks within specific material topics while others opt for a more generalized approach. A notable trend involves considering scenarios based on achieving global temperature goals or failing to do so, resulting in different outcomes and corresponding actions for each scenario. While it is common for companies to describe the risks they face, there is a lack of emphasis on detailing how exactly these risks are being mitigated.

Some companies disclose sustainability risk assessment as a standalone topic, while others integrate it as part of other risk assessments. The readability and visualization of risk-related information varies across different companies. Some present risks in a clear and easily understandable manner, while others complicate understanding by providing vague definitions and unclear approaches to addressing the identified risks.

Best Practice:

- Recognize and identify potential changes that may occur in risks over time. Comprehending the evolution of risks is vital for allocating resources effectively and implementing risk prevention measures.
- Specify the responsible party for each particular risk
- Incorporate well-organized tables or subsections presenting a list of the risks, followed by mitigation and management strategies. In addition, enhance clarity on the topic in question by presenting and clarifying the responsible party.
- Demonstrate severity of identified risks and provide justification for the prioritization.

Avoid:

- Focusing solely on financial risks
- Neglecting to connect sustainability-related risks to the operational risks
- Omitting the disclosure of mitigation strategies

Comparison to 2022: The companies' reporting approach to risks, ranging from specific levels to a broader approach, remains unchanged. Likewise, the general lack of information about how the companies work to mitigate the risks. In comparison with last year, the frequency has risen from 90% to 98%. Higher stakeholder expectations and evolving regulatory environment are possible explanations for this increase.

RISK MANAGEMENT

Best practice: Kering SA
This illustration provided by Kering SA is a unique and interesting way of presenting the company's risks. The matrix grades risks based on their impact and probability of their occurrence, as well as subdividing them under different main categories. This creates a clear overview of the company's risks and how severe they are.

Best practice: ERG
This illustration clearly shows the model that the company works with in risk management. The model describes which elements, as well as their meaning, are included in the risk management process.

Room for improvement:
In this example, which risks the company works with are left out and some form of strengthening visualization is missing. In the text, it appears that the company carries out risk assessments, but an account of how this assessment looks in practice is left out.

Risk assessment

Proper compliance risk management is crucial to identify undetected risks and ensure our company remains protected. For this purpose, we are implementing a compliance risk identification process. We started this initiative by launching a global compliance risk process for all our business sectors to improve objectivity and enable a more data-driven risk approach. In addition, we established a **comprehensive risk matrix** that focuses on bribery and corruption risks, illustrated through in-depth risk categorization and risk scenarios. As a next step, in 2022, we started conducting country-based risk assessments. This approach considers gross and net risks while looking at tangible risk scenarios for the respective business. During this process, Group Compliance works closely with the businesses to enhance their risk awareness and create a better understanding of compliance risks. The first round of this process includes high-risk countries.

Furthermore, in 2022, we updated our **country risk segmentation** approach. With it, we determine the risk exposure of the countries where our company is actively operating. The primary aim of this analysis is to classify countries in terms of their risk exposure relating to bribery and corruption by applying objective and consistent criteria. We then use the resulting outcome as a basic model to prioritize projects and initiatives and support or intensify activities in countries with specific risk levels.

EXTERNAL ASSURANCE

Frequency: 80%, 36/45

Difficulty: Medium. While external assurance might not require extensive changes in internal procedures, validating sustainability information can be costly, both in terms of money and time, having to collaborate with the assurer and provide necessary material. Time investments can also be especially high if it is the first time external assurance is done on sustainability information.

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

Trends: The external assurance landscape is characterized by a binary approach, where organizations either possess it or do not. Limited assurance has emerged as common in the realm of external assurance, with many companies opting for this moderate level of confidence rather than seeking full assurance on their processes and performance. The four auditing firms - Deloitte, KPMG, EY and PwC - have an overwhelming presence in the reports. This is probably due to their expertise and credibility.

Why use External assurance? External assurance is vital for companies to enhance credibility and transparency. It provides stakeholders with confidence in reported data, enabling improved decision-making and risk education. In addition, external assurance helps companies identify areas for improvement, ensuring a trustworthy reputation as well as demonstrating responsible and sustainable practices to the involved stakeholders.

Comparison to 2022: The frequency of providing external assurance has increased from last year's 74% to 80%. Including external assurance is a proactive approach to address stakeholders' expectations, comply with new regulations and recognize the increasing significance of ESG factors in decision-making, giving possible explanations to the increased frequency.

COMPANIES ASSESSED

Rank 2023	Rank 2022	Name	Country (HQ)	Industry
2	1	Vestas Wind Systems A/S	Aarhus, Denmark	Electrical Equipment
7*	4	Schneider Electric SE	Rueil-Malmaison, France	Electrical Equipment
8		Siemens Gamesa Renewable Energy SA	Zamudio, Spain	Electrical Equipment
10	9	Dassault Systemes SE	Velizy-Villacoublay, France	Software
13	7	Orsted A/S	Fredericia, Denmark	Electric Utilities
16		Rockwool A/S	Hedehusene, Denmark	Building Products
17	12	Johnson Controls International PLC	Cork, Ireland	Building Products
18	2	Chr Hansen Holding A/S	Hoersholm, Denmark	Chemicals
19		Kone Oyj	Espoo, Finland	Machinery
21	8	Atlantica Sustainable Infrastructure PLC	Brentford, United Kingdom	Independent Power and Renewable Electricity Producers
23	35	Novozymes A/S	Bagsvaerd, Denmark	Chemicals
24	25	Iberdrola SA	Bilbao, Spain	Electric Utilities
25	84	BT Group PLC	London, United Kingdom	Diversified Telecommunication Services
29	24	Neste Oyj	Espoo, Finland	Oil, Gas & Consumable Fuels
31	12*	Kering SA	Paris, France	Textiles, Apparel & Luxury Goods
33		ASM International NV	Almere, Netherlands	Semiconductors & Semiconductor Equipment
38	78	Unilever PLC	London, United Kingdom	Personal Products
41	55	SAP SE	Walldorf, Germany	Software
43	83	Coloplast A/S	Humlebaek, Denmark	Health Care Equipment & Supplies
44	13	Koninklijke KPN NV	Rotterdam, Netherlands	Diversified Telecommunication Services
47	77	Puma SE	Herzogenaurach, Germany	Textiles, Apparel & Luxury Goods
49	51	Atea ASA	Oslo, Norway	IT Services
52		Essity AB (publ)	Stockholm, Sweden	Household Products
54		ERG SpA	Genoa, Italy	Independent Power and Renewable Electricity Producers
58		Severn Trent PLC	Coventry, United Kingdom	Water Utilities
59	90	Intesa Sanpaolo SpA	Torino, Italy	Banks
61	67	Sanofi SA	Paris, France	Pharmaceuticals
62		Swatch Group AG	Biel, Switzerland	Textiles, Apparel & Luxury Goods
65	95	Telefonaktiebolaget LM Ericsson	Stockholm, Sweden	Communications Equipment
66	82	Adidas AG	Herzogenaurach, Germany	Textiles, Apparel & Luxury Goods
70		Orkla ASA	Oslo, Norway	Food Products
71	76	BNP Paribas SA	Paris, France	Banks
72		Svenska Handelsbanken AB	Stockholm, Sweden	Banks
74	69	Kesko Oyj	Helsinki, Finland	Food & Staples Retailing
75	62	Quadient SA	Bagneux, France	Technology Hardware, Storage & Peripherals
81	63	Henkel AG & Co KgaA	Dusseldorf, Germany	Household Products
82	55*	Storebrand ASA	Lysaker, Norway	Insurance
85	60	Commerzbank AG	Frankfurt, Germany	Banks
87		Beazley PLC	London, United Kingdom	Insurance
89	57	Arcelik AS	Istanbul, Turkey	Household Durables
94	70	Nordea Bank Abp	Helsinki, Finland	Banks
95		Merck KGaA	Darmstadt, Germany	Pharmaceuticals
96		Societe Generale SA	Paris, France	Banks
97	91	AstraZeneca PLC	Cambridge, United Kingdom	Pharmaceuticals
98	56	Koninklijke Philips NV	Eindhoven, Netherlands	Health Care Equipment & Supplies

*Indicates a tie as a result of a data correction

ABOUT FOREVER SUSTAINABLE

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

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

Reach out if you:

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

FOREVER SUSTAINABLE BUSINESS

TALK TO US

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