



# GET VALUE

GUIDE YOUR COMPANY'S SUSTAINABILITY JOURNEY



## ***“ALL COMPANIES GET VALUE FROM SUSTAINABILITY MANAGEMENT, SOME MAY JUST NOT REALISE IT”***

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# 1.1 WHAT IS VALUE?

Corporate Social Responsibility/sustainability is a corporate value driver. Companies often do not realise this and therefore do not translate it into their management systems (maturity), strategy and structure (integration).

All companies have the potential to become mature and integrated in an efficient and effective way in order to tackle emerging risks, upcoming challenges and emerging opportunities. Therefore, it can be argued that all companies have potential and should become an Enterprise 2020.

Enterprise 2020 is CSR Europe's vision of a smart, sustainable and inclusive organisation which, through stakeholder engagement, is able to credibly define material issues and act upon those in the entire organisation in a way that brings benefit for the organisation, society and the environment. This is the mature, integrated value creation we are looking for. This is our question: do you get value from everything you do?

CSR Europe is committed to help companies identify their gaps on the journey to realising value. We have therefore developed and piloted the Maturity and Integration Assessment (MIA) Benchmark. The results of this pilot give us a good image of where to concentrate company and stakeholder attention so that Enterprise 2020 becomes reality and not just a vision.

## 1.2 WHAT IS THE CONTEXT?

By 2018, the EU Directive on Non-Financial Information Disclosure will expect 6,000 large companies to report more extensively on their sustainability performance.

In 2013 and 2014, increasing stakeholder expectations made it clear that parallel to transparency, companies need to concentrate more on building mature management systems and on integrating sustainability into their corporate structures.

In Europe, the EU Directive on Non-Financial Information Disclosure marks a milestone in this new era, which follows numerous other global developments in legislation, guidance, investor community-driven instruments, such as:

- The publication of the [GRI G4 guidelines](#) of the Global Reporting Initiative in May 2013
- The publication of the Integrated Reporting Principles of the International Integrated Reporting Council ([IIRC](#)) in December 2013
- The publication of a new framework of the Climate Disclosure Standards Board ([CDSB](#)) in 2014
- The ongoing work to define sector-level material topics by the US based Sustainability Accounting Standards Board ([SASB](#)).
- Initiatives to define further ESG sustainability criteria for investors ([EFFAS/DVFA](#), [Project Delphi](#))
- Work pointing towards new frontiers in measuring and monetising externalities (see The Next Frontier chapter for more details)

As a practitioners' network, CSR Europe is translating these trends into a practical tool (Maturity and Integration Assessment - MIA) to orient managers towards gaps in companies' strategic agendas. Based on a sophisticated methodology consisting of qualitative and quantitative analysis, the assessment enables participants to get a thorough understanding of their company's current status quo and get ready for a new era of management and reporting. This is the MIA benchmark.

## 1.3 ASSESSING SUSTAINABILITY MANAGEMENT: MIA

The Maturity and Integration Assessment (MIA) and benchmark provides companies with a solution to assess and benchmark the level of maturity and integration of their sustainability management in order to better understand and internally communicate areas for improvement.

### MATURITY:

The degree to which companies measure and manage what is material to their business.

### INTEGRATION:

The degree to which sustainability and material stakeholder expectations are embedded into strategic management and into all divisions of the organisational structure.

Key metrics are based on aspects of GRI G4 and CSR Europe's notion of an ideal situation. Questions are linked to requirements of the EU Directive on Non-Financial Information Disclosure. This means that gaps identified in the MIA assessment will help companies improve their processes and comply more easily with legal requirements.

For further information check: [MIA Benchmark technical details](#).

Using the tool enables companies to:

- Get a good internal image of sustainability management maturity and integration
- Identify gaps in process that lead to action being taken
- Have the opportunity to share results in internal meetings and drive cross-functional engagement in building an action plan

The pilot phase was conducted in 2014 with the participation of ten companies. Enel, Titan and Solvay were the corporate leaders of the project, helping shape and improve the framework. (Due to internal restructuring Enel's data was not included in the aggregate results of the assessment.)



## WHAT IS THE MIA PROCESS?



- Dual process of accompanied and self-assessment
- Results verified with company
- CSR Europe assistance and clarification during all steps of the assessment
- Assessment data confidentiality
- A3 report on overall results and detailed scores
- Potential for follow-up workshop to start action planning (internal) or to engage peers or stakeholders (external)

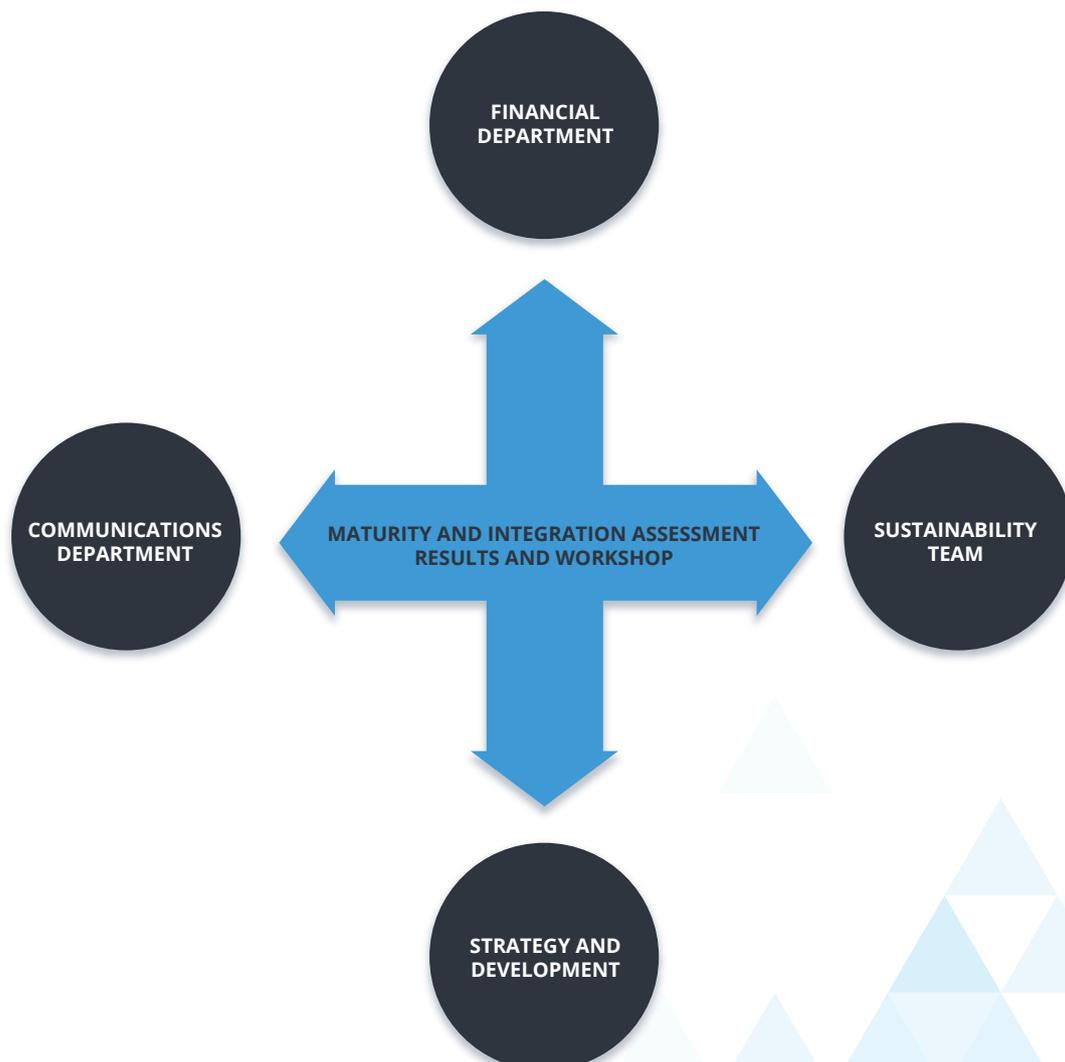
Interested? Check out the [MIA offer on CSR Europe's website](#).

## WORKSHOP FEEDBACK ON STRENGTH OF ASSESSMENT

The majority of pilot participants indicated they would use the results of the MIA benchmark for personal and professional learning. Participants also assert a strategic value to the assessment and stated that they would share it in order to influence planning and strategy.

Besides the sustainability team, external relations and financial departments have been highlighted as departments using the results of the MIA benchmark.

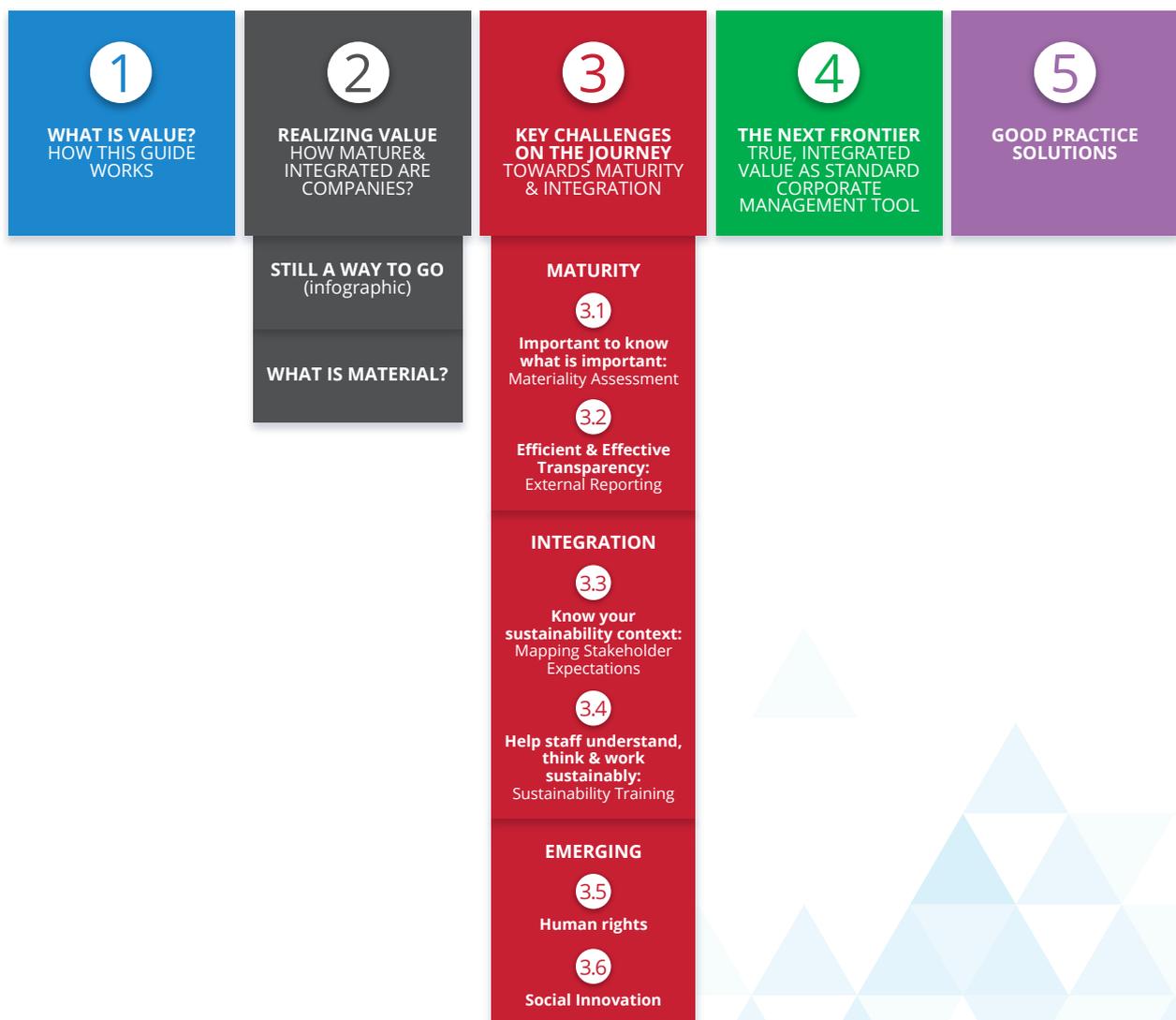
January 2015



## 1.4 HOW CAN THIS GUIDE BE USED?

We organised the results into a system going from high-level to detailed diagnostics on corporate management issues (see report map below).

Each of the results and challenges are presented in factsheets that explain the issue, provide impressions based on results and point towards trends, dilemmas and resources to help you take the next step. Good practices both in the factsheets and in the good practice collection will enhance the picture with practical solutions from large companies.

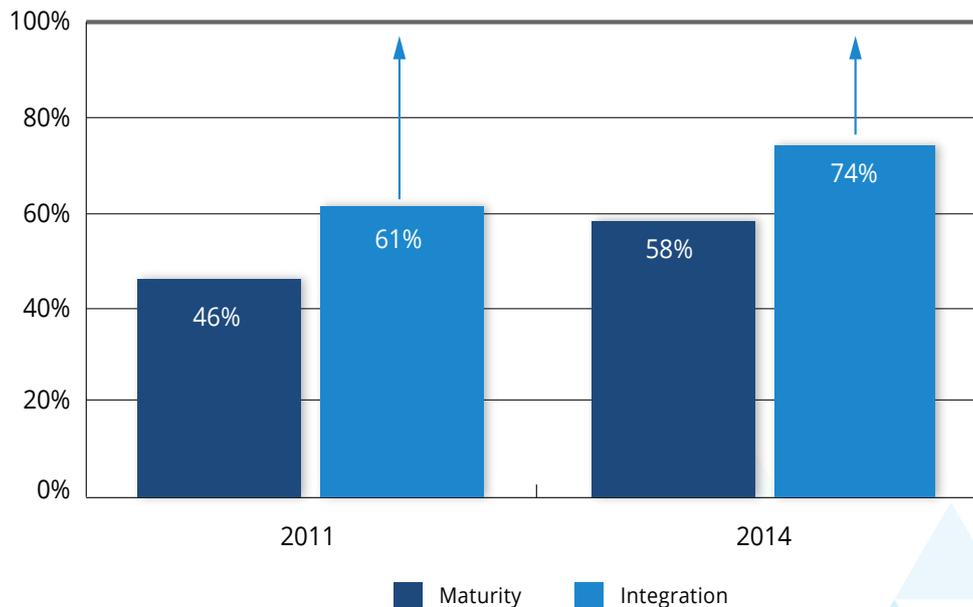


## 2.1 MIA RESULTS

### HOW MATURE & INTEGRATED IS SUSTAINABILITY IN COMPANIES?

We see evolution in the overall maturity and integration rate of CSR Europe member companies assessed (see figure 1 below) as they are getting closer to reach Enterprise 2020. It is interesting to see that with three years of difference<sup>1</sup>, and a new improved assessment framework (attesting for the changes in trends such as putting more emphasis on materiality analysis) maturity and integration have improved at the same pace. Whereas, companies assessed are better at integrating sustainability in their strategy and structure than at ensuring mature, focused management and measurement of material topics.

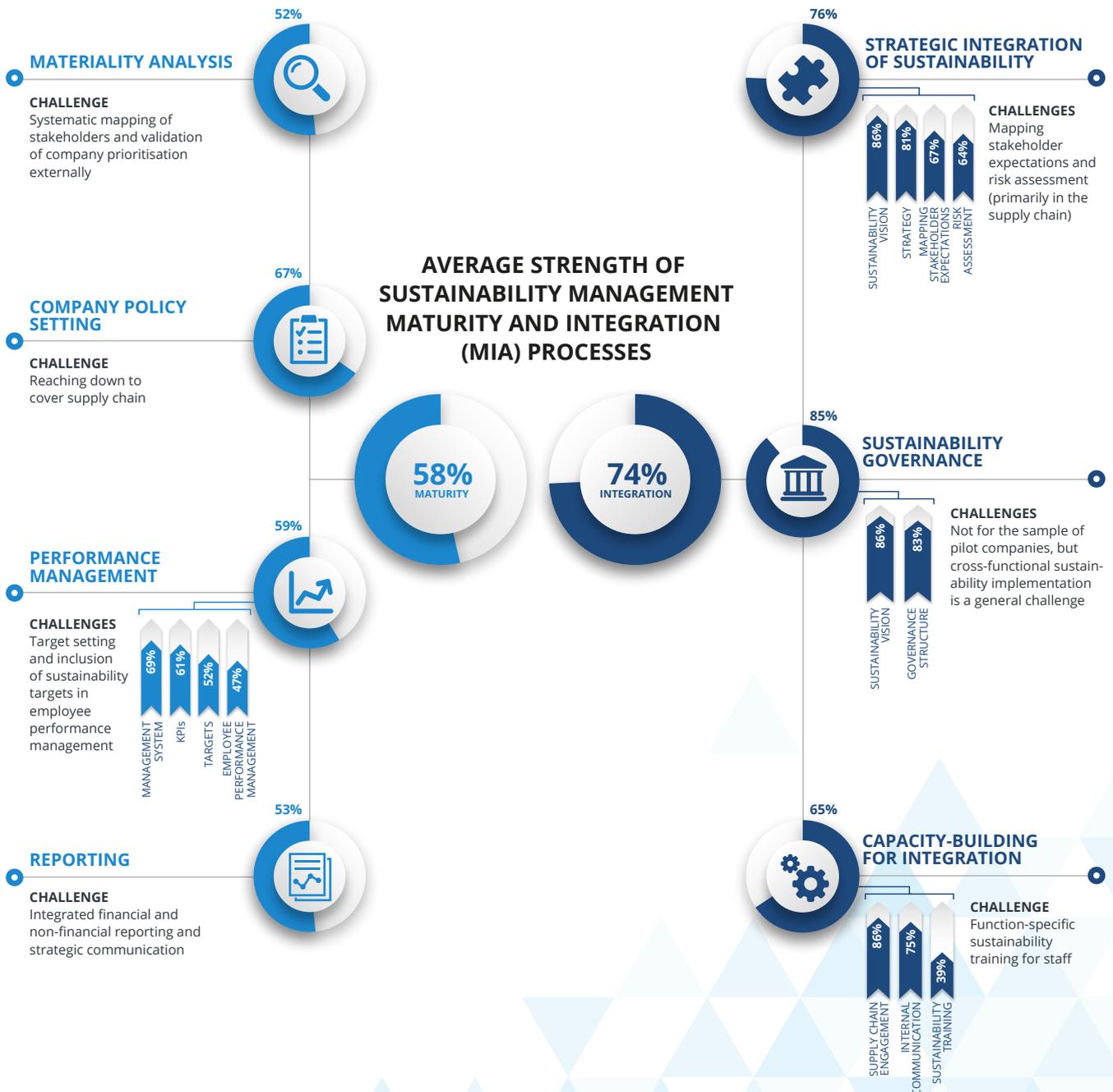
**SUSTAINABILITY MATURITY AND INTEGRATION ASSESSMENT OVERALL AVERAGE RATES**



<sup>1</sup> The first assessment in the frame of the Valuing Non-financial Performance Project was conducted in 2011. [For more information see conclusions.](#)

## 2.2 STILL A WAY TO GO

### HOW MATURE & INTEGRATED IS SUSTAINABILITY IN COMPANIES?



In addition to the overall challenges described in the infographic, some points deserve more attention. In **the maturity section, we see a necessity for improving the materiality analysis and external reporting components** (more detailed analysis can be found in challenges [3.1](#) and [3.2](#)). In performance management, **weaker areas regarding material topics identified by companies are target setting and employee performance management**. Consequently, defining targets and incentivising staff to reach available targets are areas with good potential to move the maturity of sustainability management forward.

In the integration section, **capacity building is the area least developed**, with sustainability training within companies emerging as the biggest challenge (more detailed analysis can be found on this in challenge [3.4](#).) Despite good overall results, the remaining two components also have important areas that fare weaker and are important elements of an integrated company structure and culture. An example of this is **mapping stakeholder expectations and risk assessment** (especially with regards to the assessment of supply-chain risks).

Integration results resonate well with the results of the maturity section, as the materiality analysis process also suffers from **lack of stakeholder engagement**, while the **lack of function specific training** is a category that ties in well with the challenges that companies face in incentivising staff on sustainability topics (employee performance management). These two elements will be discussed in further detail in challenges [3.2](#) and [3.3](#).

# 3.1 MATERIALITY ANALYSIS

## ONLY WHAT MATTERS IS IMPORTANT

### WHAT IS IT?

Materiality analysis is a procedure to define what is strategically important for the company, where to allocate resources and what to manage with an overall view to improve process and performance.

Materiality analysis has several different contexts:

1. Financial disclosure related
2. Financial performance related - impacting the financial bottom-line of a company,
3. Sustainability reporting related – to define reporting boundaries and what stories to tell different stakeholders
4. Business strategy and implementation focused – comprising both financial and non-financial elements. This is what CSR Europe considers to be the ideal situation when defining the purpose of materiality analysis.

The definition of materiality will also take different forms according to the context. In the MIA assessment we used a combination of the GRI and IIRC definitions in the context of point 4.

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**An area is material if it has a substantial effect on the value of the company in short, medium and long-term**

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### WHY IS IT IMPORTANT?

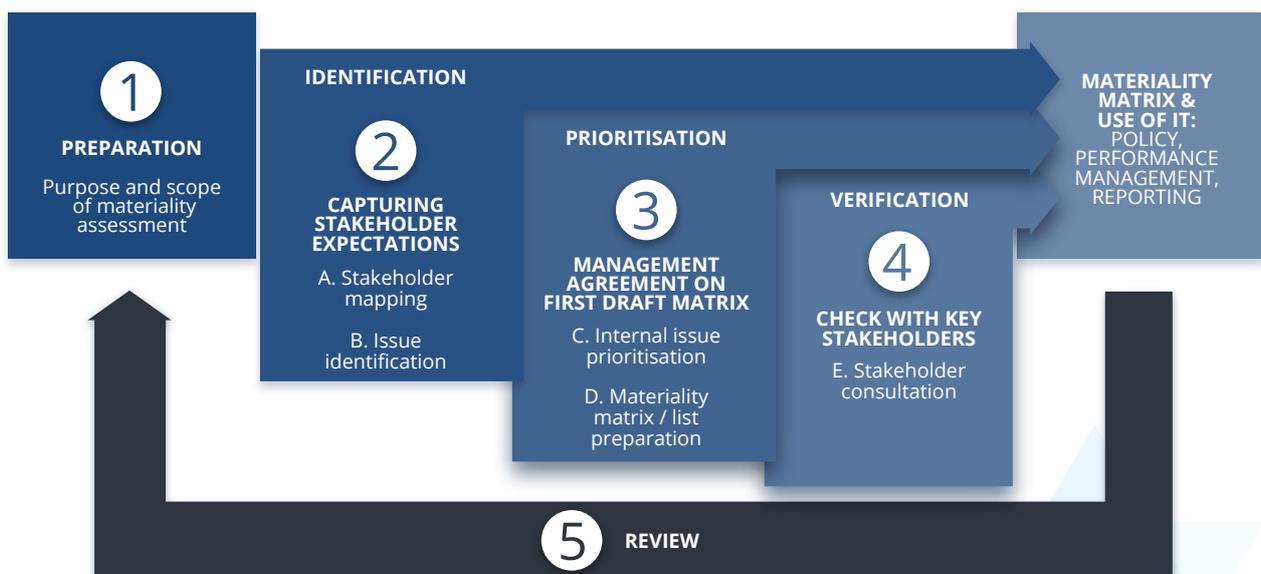
Materiality analysis is important for both internal management, and external engagement reasons. Internally, it helps focus on the essential areas of sustainability management and convince less involved senior / executive management on the importance of such areas due to their impact on the company's reputation, different footprints and eventually environmental, social and financial bottom-lines (the triple bottom line). Thus, it is an important first step towards integrated financial and non-financial thinking, management and performance.

Externally, materiality analysis is an important lever in making reporting more concise and also more credible through the description of a robust approach. This in itself will improve communication on sustainability with the potential to enhance transparency and positively impact reputation.

## IDEAL SCENARIO

In the MIA benchmark, we considered the ideal approach to materiality analysis to include the following elements:

- A strategic scope (step 1 in flowchart) – using materiality analysis in the context of point 4 above as a starting point for strategic sustainability (holistic) management.
- Systematic stakeholder and issue mapping (step 2 in flowchart) – as opposed to ad-hoc practices
- Systematic stakeholder and issue prioritisation (step 3 in flowchart) – as opposed to ad-hoc practices
- Matrix or other method of representing material issues – to define material issues and clarify what factors were taken into consideration
- Verification of prioritisation with stakeholders (step 4 in flowchart) - through consultation, preferably in the form of a physical stakeholder dialogue workshop
- Regular review of materiality analysis (step 5 in flowchart) – to capture changes in stakeholder expectations, company approach or prioritisation

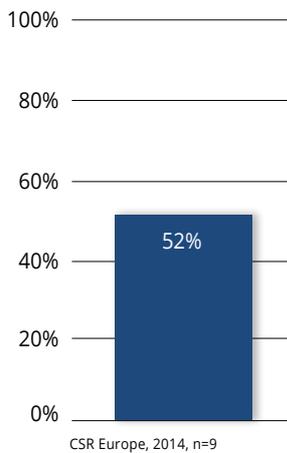


For more information on capturing stakeholder expectations see also challenge [3.3 Stakeholder expectations mapping](#).

## MIA RESULTS

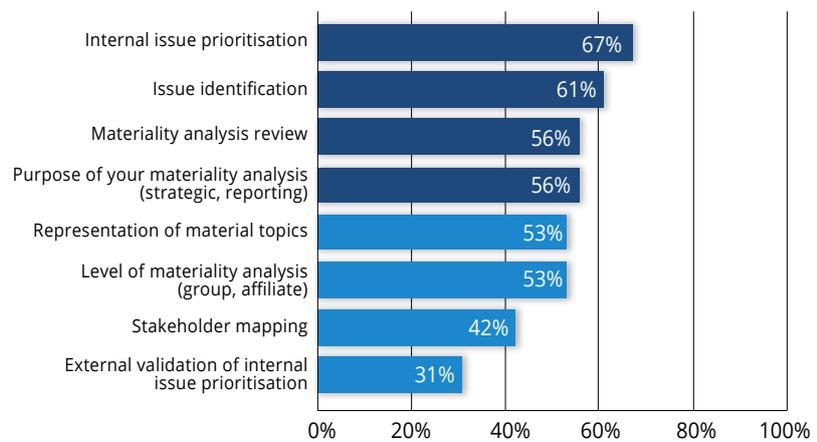
The assessment captured that in general, the companies assessed are less mature in using materiality analysis for strategic management purposes and tend to look at materiality analysis as a tool to define sustainability reporting topics instead. The two weakest areas were systematic mapping of stakeholders and external validation of company prioritisation (where companies also tend to define what they think is material for their stakeholders often based on non-systematic, unstructured relationship management practices. For more information on stakeholder expectations mapping see challenge [3.3 Stakeholder expectations mapping.](#))

**AVERAGE RESULT MATERIALITY ANALYSIS ROBUSTNESS (%)**



CSR Europe, 2014, n=9

**AVERAGE MATURITY OF MATERIALITY ANALYSIS ROBUSTNESS ELEMENTS**



0-20%: Not mature; 21-40%: Entry level; 41-60%: Somewhat Mature; 61-80%: Mature; 81-100%: Good practice

## TRENDS

Materiality analysis is a good, essential element of sustainability management, but it does have some general drawbacks creating dilemmas especially for the external comparability / usability of the information reported.

### **1. What is material is a question of interpretation**

Although, CSR experts will agree that strategic materiality is key in a company from a resource allocation point of view, the overall business case of such an approach from an analytical point of view is not so certain. A UNPRI report on how investors are integrating ESG factors into their equity valuations concludes that whereas there is some consensus that certain ESG factors could have significant impact on performance, others will depend on individual investors' judgement. From conversations with both companies and investors it appears that in general investor valuations focus more on governance facets than social and environmental aspects.

### **2. Different approaches may yield different information**

Since materiality analysis is conducted according to different approaches primarily related to issue/ stakeholder prioritisation, the resulting information may also be a colorful set of priority areas that are difficult to compare even within a sector.

### **3. Legislating on material issues may compromise proper materiality**

Prescriptive legislation defining sustainability areas and indicators to report on may complicate the procedure of analysis and negatively impact the conciseness or the integration of resulting reports. However, in Europe the EU Directive on Non-Financial Information Disclosure is introducing a "comply-or-explain" regime, which leaves room for proper, robust materiality analysis to explain why something is not managed and/or reported.

### **4. Industry-level material topics complement company specific ones**

Multistakeholder consultation-based industry guidelines on material topics and indicators for entire sectors may be helpful to balance company-specific materiality analysis and comparable sector-based importance of topics.

### **5. Large companies are improving their materiality analysis and disclosure**

See further "[Reporting Matters](#)" analysis by WBCSD and Readly Yeldar.

## RESOURCES FOR THE JOURNEY

### PREPARATION

#### **Executive buy-in to ensure strategic purpose of materiality analysis is key**

Try to obtain executive buy-in for regular, strategic materiality analysis at the right time in the strategic planning cycle to be on time to inform the process and not only report on topics that are predefined.

Connect financial and non-financial materiality

Check internally how financial materiality and sustainability materiality are defined and used in your company. This may be a good starting point to obtain high-level buy-in and help integrate internal thinking, management and reporting further.

The guides published by the Financial Reporting Council (FRC) in the UK may be a good basis for discussion, e.g. "Thinking about disclosure in a broader context".

UNPRI's Value Driver model is also a good basis to link financial and sustainability value to increase investor interest.

### IDENTIFICATION

#### STAKEHOLDER MAPPING:

#### **Engage your staff**

Internally, your colleagues in divisions and departments will have the answer to who are stakeholders that are important for them. The ideal situation is to have a stakeholder relationship management system in place (backed up by integrated / non-integrated IT system) from which necessary information can be extracted (i.e. a list of stakeholders). A less ideal, less time-efficient yet still operational, approach is to consult individual departments on this.

#### **Engage other stakeholders and / or service providers**

Externally, industry associations, organisations (communications, public affairs, CSR agencies) or business networks such as CSR Europe and its [national partners](#) can prepare a stakeholder map for you.

See further tools and resources in chapter [3.3 Mapping Stakeholder Expectations](#).

## ISSUE IDENTIFICATION

Decide on the level of detail (granularity) of concerns identified in a way that will yield a manageable number of issues, but will not be too high-level to compromise credibility. MIA pilot companies plotted between 20-40 different issues in their matrices, with 5-15 selected as material. There is no one-size-fits-all solution, but two perspectives from experts may provide further guidance on how to approach this exercise: [Why materiality matrix is useless](#), by Elaine Cohen and [How to navigate the maze of materiality?](#), by Dunstan Hope.

At the issue identification phase you may want to look into sector guidelines on material sustainability areas. For example:

- [Sustainability Accounting Standards Board](#) (SASB in US) for topics that industry experts find material for a number of sectors. A [Materiality Impact Map](#) helps guide practitioners.
- [EFFAS](#) KPIs for ESG
- [GRI: Sustainability Topics for Sectors](#), analysis of GRI reports and what companies in different sectors found material
- [Governance & Accountability analysis on what matters in sustainability](#)
- Sector / industry associations' work
- SRI analyst reports or direct engagement to understand what issues they are looking at in different sectors

## PRIORITISATION

Make sure quantitative and / or qualitative interpretations are available where appropriate – it is impossible to quantify and monetise everything. The approach of Coca-Cola Hellenic, provides a simple yet robust methodology to determine the impact of issues on business and the impact the company has on society and the environment through stakeholder engagement and secondary information sources. [Access Coca-Cola Hellenic good practice here.](#)

Make sure a fair representation of internal and external stakeholder voices are taken into consideration when prioritising issues. Toyota Motor Europe, for example has done this by assigning stakeholder roles to division leaders, who are in contact with relevant stakeholders. Many companies also use online consultation tools to complement internal prioritisation with stakeholder feedback.

Be prepared that some company prioritisations may be conflicting stakeholder expectations. Group meetings, workshops and structured stakeholder dialogues are a good way to have real-time input from relevant stakeholders who might convince each other and where topics' relevance can be defined by consensus. CSR Europe and its national partners are [organising such stakeholder dialogues.](#)

### VERIFICATION

Directly verify your materiality matrix with stakeholders. CSR Europe experience on direct one-day stakeholder dialogues shows that the exercise, even if proving your prioritisation correct, will have a good effect on stakeholder relationship, reputation management and most importantly, legitimising of your efforts towards a positive triple bottom line impact and performance.

### REVIEW

- Depending on the granularity of issues identified and prioritised, corporate and / or reporting strategy development cycles, an annual, bi-annual review of material topics may be relevant and require less efforts than restarting an entire analysis.
- External review and / or assurance may be solicited to yield more credibility to the exercise. However, it is worth gauging whether the audiences really value such additional administrative costs. A well-established and well-communicated process and results may be a good enough starting point.

### GOOD PRACTICES

Solvay - [Involvement of EU Working Council in Sustainable Development](#)

Danone - [Permanent Stakeholder Panel for Danone Nature activities](#)

Titan - [Regional Materiality Analysis](#)

State Street - [Materiality Analysis](#)

Coca-Cola Hellenic - [Materiality Analysis](#)

## 3.2 EXTERNAL REPORTING

### EFFICIENT & EFFECTIVE TRANSPARENCY

#### WHAT IS IT?

We refer to 'external reporting' instead of 'sustainability reporting' as the ideal situation in the assessment is integrated financial and non-financial reporting combined with strategic communication. We are doing this because the call by the IIRC<sup>1</sup> for clear and concise reports encapsulating the triple bottom line value of companies is gaining momentum as the demand from the investment community becomes an important factor in raising the quality of integrated thinking, management and performance.<sup>2</sup>

#### WHY IS IT IMPORTANT?

Businesses today are valued primarily on financial performance and prospects. However, there is a growing recognition that the true value of a company should reflect both its financial and non-financial performance, as well as future prospects in both spheres.

On the one hand, an approach that integrates both financial and non-financial performance and prospects, underpinned by appropriate transparency and disclosure, will enable companies and investors to make informed decisions that are not influenced solely by financial returns. In addition, an integrated report underpinned by a strong culture of integrated thinking and management will also benefit reporting towards other stakeholders.

On the other hand, the preparation and year-on-year improvement of a corporate report including non-financial information<sup>3</sup> is often the first lever for strategically integrating non-financial thinking and management processes within the organisation, rather than approaching environment, social and governance areas as compliance issues.

As Thorsten Pinkepank, Sustainability Director of BASF and board member of CSR Europe put it: "The road leading to the report is often more important than the report itself".

<sup>1</sup> The International Integrated Reporting Council published the Framework of Integrated Reporting in December 2013.

<sup>2</sup> See also SustainAnalytics: See Change, How Transparency Drives Performance

<sup>3</sup> A separate sustainability report prepared according to e.g. the GRI's standard qualifies as economic indicators are core elements of disclosure.

## IDEAL SCENARIO

We chose to put the bar high on external reporting by advocating for the preparation of an integrated report and the execution of strategic tailored communication to all stakeholders.

Strategic tailored communication to all stakeholders refers to a comprehensive process of:

- understanding who those stakeholders are (see also challenge [3.3 Mapping stakeholder expectations](#)) and what their communication characteristics and information consumption habits are
- tailoring information and format to the needs of each stakeholder (deciding on print, online or multimedia content and the most appropriate dissemination channels)

## MIA RESULTS

It may not be a surprise that most companies in this sample have a separate sustainability report and tailored communication for certain stakeholders. Integrated reporting is still not the norm, but optimist views attest that just as with financial transparency, integrated non-financial and financial disclosure will become an inevitable and strategic exercise in coming decades.



## TRENDS

We are assessing trends in both sustainability and integrated reporting, considering the former as complementary to the latter.

### LEGAL REQUIREMENTS ON NON-FINANCIAL/SUSTAINABILITY/INTEGRATED REPORTING ON THE RISE

Europe is creating a level playing field on non-financial transparency affecting the management of sensitive topics like human rights, corruption and board diversity. This transparency requirement will affect the way companies manage triple-bottom-line issues, as approach to strategy, due diligence and risks have to be explained. The legal measure will affect an estimated 6000 companies in Europe and their first reports are due in 2018. [Further information](#).

### REPORTING FRAMEWORKS ENVISION CONCISE REPORTING ON MATERIAL ISSUES

- **GRI G4** – the latest guidelines of the Global Reporting Initiative were published in May 2013. The reporting standard is more stringent on reporting only material issues, therefore materiality analysis became one of the most pressing issues for companies serious about their non-financial performance (also see challenge [3.1 Materiality Analysis](#)). [Further information](#).
- **Integrated Reporting Principles** – the International Integrated Reporting Council published their framework in December 2013. Integrated reporting is a very important cornerstone between non-financial and financial reporting, which ideally also impacts the thinking and connectivity of these two spheres in the strategy and management of companies. [Further information](#).
- **Conciseness may speak volumes** - “Concise reports of a few dozen pages can suffice to render corporate responsibility & managerial process risk factors intelligible” says Vigeo (ESG rating agency) in [a survey published in 2015](#).

## INVESTOR INTEREST ON THE RISE BUT NOT COMPLETE

- **Institutional and large investors such as the IFC, EBRD are primarily looking at and rewarding integrated reporting.** In lot of cases it is not about going into details on indicators, but more a prerequisite to have a sustainability, or even better, an integrated report. (Feedback from MIA workshop – January 2015)
- **Investor-driven initiatives to develop sectorial material topics` listings is on the rise** – the [Sustainability Accounting Standards Board](#) in the US is developing sectorial material sustainability topics list for companies to be able to report on, compare information and link to investors. In the US, materiality is a legal category, not a management tool, like in the interpretation of other frameworks (e.g. the GRI and IIRC).

In Europe, during 2010, the European Federation of Financial Analysts Societies (EFFAS) and the Society of Investment Professionals in Germany (DVFA) published a [list of sectorial ESG key performance indicators](#) that companies are free to use. Project Delphi (under the leadership of EFFAS and State Street, in collaboration with CSR Europe) is finalising a broader range of sectorial key drivers, metrics and indicators of material environmental, social and governance issues that certain investor communities are likely to take up in their company valuation models.

- **Natural capital as a whole is higher on investors' agenda** - [Climate Disclosure Standards Board \(CDSB\)](#) has expanded its framework from climate change to natural capital as a whole, offering companies a reporting framework that investors are more readily taking up in their valuation models. The framework is going through its second consultation period and will be finalized in 2015.
- **Purification of sustainability ratings is under way** - [Global Initiative of Sustainability Ratings \(GISR\)](#) has been set up by Ceres and partners to ensure that sustainability ratings convey value, instead of over-ambitious expectations concerning companies.

## INTEGRATED REPORTING HAS A LONG WAY TO GO WHILE NON-FINANCIAL/ SUSTAINABILITY REPORTING QUALITY ALSO NEEDS TO IMPROVE

- **There is a disconnect between executive aspirations and reality of sustainability management and communication**

Although the majority of CEOs think sustainability is important for their companies' future success, only a third of them think business is on track to ensure sustainable operations. ([UNGC – Accenture CEO Study 2013](#))

The [PRI investor study](#) shows that although 57% of CEOs say they are capable of explaining their sustainability strategy to investors, only 9% of investors surveyed believe the CEOs are able to explain it at all.

- **Management capabilities to ensure good performance and meaningful reporting need to improve** [KPMG's Corporate Responsibility Reporting Survey \(2013\)](#) concludes that companies are still weak on assessing and communicating about material sustainability topics linked to their business. More should be done to map stakeholder expectations in the process.

In addition cascading expectations and engaging the supply chain to improve sustainability performance and be transparent also poses a challenge to companies.

## RESOURCES FOR THE JOURNEY

- **Check if the requirements of the Directive are affecting your company directly or indirectly (through customer expectations).** This legal instrument, under transposition into national law until 6 December 2016, is promoting mature management systems and may potentially affect data collection for reporting.
- **Work towards integration of thinking, management, performance and reporting** – ideally following that order.
- **Check the [reporting landscape map](#)** published by the Corporate Reporting Dialogue initiative to help you in integrated reporting
- **Collaborate with other companies to advance the practical implementation** of principle-based approaches, such as the IIRC framework, and also to address management challenges. CSR Europe is a good platform to [engage on sustainability management](#) and [social innovation](#).

## GOOD PRACTICES

Titan - [Integrated Reporting](#)

The annual [Dutch Crystal Prize](#) awards integrated reports

[The Integrated Reporting Database of the IIRC collects integrated reports](#)

## 3.3 MAPPING STAKEHOLDER EXPECTATIONS

### KNOW YOUR SUSTAINABILITY CONTEXT

#### WHAT IS IT?

The stakeholder view of corporate management suggests that the boundaries of a company's impact will not stop at the door of the offices or factories, etc. A company affects and is affected by numerous different actors called stakeholders. Since the company has an impact on these stakeholders regardless of whether it realises it or not, it is better to shape this relationship in a systematic manner to yield positive impact.

#### WHY IS IT IMPORTANT?

Integrating values and interests of stakeholders into successful business operations is one of the biggest challenge currently facing companies. The expectation of stakeholder groups has the power to impact on operations and reputation and ultimately, the triple bottom line performance of the company.

Therefore, stakeholder expectation mapping is a fundamental element of strategic and integrated sustainability management. It is based on the view that a company is interacting with its environment and that one of the main goals of the company is to ensure that this interaction yields positive impact for all parties of the equation, i.e. stakeholders.

From a more managerial perspective stakeholders have significant impact on the intangible value of a company. Mapping out and managing the risks and opportunities arising in the interaction with stakeholders should therefore be a strategic focus of senior management in order to define the long-term sustainable growth trajectory of the organisation.

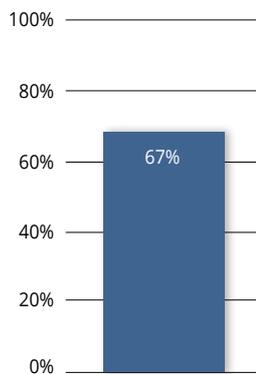
## IDEAL SCENARIO

For the reasons stated above we set a regular, systematic approach informing corporate strategy on both group and affiliate level as the highest level of stakeholder expectations mapping.

## MIA RESULTS

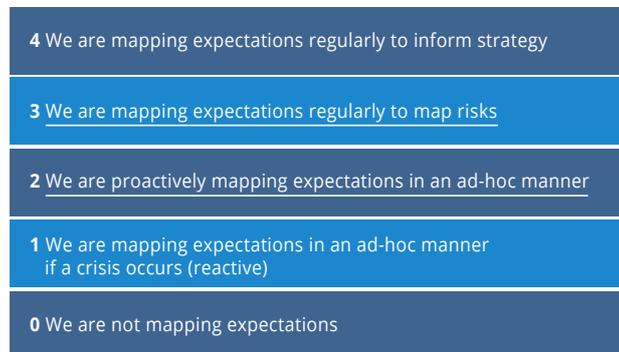
Average result of mapping stakeholder expectations fall between a proactive, but ad-hoc approach, (in which companies do reach out to stakeholders to discuss issues of interest for both, but it is not certain how they can influence internal strategy with information drawn from these procedures) or a regular approach mapping current and emerging sustainability risks and feeding this information into the appropriate functions.

### AVERAGE RESULT MAPPING STAKEHOLDER EXPECTATIONS (%)



CSR Europe, 2014, n=9

### FIVE MATURITY LEVELS MEASURED



## TRENDS

### WHO ARE THE IMPORTANT STAKEHOLDERS?

There are definitely stakeholders who are more important than others, which is why we are advocating a systematic approach in managing relationships with them. From the perspective of importance we can differentiate primary and secondary stakeholders, but be aware that the list will change depending on the level of the discussion (group/regional/country/affiliate) and other aspects that may matter to the company or relate to the issue at hand.

The good practices below all provide information on how to select stakeholders. While organisations such as Business for Social Responsibility (BSR) also emphasise stakeholder identification in a [tool](#).

CSR Europe is also providing stakeholder mapping as a tailored service. [Click here for more information](#).

### HOW TO ENGAGE STAKEHOLDERS IN A SYSTEMATIC WAY?

There are many solutions for systematic storage and analysis of stakeholder expectations.

- Many companies use surveys to be able to get in touch with a large number of relevant stakeholders, yielding well-structured feedback relatively fast.
- Others believe in face-to-face qualitative information gathering through interviews (usually executed by third party agencies) or stakeholder group dialogues (many CSR Europe members are turning to this tool, e.g. Hitachi).
- Others may use a panel of external and internal stakeholders over a longer time span to check company strategies / solutions through a triple-bottom-line or sustainability lens (see the Danone KOL and Solvay examples below).

Most probably no one good solution exists, rather a mix of all these approaches applied to specific levels, purposes and situations would be the most beneficial approach.

Some arguments for systematic stakeholder expectations mapping are:

- **Human Rights due diligence requirements** ([in the UN Guiding Principles](#))
- **ISO 26000** due diligence guidelines
- **GRI G4 appropriate requirements on stakeholder engagement**
- **The EU Directive on Non-Financial Information Disclosure** requirements on due diligence in social, environmental, diversity, human rights, anticorruption and bribery areas

Some stakeholder expectations mapping tools are:

<p><a href="#">Business for Social Responsibility (BSR) - Back to Basics: How to Make Stakeholder Engagement Meaningful for Your Company</a> (2012)</p>	<p>This guide gives a good concise process overview with practical questions and “dos and don’ts”.</p>
<p><a href="#">AccountAbility's AA1000 Stakeholder Engagement Standard</a> (2008)</p>	<p>A leading stakeholder engagement tool, the AA1000 Stakeholder Engagement Standard provides a principles-based, open-source framework for quality stakeholder engagement and supports the standard.</p>
<p><a href="#">Ceres Guide to Stakeholder Engagement</a> (2007)</p>	<p>The guide from this Boston-based organisation provides elaborate case studies and a sample of what stakeholder interactions can come into play.</p>
<p><a href="#">UNEP - The Stakeholder Engagement Manual</a> (2005)</p>	<p>As a complement to the first AA1000 standard, Accountability and the UNEP published this manual with the vision to align “corporate strategy with sustainable development”. Even though it was published in 2005, the approach and models are very relevant in providing practical advice and template to especially those starting to setup a systematic process.</p>

## RESOURCES FOR THE JOURNEY

If you have not started systematic stakeholder relationship management yet, it is worth conducting a baseline study on how different departments are in contact with their stakeholders and what are they discussing as it can bring interesting stories and interactions to the surface. Starting sustainability/integrated reporting is a good trigger for this exercise.

Once a baseline on stakeholder engagement is established, look into what forms of engagement could benefit your purpose and how to develop upper-management attention on integrating stakeholder expectations into strategy development. Starting with one project, in which collecting stakeholder expectations may have immediate benefits could be a good approach. New site development; a new project development; decisions on community involvement projects and what impact to achieve and measure; development of a new policy or product, especially with a strong focus on sustainability may be good opportunities to involve the stakeholder view and move to a more systematic, strategic approach. The tools above are good resources for further information.

If your company is already practicing proactive stakeholder engagement make sure to build up channels and cross-functional checkpoints where not only risks, but opportunities can also be assessed and acted upon. A good case in point is the revitalisation of the Lipton brand and how increased stakeholder engagement and a sustainable supply chain strategy brought a turnaround in the economic, social and environmental benefits of the Unilever-owned brand.

## GOOD PRACTICES

Unipol – [Regional Councils](#)

Solvay – [Involvement of EU Working Council in Sustainable Development](#)

Danone – [Nature Stakeholders Board](#)

Unilever – [Revitalization of the Lipton brand](#)

[Further solutions can be found in the CSR Europe solutions database](#)

## **3.4 SUSTAINABILITY TRAINING**

### **HELP STAFF THINK & WORK SUSTAINABLY**

#### **WHAT IS IT?**

We are talking about training to help employees of a company gain the knowledge and practical support they need to position sustainability/non-financial management in corporate value generation and define what that means in their daily work.

#### **WHY IS IT IMPORTANT?**

Employees need to be well-equipped to act according to the values and policies set by the organisation in which they are working. Sustainability/non-financial management is an element that needs the same approach as all learning & development areas within the company.

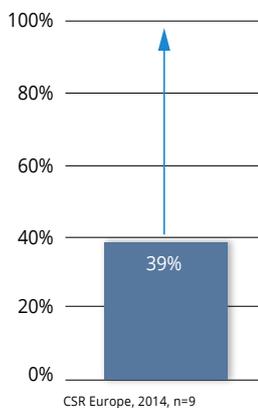
#### **IDEAL SCENARIO**

We expect a lot in this topic and asked the companies taking part in the pilot to compare their current practice to the highest level score attributed to a 'regular function specific sustainability training for all'. This would require strong integration of general and function-specific sustainability-related modules or entire training solutions in the learning and development plan of the company.

## MIA RESULTS

This question yielded the lowest score among the pilot companies. This may be due to relatively high expectations, however the result demonstrates how little this area is developed. Nonetheless, one could argue that equipping employees is one of the most important things to do if targets are to be achieved.

### AVERAGE RESULT SUSTAINABILITY TRAINING (%)



### FIVE LEVELS MEASURED

<b>4</b> We are providing regular function specific sustainability training for all
<b>3</b> We are providing one-off function specific sustainability training for all
<b>2</b> We are providing one-off general training for all
<b>1</b> We are providing one-off general training for a limited number of staff
<b>0</b> We are not providing trainings on sustainability

## TRENDS

The trend we are capturing from the MIA result and conversation with companies is that sustainability / CSR trainings stay on a general awareness raising level and have still to address function-specific duties. Evolution in this integration element may and can be linked to the improvement in target-setting and employee performance management, which both came out as weaker areas of performance management ([see infographic on MIA results](#)).

In the workshop following the pilot assessments, we were asked whether it was reasonable to request companies to provide function-specific trainings to all, even though sustainability management does not affect all employees.

From an idealistic point-of-view, we would like to argue that sustainability as a management approach should be the business of everyone in the organisation. For example stakeholder relationship management, sustainability data collection, impact measurement and due diligence are transversal management skills that benefit all if sustainability management is to be well-integrated into the organisational culture and modus operandi.

## RESOURCES FOR THE JOURNEY

In parallel to convincing your upper-management about the business case of financial/non-financial integration, i.e. integrated thinking and management, involve Human Resources in the discussion to see how to include a transversal management skill training into the learning & development plan of the company. This could also be an opportunity to address the question of sustainability targets and their integration into employee performance management.

## GOOD PRACTICES

Enel - [E-Learning in collaboration UN PRiME](#)

Orange - [internal CSR certification training](#)

# 3.5 HUMAN RIGHTS

## EMERGING EXPECTATION DRAWING LOT OF ATTENTION

### WHAT IS IT?

Business and Human Rights (BHR) deals with the (potential and actual) impact of business operations on human rights.

The GRI G4 standard defines human rights as *“the extent to which processes have been implemented, incidents of human rights violations, and changes in stakeholders’ ability to enjoy and exercise their human rights. Among the human rights issues included are non-discrimination, gender equality, freedom of association, collective bargaining, child labor, forced or compulsory labor, and indigenous rights.”*

The tool assesses the company’s approach to human rights based on this definition.

#### **The legal and “paralegal” framework**

The international legal framework for human rights is comprised of a body of law made up of treaties, conventions, declarations and other instruments.

The corner stone of human rights is the **United Nations (UN) International Bill of Rights**.

When looking more specifically at human rights in business, the **UN Guiding Principles of Business & Human Rights** (UNGPs) are of particular relevance: unanimously endorsed by the UN Human Rights Council in 2011, they represent the main framework for preventing and addressing the risk of adverse impact on human rights linked to business activity.

## WHY IS IT IMPORTANT?

There is a growing accountability movement today that looks at the fine print and challenges companies on whether their rhetoric matches their practices and impact.

Companies need to embed the respect for human rights to achieve operational excellence in their sustainability programmes, hence delivering also tangible benefits to their shareholders and society overall. Direct impact on companies can be witnessed too, such as avoiding commercial costs related to human rights incidents, enhancing reputation, and favouring future investment opportunities.

Respecting human rights is not only based on business voluntary initiative: governments around the world have followed suit with increasing expectations on corporations to respect human rights in all their activities.

Two important developments are the recent **EU Directive on Non-Financial Information Disclosure and launch of UNGPs reporting framework**, endorsed by investors with \$3.91 trillion assets under management.

## IDEAL SCENARIO

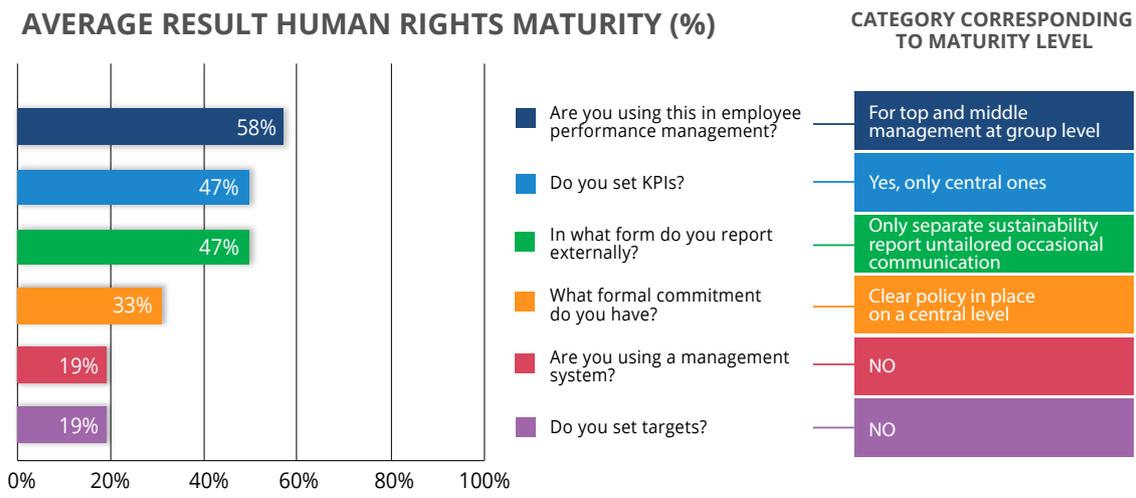
Embedding respect for human rights and measuring the impact of practices adopted are essential to corporate efficiency and competitiveness. It starts with building a so-called 'rights-aware culture' through policies, trainings, incentives and the sharing of successes, failures and lessons learned within the company and its supply chain. This is a large scale, step-by-step and long-term process, which is unique to every company.

In the MIA assessment, we benchmark companies' performance against an ideal situation, set according to the factors of maturity in policy, performance management and reporting:

<b>POLICY</b>	Expectations of central and local policies are cascaded to the supply chain
<b>PERFORMANCE MANAGEMENT</b>	<ol style="list-style-type: none"> <li>1. Targets are set at headquarter and affiliate level as well as for suppliers</li> <li>2. KPIs are central ones that affiliates are required to adapt, and also collect data from suppliers on it</li> <li>3. Certified management system(s) reviewed internally and by third party to activate improvement if necessary.</li> <li>4. Key material metrics are present in employee evaluation for top and middle management at headquarter and affiliate level</li> </ol>
<b>REPORTING</b>	Integrated report and strategic tailored communication to all stakeholders

## MIA RESULTS

The companies assessed were mostly considering human rights as a set of regulations to comply with, rather than a strategic area to put on the agenda.



In terms of maturity of management, we observe that the assessed companies in general:

1. do not include human rights in their formal management systems and target setting mechanisms, but
2. assess top and middle managers' performance also against human rights-related indicators.

The second result is promising, and hints at the fact these companies do pay attention to emerging sustainability challenges by linking results with internal performance indicators. However, the assessment did not check qualitative implications: what are those KPIs? How to cascade them into the entire organisation? On this front, the insights from [CSR Europe's strategic work-stream on business & human rights](#) tell that setting meaningful KPIs and developing metrics to help the company and its suppliers manage their (sustainability) performance is still a challenge today.

## TRENDS

Most multinationals today have been working on tackling human rights issues internally and externally for a number of years and the path for smaller companies is being built.

Challenges and trends can be identified in all the steps necessary to embed human rights into company functions. The results below come from CSR Europe's work with European-based companies.

### POLICY COMMITMENT & ACTION PLAN

A large majority of companies today have approved a human rights commitment without having experienced major issues.

For the few of them that formalise this commitment (through a human rights policy), they consult and engage different stakeholder groups along the process.

This consultation process proves to be challenging especially in identifying and involving all the relevant stakeholder groups.

Following the process, effective dissemination of the policy is challenging due to the size of multinational companies.

### ORGANISATIONAL ANCHORING (EMBEDDING)

When operationalising their duty to respect human rights i.e. when embedding human rights in companies, responsibility often falls under the scope of CSR, HR or legal/compliance departments.

For global companies with interconnected supply chains it is central yet difficult to define a strategy to embed human rights that is practical and relevant for procurement & product development, abstracting from human rights language.

Experts and first-movers are promoting a move from the traditional 'fail compliance' model to a continuous improvement approach: tackling issues step by step and improving slowly but steadily is a successful and sustainable model.

In this light, in the coming years, we will assist to the realisation/identification of the appropriate goals/objectives/targets/KPIs in tackling human rights issues are for individual companies and a natural consequence will be to also incorporate human rights into individual performance evaluation.

## HUMAN RIGHTS DUE DILIGENCE

The results of the MIA Assessment prove also that materiality analysis is used more and more often to identify and prioritise the most important issues for both the company and stakeholders, based on their severity and likelihood.

Conscious of the importance of this exercise, we are witnessing an increasing involvement of external expertise when developing Human Rights Impact Assessments.

Many challenges are still present for companies:

- Define measurable performance objectives & regular review of suppliers.
- Integrate capacity building activities for suppliers to improve the social and environmental performance and impact.
- Adopt a dialogical approach to auditing, by focusing on the root causes of problems.

## HUMAN RIGHTS TRAINING

Training represents a prime opportunity to expand the knowledge base of all employees and drive a change from within.

Inclusion of human rights-related topics (or more rarely stand-alone human rights training) is present in companies today, especially targeting mostly top and middle management from procurement, operations and HR functions. The number of companies training suppliers is steadily increasing.

Tailoring the training content to provide adequate support and guidance to the different functions and locations is a challenging element for many companies, which often struggle to design training that can instill behavioural change and the capability to address impacts.

## GRIEVANCE MECHANISMS

The UNGPs devote a specific pillar to access to remedy for the victims of human rights abuses. Companies with large operations still find difficult to coordinate an external grievance mechanism (mechanisms initiated and/or run by companies themselves to handle grievances coming from the communities impacted by their operations, their suppliers/contractors) but the large majority of them have an established grievance mechanism to address only internal complaints (coming from the workforce).

Even when running internal mechanisms, the sensitivity of the topics faced and the geographical and cultural scope of the operations create a number of challenges, such as:

- Overcoming **cultural differences** when implementing corporate policies at a local level
- Investing sufficient time and efforts in the **design** of the mechanisms
- Adopt a **continuous improvement approach** to learn and avoid issues in the future
- Set meaningful **KPIs** to measure performance of grievance mechanisms

**For more information see CSR Europe`s [benchmark results on effective grievance mechanisms](#).**

## MONITORING & REPORTING

The last step of a good framework to embed human rights is to monitor and report on the results/ progress: we are seeing an increase in external reporting, using mostly annual CSR reports, corporate websites (for reasons mentioned above).

When reporting externally, companies focus more often on information related to stakeholder inclusion and the implementation of human rights-related policies and processes.

As the results from the MIA assessment clearly show, the level of integration of human rights issues into other sections of sustainability reports is still low. The new tools (UNGP reporting framework, EU Directive on Non-Financial Information and Diversity) that are now available will bring a change in this trend.

A parallel step is development of metrics to help suppliers manage their sustainability performance as well.

## RESOURCES FOR THE JOURNEY

**In order to start your journey you may consult the following key documents:**

- [UN Guiding Principles](#)
- [The corporate responsibility to respect human rights - interpretative guide](#)

**For examples of how company practices can have an impact on each human right access [Human rights translated – a business reference guide](#).**

If you are starting, setting up or reviewing your internal or external grievance mechanism [check out CSR Europe`s assessment and benchmarking tool \(MOC-A\)](#), which can help you identify gaps and get management buy-in for necessary updates.

For a comprehensive approach on how to embed human rights into company operations [join the European Hub on Business and Human Rights](#), coordinated by CSR Europe.

## 3.6 SOCIAL INNOVATION

### RESPONSIBLE R&D?

#### WHAT IS IT?

Social innovation is, according to the European Commission, new ideas (products, services and models) that simultaneously meet social need (more effectively than alternatives) and create new social relationships or collaborations.<sup>1</sup>

#### WHY IS IT IMPORTANT?

CSR Europe believes that social innovation is a basic characteristic of the enterprise of the future. Enterprise 2020 is the flagship program putting this into practical terms.

Strong arguments for social innovation-based R&D of products and services include:

- Cluster-based cooperative innovation approaches are becoming increasingly vital to generating new ideas that can then be further developed within companies.
- Integrating a societal focus in the innovation process can unlock new markets, lead to revenue growth and enhance company reputation.
- New ideas frequently come from consumers, suppliers, partners, research institutions or even from regulators.

<sup>1</sup> Open Book of Social Innovation, Murray, Calulier-Grice and Mulgan, March 2010

## IDEAL SCENARIO

Social innovation was one sustainability metric among the 17 defined for the MIA assessment. This topic is not an aspect of the GRI G4 framework. CSR Europe made this edition as our philosophy about expecting more from companies on this front, which is also mirrored by our Enterprise2020 vision. Companies were asked to score on six management maturity factors regrouped in the policy, performance management and reporting categories (see the ideal situation of each factor listed in table below).

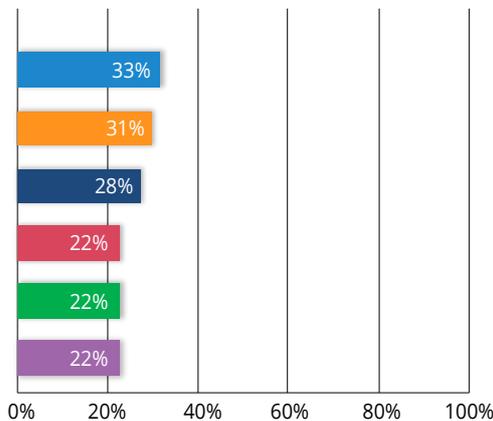
### IDEAL SITUATIONS OF THE 6 MANAGEMENT MATURITY FACTORS

<b>POLICY</b>	Expectations of central and local policies are cascaded to the supply chain
<b>PERFORMANCE MANAGEMENT</b>	<ol style="list-style-type: none"> <li>1. Targets are set at headquarter and affiliate level as well as for suppliers</li> <li>2. KPIs are central ones that affiliates are required to adapt, and also collect data from suppliers on it</li> <li>3. Certified management system(s) reviewed internally and by third party to activate improvement if necessary.</li> <li>4. Key material metrics are present in employee evaluation for top and middle management at headquarter and affiliate level</li> </ol>
<b>REPORTING</b>	Integrated report and strategic tailored communication to all stakeholders

## MIA RESULTS

The overall result shows that social innovation as defined for the purpose of this assessment is not one of the organisation-wide 'management process agenda' of companies in the pilot. This does not mean however that they are doing nothing on the topic. It means that new business models are on the radars of upper-management (integrated to a policy, KPI, or top management performance measure), and tested in spin-off ventures or funds (such as the Danone Ecosystem Fund) where companies are taking leadership roles.

**AVERAGE RESULT SOCIAL INNOVATION MATURITY (%)**



**RESULTS CORRESPONDING TO:**



Nonetheless, the answers on management maturity of social innovation and its categorisation as a non-strategic issue tell us that internalisation of this important lever of sustainable development as a whole is still to take place (for an outlook on internalisation see [chapter 4 The Next Frontier](#)).

## TRENDS

MIA pilot companies discussed this topic extensively in the workshop held in January 2015. The points below reflect the outcomes of that discussion:

- Sustainable value chains can be achieved only through sustainable Research & Development, by taking CSR to the heart of the products and not only processes.
- The purpose of social innovation should be how to solve / eradicate persisting societal issues and create new opportunities
- We should not be talking about social innovation, but rather about **sustainable development**
- We should not be talking about innovation, but rather about **pure product development** (for such an approach see Solvay`s SPM tool below)

## RESOURCES FOR THE JOURNEY

Since we are talking about an intrinsically different business model than most large companies are built on, testing initiatives in spin-off 'labs' seems to be an appropriate approach. An essential element, enabling innovation to happen is to build avenues allowing lessons learned to be translated into group-level long-term corporate planning.

Activating employee innovation potential in such testing phases via intrapreneurship may be a good approach to prepare your workforce for corporate culture and business model changes in the long-term.

## GOOD PRACTICES

Solvay - [Sustainable Portfolio Management \(SPM\)](#)

Danone - [Ecosystem Fund](#)

# 4

## THE NEXT FRONTIER

### TRUE, INTEGRATED VALUE AS STANDARD CORPORATE MANAGEMENT TOOL

More and more expert articles and corporate practices point towards taking account of externalities that companies create in parallel to creating economic value. Some call attention to a looming crisis within less than a decade to go ([see e.g. this SustainAbility blog post](#)) unless companies get ready to internalise and positively impact their externalities.

In their 2014 report "[A New Vision of Value: Connecting corporate and societal value creation](#)" KPMG demonstrates an approach to integrated thinking and internalisation of CSR norms. The report introduces the True Value methodology that was developed by the CSR Europe member company in order to assess societal value creation from corporations.

Core assumption of the contribution is that externalities have always been largely excluded from measuring corporate value. With the growing integration of companies in society and closer relations with stakeholders the disconnect between corporate and societal value is disappearing and therefore yields new potential for leaders and investors to unlock opportunities of value creation.

KPMG attributes three key drivers to fostering internalisation of externalities such as climate change, water scarcity or food security:

1. Regulations and standards
2. Stakeholder action
3. Market dynamics

The True Value methodology was developed to capture a company`s value creation by taking into consideration quantitative, as well as qualitative drivers and representing these in a format that top executives could also use in defining strategy.

Several CSR Europe members already make use of the method, or have otherwise made efforts to mainstream triple-bottom-line performance in operations or product development and have partnered with experts in the field. Whereas other organisations, for example True Price or the World Business Council for Sustainable Development are working on methodologies to account for both environmental and social externalities.

## RESOURCES

### Natural Capital Accounting

- [Natural Capital Coalition](#)
- [Greenhouse Gas Protocol](#)

### Social Capital Accounting

- [Measuring Socio-Economic Impact – World Business Council for Sustainable Development](#)
- [Unlocking the Value of Social Investment - KPMG](#)
- [Tools for measuring socio-economic impact database - Foundations Center](#)

## GOOD PRACTICES

Randstad - [Youth@Work to boost youth employment with measurable impact](#)

Solvay - [Employee Performance Linked to Sustainability](#)

AXA - [Corporate Responsibility Barometer](#)

NS - [Assured Environmental and Social Profit & Loss calculations](#)

**Further practices of monetising externalities can be found in True Price report:**

<http://trueprice.org/report/> and in KPMG`s report: [“A New Vision of Value: Connecting corporate and societal value creation”](#)

Novo Nordisk & Dow Chemicals on the [SustainAbility Blog](#)

SAP – [Integrated Performance Analysis](#)

# 5 GOOD PRACTICES

## REAL ANSWERS TO CHALLENGES

Good Practices were collected as part of the MIA assessment process during pilot interviews and from CSR Europe`s database of corporate solutions. These good practices represent exceptional engagement or creative solutions in various areas of sustainability management.

We selected good practices to reflect potential solutions on challenges identified in the MIA benchmark.

Area	Company	Name of Solution	Description
Community Impact / Engagement	Randstad	Project Youth@work to boost youth employment with measurable impact  <a href="http://www.csreurope.org/randstad-youthwork">http://www.csreurope.org/randstad-youthwork</a>	A public private partnership with the aim of getting Dutch youth on welfare to work. Interesting impact monetization methodology to show results.
Implementation	Canon	Implementation of Sustainability Strategy  <a href="http://www.csreurope.org/implementation-sustainability-strategy-across-business">http://www.csreurope.org/implementation-sustainability-strategy-across-business</a>	A public private partnership with the aim of getting Dutch youth on welfare to work. Interesting impact monetization methodology to show results.
Internal Communication	Danone	Danone Social Network  <a href="http://www.csreurope.org/danone-social-network-change-corporate-culture">http://www.csreurope.org/danone-social-network-change-corporate-culture</a>	Creation of an internal social network that enables employees to form global networks, share content and supports the shift to a more open mindset.
Community Impact / Engagement	State Street	Employee engagement platform and communication campaign  <a href="http://www.csreurope.org/state-street-social-intranet">http://www.csreurope.org/state-street-social-intranet</a>	The 'Collaborate' platform is designed to enable State Street employees to easily and efficiently share information, ideas, and expertise across the company and around the world as well as connect with colleagues across the globe on vetting and implementing those ideas.

Area	Company	Name of Solution	Description
Community Impact / Engagement	State Street	Employee engagement platform and communication campaign  <a href="http://www.csreurope.org/state-street-social-intranet">http://www.csreurope.org/state-street-social-intranet</a>	The 'Collaborate' platform is designed to enable State Street employees to easily and efficiently share information, ideas, and expertise across the company and around the world as well as connect with colleagues across the globe on vetting and implementing those ideas.
Mapping Stakeholder Expectations	Unipol	Unipol Regional Councils  <a href="http://www.csreurope.org/unipol-regional-councils-cru">http://www.csreurope.org/unipol-regional-councils-cru</a>	Since 2010, Danone organized its strategic thinking in the "Nature" activities with the involvement of an external expert panel consisting of opinion leaders and NGOs (Nature Stakeholders Board).
Materiality Analysis	Coca-Cola Hellenic Bottling Company	Materiality Analysis  <a href="http://www.csreurope.org/co-ca-cola-hellenic-materiality-analysis">http://www.csreurope.org/co-ca-cola-hellenic-materiality-analysis</a>	Coca-Cola Hellenic developed a materiality assessment process in line with the Global Reporting Initiative G4 Guidelines so as to determine the issues that are of greatest importance to both stakeholders and the company.
Materiality Analysis	Solvay	Sustainability Working Group with EU Working Council  <a href="http://www.csreurope.org/solvay-involvement-eu-working-council-sustainable-development">http://www.csreurope.org/solvay-involvement-eu-working-council-sustainable-development</a>	A permanent working group on sustainability issues that was set up in Solvay's European Working Council.
Materiality Analysis	State Street	Global materiality analysis methodology 2013  <a href="http://www.csreurope.org/state-street-materiality-analysis">http://www.csreurope.org/state-street-materiality-analysis</a>	A global materiality analysis methodology including both internal issue prioritization with top executives and external stakeholder verification of material topics.
Materiality Analysis	State Street	Global materiality analysis methodology 2013  <a href="http://www.csreurope.org/state-street-materiality-analysis">http://www.csreurope.org/state-street-materiality-analysis</a>	A global materiality analysis methodology including both internal issue prioritization with top executives and external stakeholder verification of material topics.
Materiality Analysis	Titan	Materiality Analysis  <a href="http://www.csreurope.org/titan-materiality-analysis">http://www.csreurope.org/titan-materiality-analysis</a>	Titan conducts both group and regional materiality analyses the results of which were communicated in their integrated annual report in 2013.

Area	Company	Name of Solution	Description
Next Frontier to Get Value	NS - Dutch National Rail	Social and environmental profit and loss account  <a href="http://www.csreurope.org/ns-environmental-and-socio-economic-impact-analysis-assured-epl">http://www.csreurope.org/ns-environmental-and-socio-economic-impact-analysis-assured-epl</a>	NS conducted an environmental profit and loss account calculation audited with reasonable degree of assurance by KPMG, in order to define their impact and make better decisions in becoming climate neutral, reaching 0g CO2 and zero air pollution per passenger-kilometre.
Performance management	AXA	Corporate Responsibility Barometer  <a href="http://www.csreurope.org/esg-performance-management-and-evaluation-tool">http://www.csreurope.org/esg-performance-management-and-evaluation-tool</a>	An internal CR management maturity measurement tool to entice improvement in non-financial management within group companies.
Performance management	Solvay	10% Sustainability Bonus  <a href="http://www.csreurope.org/solvay-employee-performance-linked-sustainability">http://www.csreurope.org/solvay-employee-performance-linked-sustainability</a>	10% remuneration bonus of senior staff & CEO now consists of sustainability criteria. Criteria are comprised of external recognition and internal progress targets.
Reporting	Titan	Integrated Reporting  <a href="http://www.csreurope.org/titan-integrated-reporting">http://www.csreurope.org/titan-integrated-reporting</a>	Titan's evolution towards integrated reporting, starting in 1983 with the first Social Report. Involvement of all departments, integrated thinking and the implementation of a holistic approach are the cornerstones of Titan's approach.
Reporting	Titan	Integrated Reporting  <a href="http://www.csreurope.org/titan-integrated-reporting">http://www.csreurope.org/titan-integrated-reporting</a>	Titan's evolution towards integrated reporting, starting in 1983 with the first Social Report. Involvement of all departments, integrated thinking and the implementation of a holistic approach are the cornerstones of Titan's approach.
Risk Assessment	State Street	External Risk Assessment  <a href="http://www.csreurope.org/state-street-risk-assessment-own-operations-business-continuity-and-external-rating">http://www.csreurope.org/state-street-risk-assessment-own-operations-business-continuity-and-external-rating</a>	Risk Assessment in collaboration with MSCI to validate the quality of integration of environmental and social factors into company practice.

Area	Company	Name of Solution	Description
Social Innovation	Danone	Danone Ecosystem Fund <a href="http://www.csreurope.org/danone-ecosystem-fund-nurturing-social-innovation">http://www.csreurope.org/danone-ecosystem-fund-nurturing-social-innovation</a>	This endowment fund is intended to strengthen and develop the activities of the partners who make up Danone's ecosystem (farmers, suppliers, transport, logistics etc.). It is based on co-design and co-creation principles according to Danone values, and also serve as laboratories to measure impact.
Social Innovation	Solvay	Sustainable Portfolio Management (SPM) <a href="http://www.csreurope.org/solvay-sustainable-portfolio-management-spm">http://www.csreurope.org/solvay-sustainable-portfolio-management-spm</a>	The SPM analyses strengths and weaknesses of planning, manufacturing activities, mergers from a societal, environmental and economic perspective.
Supply Chain Engagement	Danone	RESPECT <a href="http://www.csreurope.org/danone-respect-sustainable-supply-chain-initiative">http://www.csreurope.org/danone-respect-sustainable-supply-chain-initiative</a>	A program that extends the "dual economic and social project" to Danone's supply chain following a specific process.
Supply Chain Engagement	Enel	Better Coal Initiative <a href="http://www.csreurope.org/better-coal-initiative-defining-standards-refining-practice-coal-supply-chain">http://www.csreurope.org/better-coal-initiative-defining-standards-refining-practice-coal-supply-chain</a>	A mining sector initiative by several leading companies in order to develop a joint Code of Practice and tackle core sustainability issues.
Sustainability Governance	Michelin	Sustainability Oversight <a href="http://www.csreurope.org/michelin-governance-structure-sustainability-integration">http://www.csreurope.org/michelin-governance-structure-sustainability-integration</a>	An effective and integrated sustainability governance regime, consisting of an executive level Sustainability Committee, internal networks, a Sustainability Operating committee and quantifiable targets.
Sustainability Governance	Unipol	Life Products Certification <a href="http://www.csreurope.org/unipol-sustainable-value-certified-insurance-products">http://www.csreurope.org/unipol-sustainable-value-certified-insurance-products</a>	An experimental certification for life insurance products together with Bureau Veritas.
Sustainability Training	Enel	E-Learning in collaboration with UN PRIME <a href="http://www.csreurope.org/enel-csr-e-learning-course-un-prime">http://www.csreurope.org/enel-csr-e-learning-course-un-prime</a>	An online training course that was not only accessible for internal audiences but also redeveloped and published on the UN PRIME website.
Sustainability Training	Orange	Internal CSR certification training in collaboration with business school <a href="http://www.csreurope.org/orange-internal-csr-certification-training">http://www.csreurope.org/orange-internal-csr-certification-training</a>	To train internal CSR managers in subsidiaries, Orange partnered with Kedge business school and provides professional certificates to its staff.

# 6.1 MIA BENCHMARK TECHNICAL DETAILS

## MATURITY

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**The degree to which companies measure and manage what is material to their business.**

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The assessment measures the maturity of non-financial/sustainability management processes in two parts: I. materiality analysis and II. management of key metrics. In Part I., the questions refer to how robust and credible the analysis of material issues is, which has an effect on companies' resource allocation and management maturity.

In Part II. questions refer to 3 categories:

1. Formal commitments (policies)
2. Performance management
3. Reporting, which yields the overall management maturity of key metrics.

All questions are graded on a scale of five ranging from 0 to 4 points according to maturity levels defined for each question. In the final maturity rate, Part I. has a weight of 25% and Part II., a weight of 75%.

## COMPONENTS OF MATURITY

We distinguish four components of maturity:

1. **Materiality Analysis** – assessed through an interview with CSR Europe consisting of 8 robustness criteria,<sup>1</sup> scored on a scale of 0-4 ranging from 'not mature' to 'good practice' (this is discussed more in detail in [challenge 3.1](#)).
2. **Policy** – whether companies have policies for given sustainability metric/topic. This consists of one self-assessed question scored on a scale of 0-4 ranging from 'no policy' to 'Expectations of central and local policies cascaded to the supply chain'.
3. **Performance Management** – here we seek answers to 4 questions<sup>2</sup> regarding internal management of each sustainability metric, scored on a scale of 0-4 with different thresholds for each question and then averaged to arrive at the component's score.
4. **Reporting** – we were curious about how metrics/topics were disclosed. This was a one-question assessment, scored again 0-4 ranging from 'no reporting' to 'integrated report and strategic tailored communication to all stakeholders' (this will be discussed more in detail in [challenge 3.2](#)).

## INTEGRATION

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**The degree to which sustainability and material stakeholder expectations are embedded into strategic management and into all divisions of the organisational structure.**

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The assessment measures the integration of non-financial/sustainability management processes in three parts: III. strategic integration of sustainability, IV. sustainability governance and V. capacity building for integration.

- In **Part III**, the questions refer to how the company integrates non-financial/sustainability in its *vision, strategy, risk assessment and how is it mapping stakeholder expectations?*
- In **Part IV**, questions refer to the structure of sustainability governance and which functions are responsible for the *strategy's implementation*.
- In **Part V**, we ask companies to explain how they engage in *capacity building internally* and in their *supply-chain* to improve sustainability performance.

<sup>1</sup> These are 1) Purpose of your materiality assessment; 2) Level and scope; 3) Stakeholder mapping; 4) Issue identification; 5) Issue prioritization; 6) Representation of material topics; 7) Validation of internal issue prioritization; 8) Review regularity

<sup>2</sup> These are: 1) Targets for KPIs in key metrics; 2) KPIs for key metrics; 3) Management system to control, manage and measure performance; 4) Key metric in employee performance management

All questions are graded on a scale of five ranging from 0 to 4 points according to maturity levels defined for each question.

In the final integration rate, Part III has a weight of 44%, Part IV 23%, while Part V 33% according to the number of questions for each part.

Sustainability management maturity and integration belong together. The chart below presents the elements of the MIA assessment and how they link to each other.



## 6.2 GLOSSARY

**Corporate Social Responsibility:** CSR is defined here in line with the European Commission's Communication on CSR ("A Renewed EU Strategy 2011-14 for Corporate Social Responsibility," October 25, 2011) as:

"the responsibility of enterprises for their impacts on society...[which involves] having a process in place to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders, with the aim of:

- maximizing the creation of shared value for their owners/shareholders and for their other stakeholders and society at large;
- identifying, preventing and mitigating their possible adverse impacts."<sup>1</sup>

Triple-bottom-line, CSR, sustainability, environmental, social and governance (ESG) and integrated performance are terms used interchangeably in this report.

**Enterprise2020:** Enterprise2020 is the image of a company which develops innovative business practices and works together with its stakeholders to provide solutions for existing and emerging societal needs. [CSR Europe strategy](#).

**Environmental, Social and Governance (ESG) issues:** investors use this term for non-financial management and performance aspects.

**EU Directive on Non-Financial Disclosure:** It requires companies concerned to disclose in their management report, information on policies, risks and outcomes as regards environmental matters, social and employee aspects, respect for human rights, anticorruption and bribery issues, and diversity in their board of directors. This will provide investors and other stakeholders with a more comprehensive picture of a company's performance. Source: [EU website](#)

**Externalities:** "Externalities refers to situations when the effect of production or consumption of goods and services imposes costs or benefits on others which are not reflected in the prices charged for the goods and services being provided." Source: [OECD Glossary](#)

**GRI materiality definition:** Material topics for a reporting organization should include those topics that have a direct or indirect impact on an organization's ability to create, preserve or erode economic, environmental and social value for itself, its stakeholders and society at large. Source: [GRI website](#)

<sup>1</sup> A Renewed EU Strategy 2011-14 for Corporate Social Responsibility, p.6  
([http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index_en.htm)).

**Grievance mechanisms:** mechanisms initiated and/or run by companies themselves to handle grievances coming from the communities impacted by their operations, their suppliers/contractors.

**IIRC materiality definition:** For the purposes of integrated reporting <IR>, a matter is material if it is of such relevance and importance that it could substantively influence the assessments of providers of financial capital with regard to the organization's ability to create value over the short, medium and long term. Source: [Materiality Background Paper](#)

**Integrated – financial and non-financial - reporting:** it is a process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation. The main target audience of integrated reporting is the investment community. Source: [IIRC website](#)

**Integrated performance:** is taking into consideration a company's environmental, social and governance performance in parallel to financial performance to create a holistic view of the company's results and value. Triple-bottom-line, CSR, sustainability, environmental, social and governance (ESG) and integrated performance are terms used interchangeably in this report.

**Intrapreneurship:** Intrapreneurs are employees who work in (large) organisations, develop innovative entrepreneurial solutions to business problems, and tackle social and environmental challenges profitably, where developing such solutions may not be within the scope of their job description.

**MIA benchmark:** Maturity and Integration Assessment and benchmark, developed by CSR Europe in 2014, provides companies with a solution to assess and benchmark the level of maturity and integration of their sustainability management in order to better understand and communicate internally improvement areas.

**Sustainable development:** "Humanity has the ability to make development sustainable to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs." Source: [Report of the World Commission on Environment and Development: Our Common Future, 1987](#)

**Triple bottom line:** A phrase coined in 1994 by John Elkington and later used in his 1997 book "Cannibals With Forks: The Triple Bottom Line Of 21st Century Business" describing the separate financial, social and environmental "bottom lines" of companies. A triple bottom line measures the company's economic value, "people account" – which measures the company's degree of social responsibility and the company's "planet account" – which measures the company's environmental responsibility. Elkington argued that companies should prepare three bottom lines – the triple bottom line – instead of focusing solely on its finances, thereby giving consideration to the company's social, economic and environmental impact. Source: [Investopedia](#)

Triple-bottom-line, CSR, sustainability, environmental, social and governance (ESG) and integrated performance are terms used interchangeably in this report.

**Value Chain:** "It refers to the full lifecycle of a product or process, including material sourcing, production, consumption and disposal/recycling processes. A sustainable value chain approach enables both business and society to better understand and address the environmental [and social] challenges associated with the life cycle of products and services." Source: [World Business Council for Sustainable Development website](#)

"Supply chains and value chains have clear definitions in business literature and operational thinking. Where a supply chain typically refers to the chain of suppliers inputting to a final product, value chain also encompasses thinking about the value created by the chain, particularly for end-use customers. In reflecting on how sustainability is incorporated into conventional supply chains, [we need] to consider the wider context of the value of that activity – to the suppliers themselves, but also to the end-use customer and a range of other stakeholders, including communities and governments."

Source: [UN Global Compact website](#)

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