

2018 Survey on CSR Reporting in Europe

Trends and Challenges for European Companies on
CSR Reporting and Sustainability Goals Integration

Our Study Objectives

This study will be conducted annually. Furthermore, over time, we intend to expand the number of companies to be surveyed and the range of criteria to consider to evaluate their information reporting practices with respect to sustainable development. Our goals are as follows:

Put together a smart database of best CSR reporting practices based on reports published by major public companies;

Identify problem areas in communicating corporate social responsibility information to the outside world;

Develop recommendations and tools to improve such communication.

We are convinced that corporate sustainability information should include more than a mere list of metrics and issues to be disclosed. It must present a clear picture of the company's goals and strategies in this area and demonstrate that the company meets the expectations of and the requirements set by its stakeholders. It is the active dialog between the company and its stakeholders that must be at the heart of any CSR effort.

Yet another important objective is to ensure that information reported by different companies allows for proper apples-to-apples comparison. It must be up to the stakeholders to determine whether, and to what extent operations of any particular company meet their expectations and comply with best globally accepted practices.

Survey framework

In the wake of the implementation of the EU Non-Financial Reporting Directive 2014/95/EU (Directive), this European Survey of Corporate Social Responsibility Reporting in 2018 aims to research the status of non-financial reporting of large corporations in Europe.

The research explores the level of commitment of European companies, through their common Sustainability and Corporate Responsibility strategic goals, and how well they measure their impacts and value.

314 companies from 9 European Indices were researched covering a wide variety of business sectors like Financial Services, Construction, Food and Beverages, Logistics, Chemicals, Healthcare, Telecommunications or Energy.

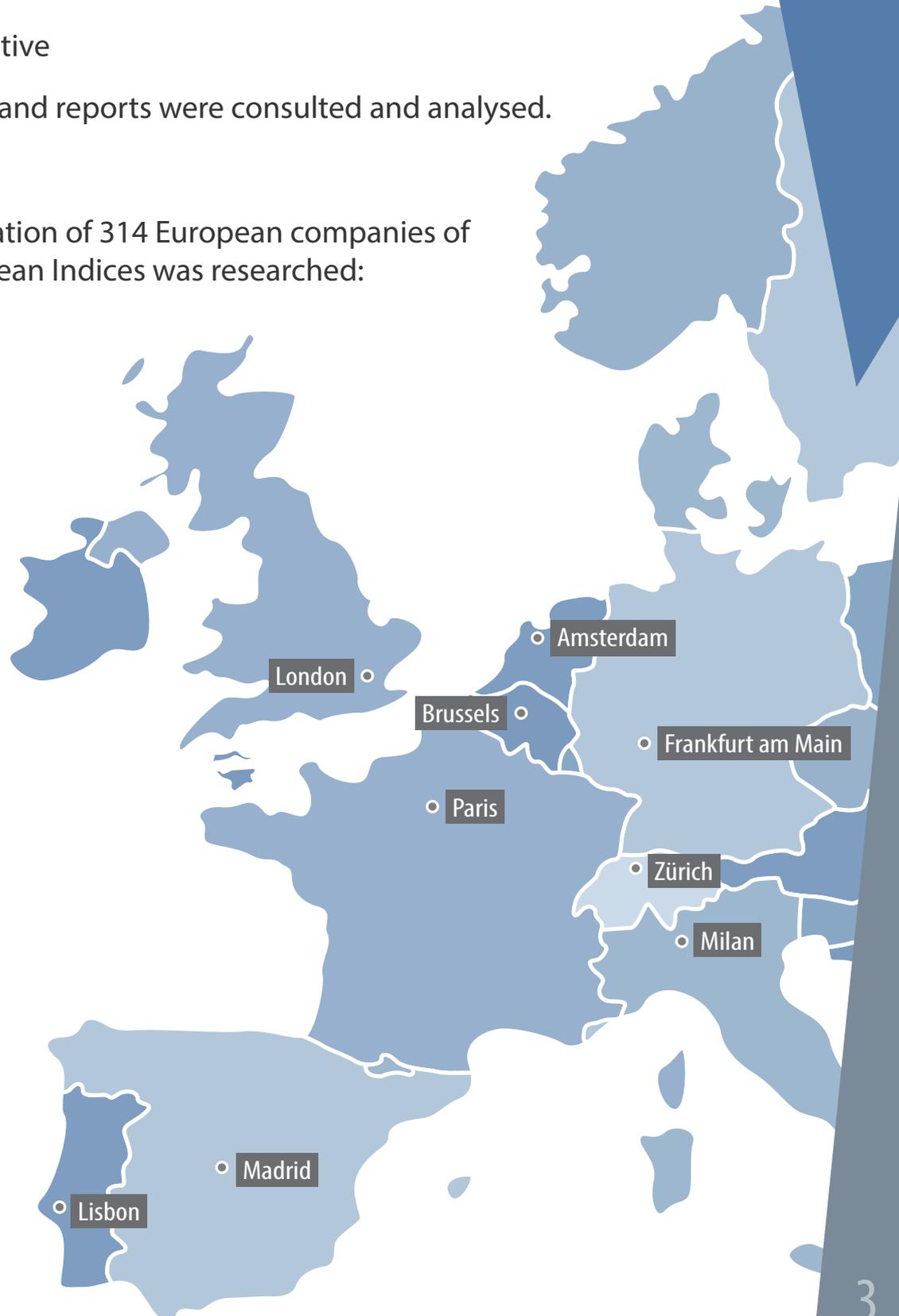
The purpose of reporting has always been a way for companies to understand and communicate progress and plans for creating value and more sustainable outcomes for business and its stakeholders. This survey has applied a three stepped approach in determining in how far reporting has progressed.

1. Transparency: Overall CSR perspective
2. Investors perspective
3. Footprint perspective

Corporate websites and reports were consulted and analysed.

The CSR communication of 314 European companies of the following European Indices was researched:

- FTSE (UK)
- CAC (France)
- DAX (Germany)
- MIB (Italy)
- IBEX (Spain)
- AEX (Netherlands)
- BEL (Belgium)
- PSI (Portugal)
- SMI (Switzerland)



Main trends and challenges

1. High level of transparency

Non-financial reporting is a standard communication practice; with 96% of the 314 companies in the 9 European Indices producing Corporate Social Responsibility (CSR) reports.

2. Rapid adoption of the UN Sustainable Development Goals (SDGs)

There is a strong link between corporate responsibility activity to the UN Sustainable Development Goals (SDGs). The SDGs have resonated strongly with businesses worldwide in less than two years since their launch. 58% of the companies connect their CSR activities to the SDGs.

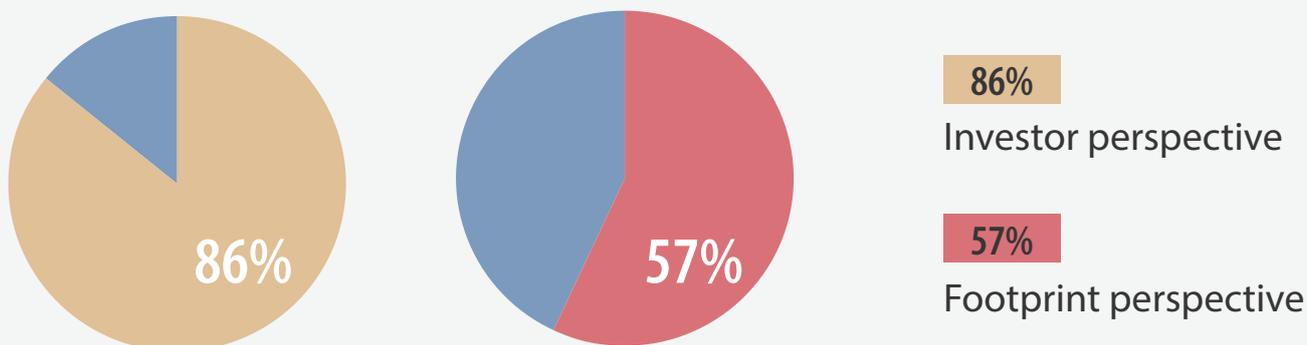
3. Climate change is the major reporting topic

Energy is the predominant reporting focus with 93% of companies communicating corporate energy and greenhouse gas emissions strategies and programmes. 78% resp. 85% of companies provide absolute numbers on energy use and greenhouse gas emissions.

4. Communication of performance data lags strategic information by far

Compared to the high level of strategic information provided by organisations (86%), there appears to be reluctance to report on absolute performance data (57%). There is vast space for improvement in this field, especially with regards to reporting on renewable energy use (29%) and material input (23%).

Level of communication



5. Large differences in CSR reporting across industry sectors

Consumer Staples, Materials and Utilities are the leading industry sectors in terms of CSR reporting. Laggards are the Financials, Information Technology and Real Estate sectors.

Transparency

This European survey of corporate social responsibility found that non-financial reporting is a standard communication practice; with almost all of the largest companies in the 9 Indices producing Corporate Social Responsibility (CSR) reports, either integrated or stand-alone.

96 percent of the 314 companies issue CSR reports. While much of CSR reporting is voluntary, the introduction of reporting regulation by governments and stock exchanges has played an important role in driving corporate transparency and accountability. This has resulted in almost a 100 percent reporting rate across Europe.

In the time of online media it is surprising to observe that not all companies producing CSR reports communicate CSR information on their corporate websites. With 96% of companies with CSR reports in place only 89% communicate CSR activities online. The online communication aspect can be strengthened.

58% of the companies link their corporate responsibility activity to the UN Sustainable Development Goals (SDGs). The SDGs have resonated strongly with businesses worldwide in less than two years since their launch. Applying the SDGs is a trend that has emerged in a short space of time and suggests that the SDGs will play an increasing role in CSR reporting over the years.

The number of companies applying SDGs (58%) is slightly higher than those using the Global Reporting Initiative (52%) framework.

On a country level, with the results of the Indices as indicator, large differences in the use of the SDGs and applying GRI are observed. Companies listed in the FTSE and the DAX show lower levels of application, whereas companies listed in the IBEX, MIB, PSI and SMI Indices show higher levels.

Top2 and Bottom 2 Country vs SDG / GRI application

| | | GRI | SDG |
|----------|----------------|------------|------------|
| Top 2 | SMI | 89% | 83% |
| | IBEX | 85% | 76% |
| | AVERAGE | 52% | 58% |
| Bottom 2 | FTSE | 29% | 45% |
| | DAX | 47% | 27% |

Investor perspective

CSR is becoming more important for investors because they are concerned about where and how their money is invested. Companies doing more than just paying lip service to CSR reporting are therefore showing investors that they operate a high standard of risk management. The capital market increasingly demands companies to be fully open about the details of their CSR engagements.

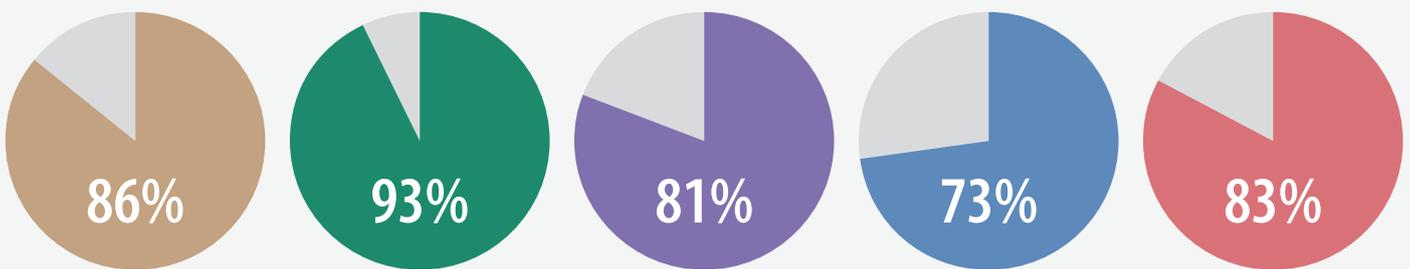
In this survey it was researched if companies communicate strategies and programmes on following topics:

- Organisation: corporate responsibility management systems
- 4 selected CSR topics: energy, water, waste and employee health

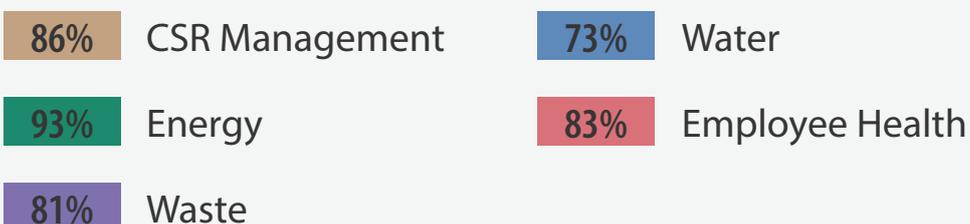
Overall companies show good communication from an investor perspective. On average, 83% of the companies report on the survey topics. Across all countries, there are barely differences in level of reporting.

Energy is the predominant reporting focus with 93% of companies writing about corporate strategies and programmes. This is not surprising given the dominance of climate change on the general sustainability agenda and in media coverage.

Topics vs average coverage by all companies



Level of communication over all companies



An underrepresented topic is water, where 73% of the companies provide specific information.

Consumer Staples, Materials and Utilities are the sectors with the highest level of reporting, whereas the Financials and Real Estate sectors show the lowest level of reporting.

Level of communication in selected industry sectors Comparison Consumer Staples and Information Technology vs Water / Waste and Employee Health

Waste



Water



Employee Health



Footprint perspective

CSR strategies and programmes are the basis for sound corporate responsibility agendas. Metrics however provide the basis for measuring performance and developing the corporate responsibility agenda.

Management decisions in companies should be made not only with regard to financial indicators, but also following ecological and social criteria. The baseline for decision-making should be precise and with up-to-date information on the sustainability of all operations.

Absolute numbers provide the possibility to track and compare performance or organisations. These also provide a basis to communicate progress on CSR strategies and to inform selected stakeholders and to redefine and adjust CSR strategies.

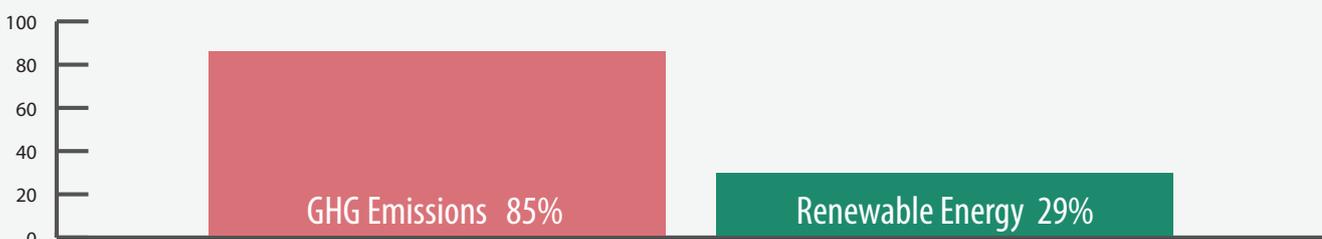
In this survey it was researched in how far companies report – in terms of absolute numbers -on following selected topics:

- Energy
- Greenhouse gas emissions
- Material input
- Renewable Energy
- Waste
- Water

Providing absolute numbers on energy use and greenhouse gas emissions is clearly the main focus with 78 resp. 85% of companies reporting on these.

GHG emissions and renewable energy vs. average all companies

Level of communication on absolute data - over all companies



Communication of data on renewable energy and material input is by far underrepresented in the CSR reports, only 29% resp. 23% of the companies report on these topics.

This indicates that using renewable energy is not part of corporate strategies yet. This is surprising given the relevance of climate change. In order to develop life cycle impacts of products and services across the value chain, measuring material input is of relevance. Therefore it wonders that the majority of companies chose not to report on this topic, even though life cycle impact assessments are widely mentioned in CSR reports.

Especially companies in the United Kingdom show a relative poor performance in communicating absolute performance numbers, whereas Spanish and Swiss companies report above average.

Materials and Utilities are the sectors with the highest level of reporting, whereas the Financials and Real Estate sectors again show the lowest level of reporting.

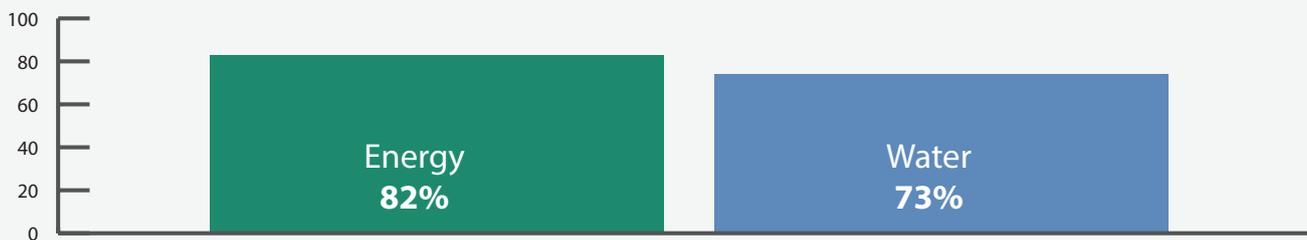
Compared to the high level of strategic information provided by organisations, there appears to be reluctance to report on absolute performance data. There is vast space for improvement in this field. On average 86% of all companies report on strategic issues, whereas only 57% report on performance data.

Financials and Real Estate sectors again show the lowest level of reporting.

Comparison Utilities and Financials vs Energy and Water

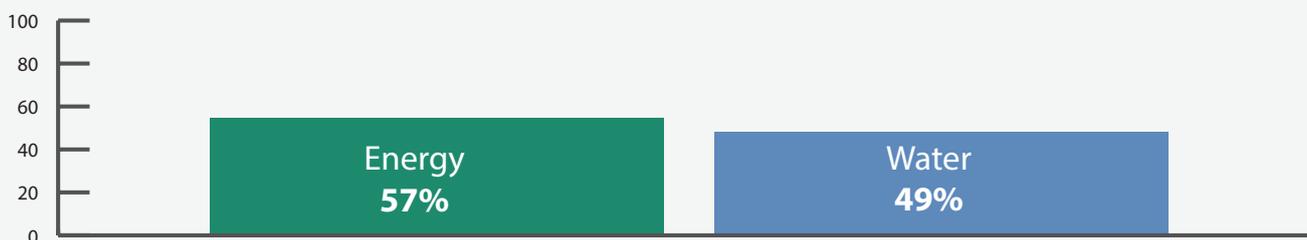
Level of communication on absolute data - Industry Sector benchmarking

Utilities



Level of communication on absolute data - Industry Sector benchmarking

Financials



About this survey

This independent study was produced as a joint effort between P&R Square and Erik van Buuren in Berlin.

Perception & Reality Square is a Berlin-based company working Reputation Management, Reporting of Sustainable Development, Financial Communications, Public Opinion & Perception. The main goal of our work is to encounter solutions which will enable corporations, their stakeholders, non-profit organizations and the general public to use all kinds of information more effectively.

Erik van Buuren is an acknowledged CSR expert with over 20 years of international experience in the field of ESG investing, sustainability strategies and innovation. Besides supervising sustainability equity analysis for European investment funds, Erik shapes the transformation to a circular economy by engaging in the development of products, material consortia and initiatives in co-operation with companies, government and public institutions.

The survey provides a look at communication trends in CR reporting and insights for business leaders, company boards, and CSR professionals. Whereas large global corporations are expected to issue sustainability reports, the focus is shifting towards SMEs in the supply chain. The survey has been realised to offer insight and guidance to those companies in the supply chain in preparing their own organization's CR reporting. It also serves as a guide for investors who factor sustainability information into corporate assessments of performance and risk.

The focus of this research lies on an assessment of the level of transparency and which selected topics large corporations cover in their CSR reports. The survey is based on several months of research in summer and fall of 2018.

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