PR Square 2019
Survey on CSR Reporting in Europe

Progress is Being Made

Main trends and challenges

1. GRI and SDGs are more widely used, SDG adoption is catching on

There is a stronger trend in evidence towards aligning corporate responsibility strategy with the UN Sustainable Development Goals (SDGs). More companies refer to the SDGs than last year, 70% vs. 56%. At the same time, adoption of the GRI reporting framework has increased as well, 59% vs. 49%. The trend towards wider acceptance of SDGs is ongoing.

**2. Communicating sustainability performance needs more attention**

Non-financial reporting is an established communication practice. However, only 40% of organisations provide a brief summary of their sustainability achievements at the beginning of their reports.

3. Communication of performance data has increased but can still be improved

Compared to last year, more companies are reporting raw performance data (up to 61% vs 54%). There is still, however, plenty of room for improvement in this field, especially with regard to reporting on renewable energy use (45%), material input (33%) and supplier audits (41%). Energy and greenhouse gas emissions are clearly at the centre of the reporting.

GHG emissions, renewable energy and supplier audits, average

Level of communication on absolute data - over all companies

GHG Emissions	Renewable Energy	Supplier audits
2018: 85% — 2019: 90% (+5%)	2018: 29% — 2019: 45% (+11%)	2019: 41%
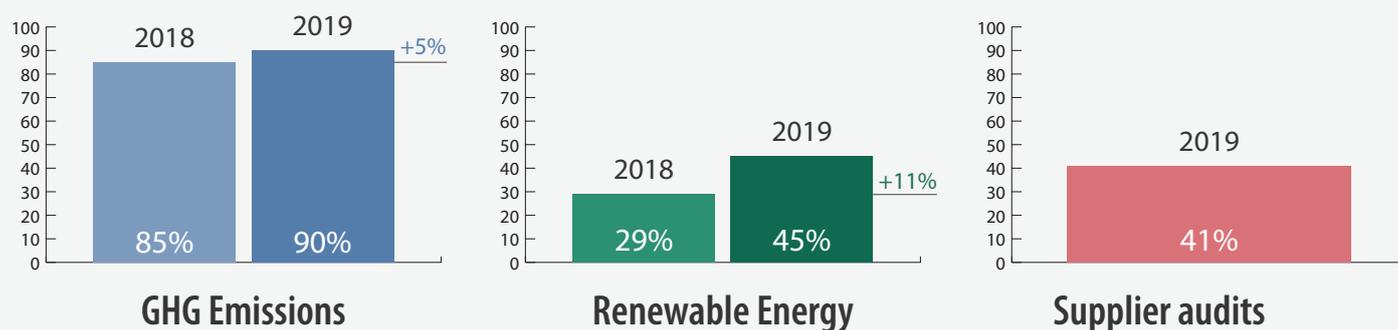
4. Reporting of non-financial targets low overall

On average, only 43% of all companies communicate multiple, measurable non-financial targets. Among those reporting targets, greenhouse gas emissions is by far the most favourite topic (63% of organisations). Disclosing social targets is less popular than environmental targets.

5. Materiality communication can be expanded

54% of all companies rank and communicate materiality areas. In the Top 5 materiality lists, economic and social topics prevail. Environmental issues are least commonly found on Top 5 priority lists.

6. Are companies confusing "material priorities" with their CSR communication focus?

Although social topics are mentioned more often than environmental concerns as Top 5 priority issues, communication of quantitative social data and targets largely lags reporting on environmental data and targets.

Survey framework

This survey, conducted for the second time, is an assessment of the current sustainability reporting status of 312 European companies included in 9 stock market indices. This year's insights are very exciting and show an overall maturing of CSR communication. Yet, at the same time it appears there is still plenty of room for improvement.

In general, there are two aspects of sustainability in business: reporting and strategy. To underline the connection between reporting and strategy, we have expanded the scope of our survey. Priority and target setting are both relevant for strategy development. Therefore, for the first time, we have looked into whether companies communicate CSR targets and materiality, and how they do it.

This survey followed a four-step approach to determining how far reporting has progressed:

1. Transparency: overall CSR perspective;

2. Footprint perspective;

3. Target setting;

4. Materiality communication.

The 312 companies surveyed span a wide range of business sectors, such as Financial Services, Construction, Food and Beverages, Logistics, Chemicals, Healthcare, Telecommunications and Energy.

We have reviewed CSR communication at 312 European companies that are part of the following European Indices:

- FTSE (UK)

- CAC (France)

- DAX (Germany)

- MIB (Italy)

- BEX (Spain)

- AEX (Netherlands)

- BEL (Belgium)

- PSI (Portugal)

- SMI (Switzerland)

Corporate websites and reports were reviewed and analysed.

Amsterdam

London

Brussels

Frankfurt am Main

Paris

Zürich

Milan

Madrid

Lisbon

Study Objectives

Our goals were 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.

This study is conducted annually.

Transparency

GRI and SDGs are more widely used, SDGs remain more popular

In the past year, we have found that non-financial reporting is a standard communication practice, with reporting rates across Europe reaching almost 100 percent. This indicates a consistently high level of transparency.

The nature of reporting is shifting, with organisations increasingly adopting universal well-established frameworks, such as the UN Sustainable Development Goals (SDGs) and the Global Reporting Initiative (GRI) to communicate CSR performance. Both frameworks were referred to more frequently than last year.

Last year, companies already favoured the SDGs over GRI. This trend has been confirmed again this year. The number of companies applying SDGs significantly increased compared to those using the Global Reporting Initiative framework. The SDGs were adopted by 70% of the companies for their reporting purposes, an increase of 12%. At the same time, the use of the GRI guidelines increased from 52% to 59%, that is, by 7%. The SDGs will continue to play an increasing role in CSR reporting over the following years.

On the country level, based on specific index analysis, large differences in the use of the SDGs and GRI have been observed. FTSE and CAC companies tend to downplay the use of GRI, whereas companies in the IBEX and MIB seem to have a higher preference for this framework. It seems that SDGs tend to be favoured by companies in IBEX and SMI, but not so much in FTSE and DAX.

Top2 and Bottom 2 Exchanges vs SDG / GRI application

|		GRI			SDG	
		2018	2019		2018	2019
Top 2	IBEX	85%	97%	IBEX	76%	84%
	MIB	79%	92%	SMI	26%	84%
Bottom 2	CAC	38%	38%	DAX	27%	63%
	FTSE	29%	27%	FTSE	45%	56%
	AVERAGE	52%	59%		58%	70%
			plus 7%			plus 12%

CSR performance infrequently included in report summaries

For the first time ever, we have analysed whether CSR information is presented in the summaries of corporate reports, alongside aggregated financial information. In terms of communication of CSR achievements, not including them in the summaries at the beginning of such reports seems like a missed opportunity.

A snapshot may – and should – include basic data and accomplishments relating to the CSR effort within the organisation. The goal should be to present the shareholders with a current summary of relevant CSR activities as they stand as at the date of the report. For this study, we have checked whether CSR snapshot data appeared in such reports, and where it did, we analysed the specific topics it covered.

On average, only 40% of the organisations provide a CSR snapshot. There is still plenty of room for improvement positioning CSR achievements on a more visible communication level. Almost two thirds of the organizations that did in fact offer a CSR snapshot in their reports included both environmental and social issues in it.

Snapshot

73%

13%

9%
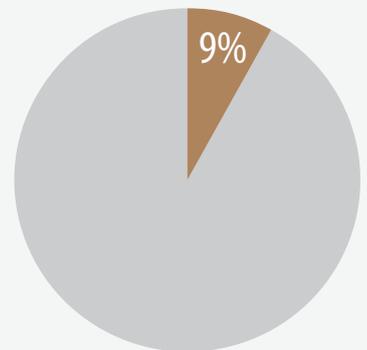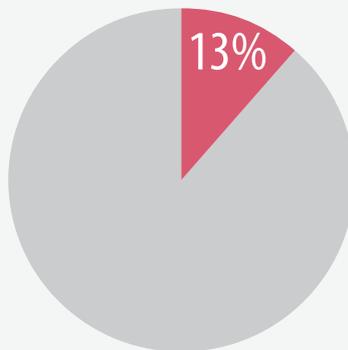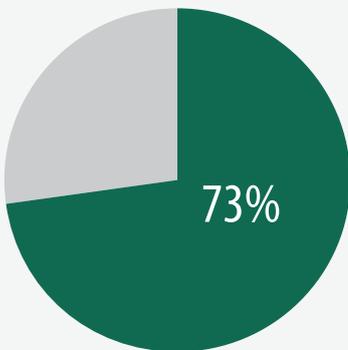
Top 3 Snapshot topics

- 73% Environmental and social - combined
- 13% Social
- 9% Environmental, Social and Governance - combined

We believe that the need for a concise yet graphic and accessible presentation of company performance in the area of sustainable development – such that would enable easy comparison between companies – will become ever more apparent in the immediate future. There are at least two important reasons for this, it seems.

First. More and more companies report on sustainable development, and this data is being used by an ever-larger number of institutions. Correspondingly, the need for a comparative analysis of such data also grows, with different company information reviewed and assessed side by side. Full-blown reports are not always convenient or useful for such a comparison.

Second. The general public seems to be increasingly more interested in company performance in the area of sustainable development. Most among the lay audience lack special knowledge required for working effectively with CSR reporting under commonly accepted standards globally. Therefore, they will need a simplified visual presentation of the most basic information, at least in the initial period.

At the same time, it would be equally important to make sure that even a brief description of key facts about the company's CSR programs offers a complete picture of such programs and their respective outcomes. To be sure, finding a solution incorporating all of the above factors isn't easy, which we believe is the reason why only 40% of the companies even bother offering such concise summaries in their reports.

Finding a format that would be equally easy to use for both companies and their stakeholders, including online solutions, is likely to become a key challenge of communicating sustainable development achievements.

Footprint perspective

Communication of performance data increased but can still be improved

In our last survey, we checked to see if organisations communicated their raw CSR performance data. These numbers form a basis for communicating CSR strategy progress, informing company stakeholders and redefining and adjusting approaches to CSR.

In the past year, an increased investor interest, paired with employee and customer demand, brought CSR performance to the top of corporate agendas. With general interest growing, companies will need to prioritize impact measurement and increase communication on a quantitative level. Following this trend, we have expanded the scope of our research to include social topics, occupational health and supplier audits. This reflects the importance of employees and supply chain management in CSR.

In this year's survey, we have looked into the extent of company reporting – in terms of absolute numbers – on the following topics:

- Energy;

- Greenhouse gas emissions;

- Material input;

- Renewable Energy;

- Waste generation;

- Water use;

- Occupational health (new);

- Supplier audits (new).

Overall, reporting of absolute performance data has improved year-over-year, with an average observed across all topics growing from 54% to 64% – for and impressive annual increase of over 10%.

Similarly to last year, reporting on energy use, greenhouse gas emissions and waste generation clearly remains the focus of attention. Overall, the number of companies reporting on these topics has increased. Climate change is still the most relevant communication issue for more reasons than one.

Compared to last year, disclosure of renewable energy use and material input is still largely underrepresented in CSR communication. Only 45% and 33% of companies respectively report this data. That said, this still constitutes an increase of 16% and 10% respectively, reflecting ever wider data collection and communication efforts companies make these days.

Social data reporting appears to be less prevalent than communication of environmental data, while reporting on occupational health (63%) takes precedence over that on supplier audits (41%).

Comparing selected sectors and absolute data

Level of communication on absolute data - Industry Sector benchmarking

		Energy	Ren. Energy	Occ. Health	Supplier audits
Leaders	Utilities	96%	65%	96%	48%
	Consumer Staples	88%	73%	77%	38%
Laggards	Information Technology	69%	31%	56%	19%
	Financials	72%	42%	51%	4%

On the country and sector levels, large differences have been observed in raw data reporting. Spanish and Swiss companies are above average in their reporting efforts while Belgian and French companies tend to lag.

This year, Consumer Staples and Utilities are the sectors with the highest level of data reporting, while last year it was Materials and Utilities. The Consumer Staples sector shows better performance on Renewable Energy data reporting than the Materials industry.

The Information Technology and Financials sectors are at the bottom of the data reporting list this year while last year Real Estate and Financials were the laggards. This change is due to insufficient reporting on supplier audits in the IT sector.
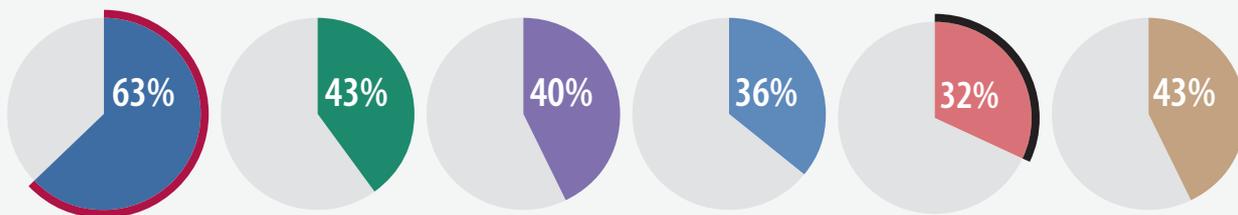
Target setting

Implementing CSR commitments involves identification and setting of clear targets that can be readily measured and reported on to stakeholders. While many of the aspirations associated with CSR commitments are qualitative, it is still necessary to turn them into objectively stated goals. Considering the increased investor focus on impact measurement, targets bring commitments to life.

The power of targets is enhanced by disseminating them throughout the company's stakeholder groups and committing to report progress regularly and link such targets to performance and effectiveness measurements.

In the survey, we have examined whether companies reported on measurable, objective and accountable targets in the following areas:

- Energy;

- Greenhouse gas emissions;

- Circular economy and resources;

- Occupational health;

- Employee development programmes;

- Compliance and Society.

Percentage of companies setting CSR targets

% Companies that set CSR targets

63%	Greenhouse gas emissions
43%	Energy
40%	Circular economy and resources
36%	Compliance and Society
32%	Occupational health
43%	Employee development programmes
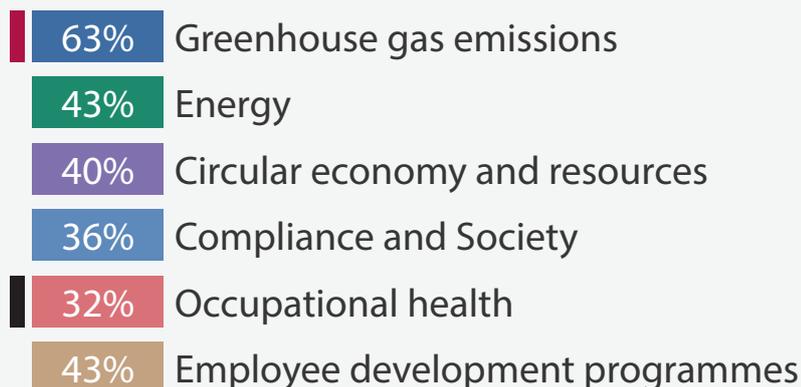
Overall, communication on the above range of targets is low, with only about 40% of the companies doing so. However, over 60% of the organisations set targets for reducing greenhouse gas emissions. This was as expected, considering the climate change debate.
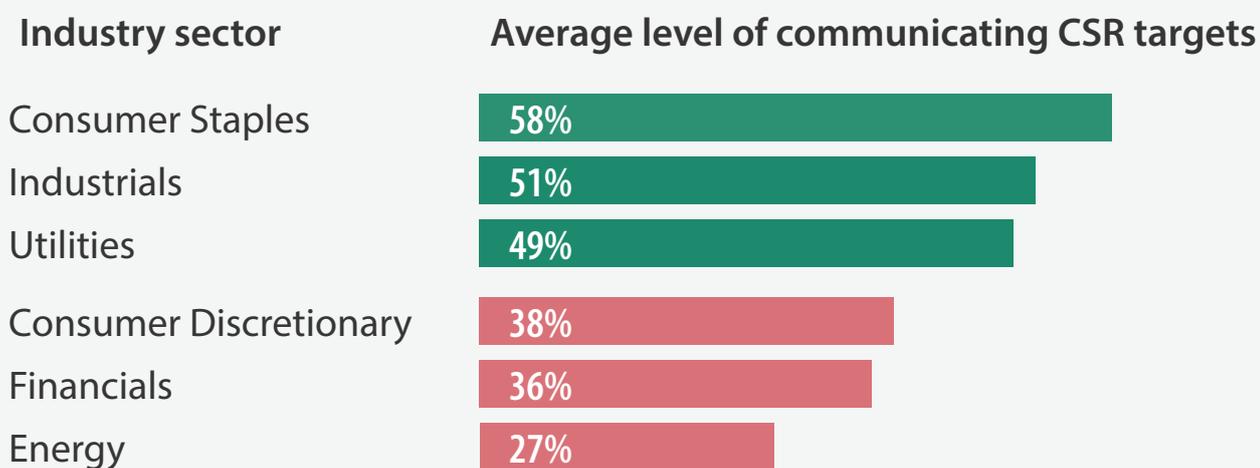
In line with our findings in the previous chapter, where communication of social data lagged environmental data disclosure, setting social targets is slightly less popular than setting environmental targets.

Very few organisations communicate their targets on all topics at the same time. In general, targets were most commonly reported for 3–4 different areas.

On the country level, we have observed quite a few large differences. Belgian, Portuguese and Italian companies are least likely to communicate their targets, whereas France and Switzerland exhibit an above average performance.

Organisations in the Consumer Staples, Industrials and Utilities sectors show the highest level of target reporting, while businesses in the Energy, Consumer Discretionary and Financials sector are lagging.

Target setting analysis by sector

Industry sector	Average level of communicating CSR targets
Consumer Staples	58%
Industrials	51%
Utilities	49%
Consumer Discretionary	38%
Financials	36%
Energy	27%

Compared to the high level of strategic information provided by organisations, there appears to be a reluctance towards reporting targets. There is a wealth of room for improvement in this field.

Materiality

A materiality assessment identifies the CSR priorities an organisation should focus on and report to its stakeholders. Companies face a wide range of topics and opportunities on which they could focus in their CSR strategies and sustainability reports.

Material topics are those that encapsulate the organisation's economic, environmental and social impact and those that influence the decisions of its stakeholders, both internal and external.

Organisations may determine materiality through stakeholder engagement and therefore, it is highly relevant from a communication perspective.

As a materiality assessment affects how an organisation performs CSR communication, we have included an analysis of materiality assessments in this year's survey. Consider this:

- 54% of organisations report on materiality with a materiality map and prioritisation of topics;

- 15% report only on the materiality process of the organisation;

- 31% do not report on materiality at all.
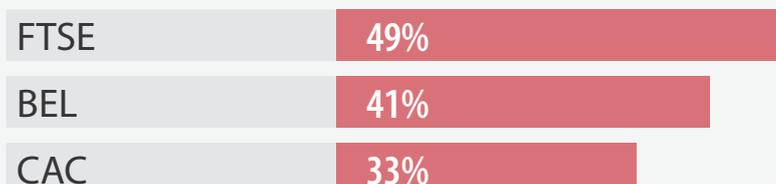
Materiality and Indices

% of organisations
With materiality communication (priorities or process)

IBEX	97%
SMI	89%
DAX	87%
Average Survey	69%

% of organisations
Without materiality communication

FTSE	49%
BEL	41%
CAC	33%

69% of organisations report on materiality

This means that one third of the organisations surveyed do not perform a materiality analysis at all and just over half of the companies disclose material priorities. There is still a lot of room for improvement in communicating on material topics within the CSR context.

On the Index level, we have observed large differences in the use of materiality. On average, FTSE, BEL and CAC companies tend to lag behind in their adoption of materiality in CSR communication, whereas IBEX, SMI and DAX companies communicate them best.
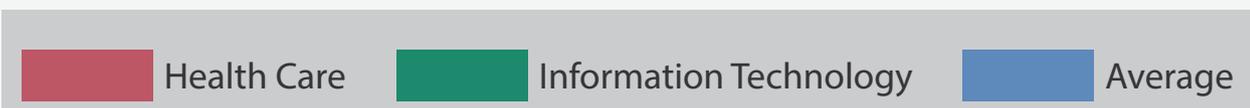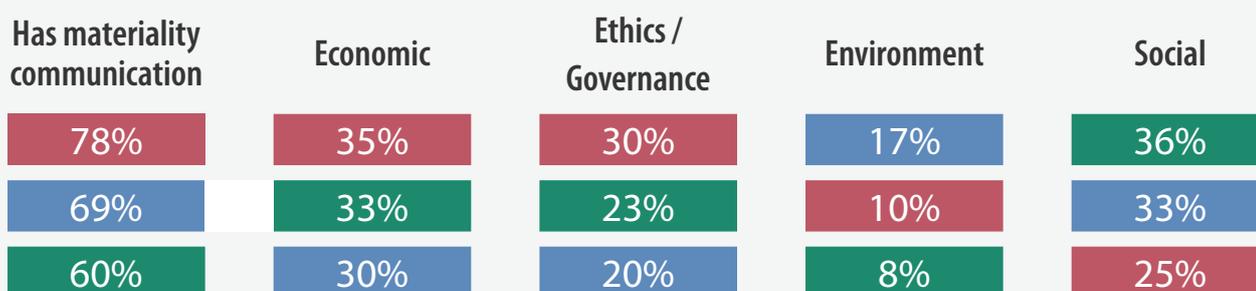
For an insight into the priority topics, we have researched and clustered the Top 5 topics for each organisation which reported its priorities. The topics were classified as Economic, Environmental, Ethics/Governance or Social. Examples of such topics are as follows:

- Economic: Economic Performance, Cyber Security, Innovation/R&D, Regulatory;

- Ethics/Governance: Anti-corruption, Business Ethics, Business Conduct/Code of Ethics;

- Environment: Climate, Resources, Waste;

- Social: Safety and Health, Workforce, Communities, Supply Chain.

In the Top 5 of materiality topics, economic and social issues prevail with 31 and 35% respectively. Environmental themes are mentioned the least – only by 18% of companies.

Again, differences have been observed across different sectors. As an example, we have benchmarked materiality topics of organisations in the Health Care and Information Technology sectors.

Comparing the Health Care and Information Technology

Has materiality communication	Economic	Ethics / Governance	Environment	Social
78%	35%	30%	17%	36%
69%	33%	23%	10%	33%
60%	30%	20%	8%	25%

Health Care	Information Technology	Average

Are companies confusing "material priorities" with their CSR communication focus?

A certain degree of contradiction has been observed in how the companies surveyed report on materiality, quantitative data and target setting.

Social priorities need more communication

	Reporting in Top5 Materiality priorities	Reporting of absolute quantitative data	Reporting in target setting
Environment	17%	64%	49%
Social	33%	52%	37%

In the Top 5 Materiality themes, social issues are significantly more prevalent than environmental topics.

However, in our analysis of quantitative data and target setting, we have noticed that environmental data and targets are reported at a higher rate than social ones.

There appears to be a problem on the strategic communication level in the operationalisation of "material priorities".

"Materiality assessments" are the backbone of sustainability reporting. They help identify an organization's "material issues" and determine what should be reported. The process of identifying material issues involves reaching out to internal and external stakeholders for their input.

Our survey, however, shows that organisations are not adequately informing their stakeholders of their "material priorities". A gap clearly exists that needs to be addressed from a CSR communication perspective.

About this survey

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

A specific methodology was developed for the CSR analysis of organisational reporting.

Perception & Reality Square is a Berlin-based consultancy specializing in Reputation Management, Sustainable Development Reporting, Financial Communications, Public Opinion & Perception. Our main objective is to develop solutions to help 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 analysis for ESG equity investment funds, Erik focusses on the implementation of circular economy impact programmes.

Our survey and analysis were conducted in June–September 2019.

Perception & Reality Square

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