Sustainable Development
Reports

A practical guide

Brigitte Hudlot

BUSINESS & SOCIETY BELGIUM
Belgian Business Network for Corporate Social Responsibility

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Introduction

Transparency with regard to stakeholders is one of the unquestionable and unquestioned pillars of Corporate Social Responsibility. The means and scope of transparency, however, are still major issues of debate.

Business & Society Belgium has decided to endorse the voluntary nature of these transparency approaches. Whatever means are chosen, however, we feel relevance, coherence and reliability must be guaranteed.

It was in this state of mind that in April 2007 we created a working group of 15 businesses[1] members of our network, with a view to working together on the subject of the quality of Sustainable Development Reports. We wish to take this opportunity to thank these companies and their representatives, who have worked alongside us for more than a year.

As we will observe in this document, the number of reports of a non-financial nature is growing non-stop, and the contents are constantly changing. The demands of stakeholders, however, are also changing, and a report qualified as incomplete or largely irrelevant can often have a more negative impact on the company than not producing the report at all.

Moreover, we feel it is possible to publish a quality report based on the latest international standards that is not excessively complex or extensive, and this would help encourage smaller businesses to take up such an approach.

As a business network, we are addressing ourselves to this sector in particular. The process and the need for transparency, however, are valid for all other players, be they NGOs, trade unions or public-sector entities, where a pragmatic approach is also of the essence.

This guide aims to set out the latest trends in non-financial reports in response to the new expectations of stakeholders, and also existing tools and experiences to help draw up a clear and relevant report. We hope to do this on the basis of activities carried out by the working group, the most recent international surveys conducted on the subject and, of course, the examples of recently published reports.

Our aim is to provide some answers to the following questions:
• What are stakeholders' expectations in connection with non-financial reports?
• How can we use this report to fashion a dynamic communication tool in coherence with Sustainable Development strategies in business?
• Which tools are available to businesses?
• What are the phases and factors of success to produce a quality report?

We hope this guide will show that Sustainable Development Reports can be substantially more than a mere photograph of the company, and become valuable tools for encouraging dialogue both inside and outside the organisation with a view to improving its Corporate Social Responsibility strategy.

On behalf of Business & Society Belgium,
Brigitte Hudlot,
Program Coordinator

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[1] See annex for the list of businesses

PART 1

General appraisal

I. What are we talking about?

As is often the case, when we broach an issue in connection with Sustainable Development and Corporate Social Responsibility, we must first clarify a number of terms and concepts.

In the case of **non**–financial reports, as in the case of **non**–governmental organisations, the first step is to state what they are not. This allows us to avoid for a certain period of time the thorny issue of ascertaining what they actually are, or rather, what type of information they entail.

There is no hard and fast definition for non-financial reports. Depending on trends over time, in relation to countries of origin, sectors, and especially each specific firm, the contents of these reports may vary considerably.

We have identified the following types of reports, although this list is not exhaustive:
• Environmental,
• environmental + Health + Safety (EHS),
• Corporate Social Responsibility: EHS + social impacts and acts of citizenship,
• philanthropy and citizenship,
• Sustainable Development: economic, social and environmental aspects.

Corporate Social Responsibility Reports and Sustainable Development Reports have been the most popular variety since 2004. Previously, those most frequently published were environmental reports, as of the beginning of the 1990s.

It is interesting to note that certain businesses operate a combination of the reports. This, for example, is the case at the Johnson & Johnson Group, which simultaneously published a Sustainability Report and a report on its citizenship and philanthropy activities, the Worldwide Contributions Program Annual Report[2].

In this guide we will focus on Social Responsibility or Sustainable Development Reports, which are covered by major international standards and have been dealt with in most surveys and publications.

[2] www.jnj.com/community/publications/index.htm

II. The international context

A. Evolution and trends

It is difficult to estimate the total number of businesses that currently publish a non-financial report. There are, however, certain figures and statistics that can give us an idea of the extent of this phenomenon and trends to date.

The first non-financial reports appeared at the beginning of the 1990s – the US company Ben & Jerry's brought its first report out as early as 1989.

These initial reports were published on the initiative of the US association CERES[3] (Coalition for Environmentally Responsible Economies), created following the Exxon Valdez catastrophe of 1989. The reported principles of CERES/Valdez, published on request by the Social Investment Forum[4], featured some major environmental reporting principles.

The internet site CorporateRegister.com[5] compiles Sustainable Development Reports, Social Responsibility Reports and environmental reports on an international basis, and to this end it uses a network of partners (reporting standards, institutional players, consultants, academic circles etc.) who relay information on new reports. The creators of the site estimate they have accounted for around 90% of sites worldwide. The site graph below shows the trend in the number of reports worldwide since the beginning of the 1990s. The site also provides statistics by country, sector and type of report.

Table 1: Trend in the number of Social Responsibility Reports, Sustainable Development Reports and Environmental Reports 1992 - 2007
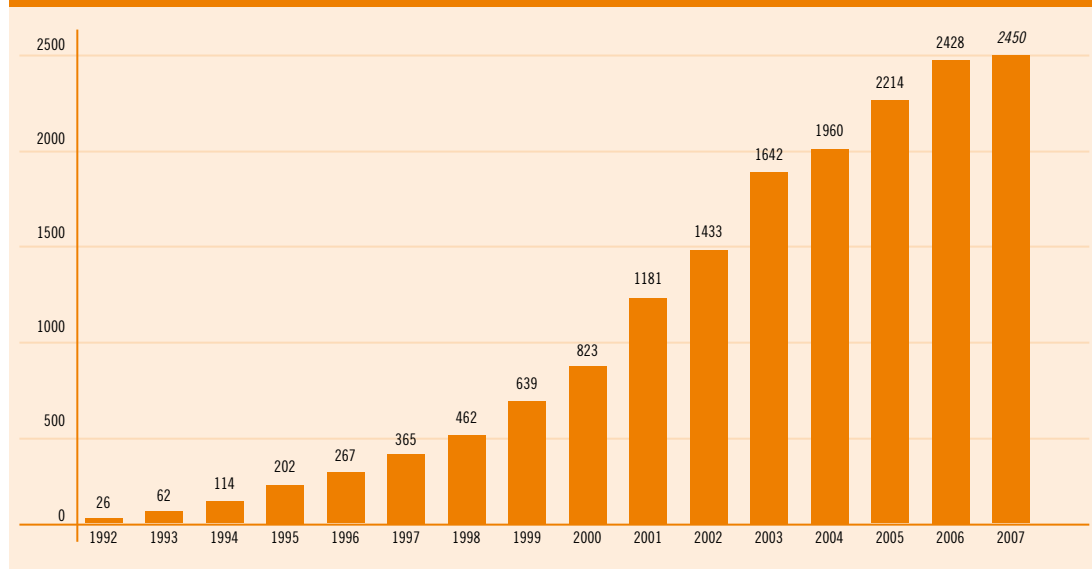
Copyright (c) 1999 - 2007 CorporateRegister.com

[3] www.ceres.org: CERES is the largest network of investor, environmentalist and public-interest organisations in North America. It works with businesses and investors on issues relating to Sustainable Development.
[4] www.socialinvest.org: A North American network for development of Socially Responsible Investment (SRI).
[5] www.corporateregister.com

Businesses in the UK and the US produce most reports at the present time, although amid the trends observed in recent years experts have noted an increase in reports by companies based in Russia, India, Brazil and China.

Table 2: Distribution by country of the number of Social Responsibility Reports, Sustainable Development Reports and Environmental Reports 1992 - 2007

Legend:
- 2007
- 1992-2006 (accumulatief)
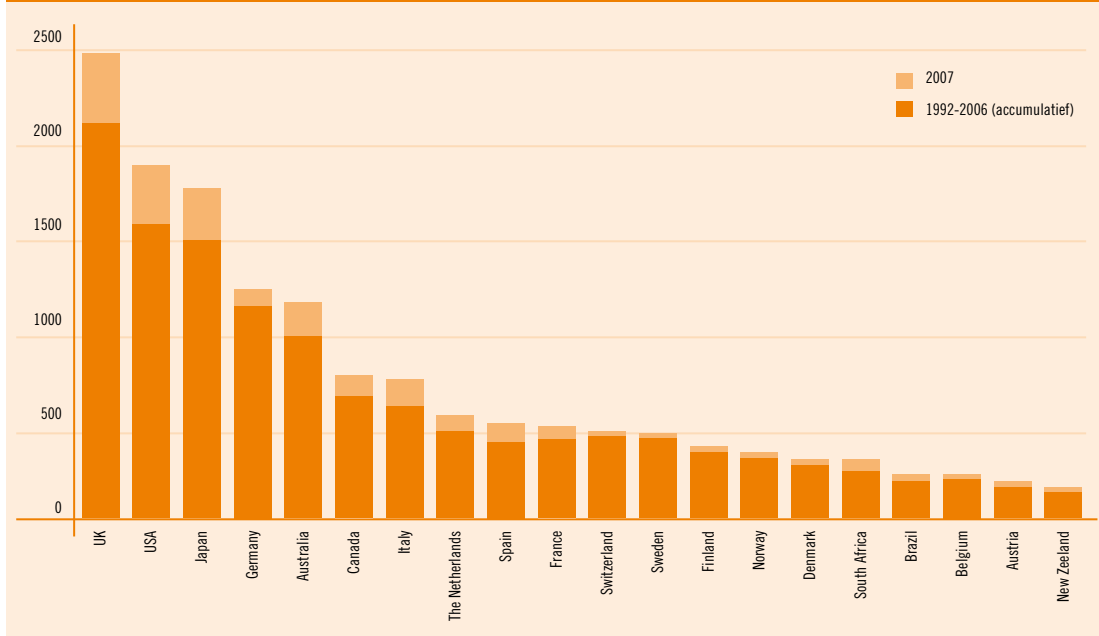
Copyright (c) 1999 - 2007 CorporateRegister.com

B. Legal situation

We will not focus on the debate between those favouring compulsory publication of a Sustainable Development Report and those who feel that Corporate Social Responsibility and its tools ought to remain a voluntary option for businesses.

For the purposes of information, however, we feel it is interesting to provide an outline of the general legal situation.

There is no international or EU legislation governing the production of a Sustainable Development Report, or the obligation to produce such a document.

In relation to legislation in other areas, the EU has nevertheless influenced publication of information in connection with governance and social and environmental aspects. For example:
• Directives governing the publication of financial information and responsibility of management bodies request a list of the financial risks caused by social or environmental issues.[6]

[6] EC Directive 2003/51.

- Regulations applying the International Accounting Standards also request information on environmental hazards if these have any bearing on the financial health of the business.[7] Annexes in relation to this have also been required since 2005.
- The IPPC Directive[8] (Integrated Pollution Prevention and Control Directive) compels member states to gather, record and submit emissions data from major industrial firms for the European Commission.

A number of countries took the initiative with legislation that required non-financial reporting for businesses (chiefly companies with stock exchange listings). In Europe, some of these focused on environmental issues only (e.g., Denmark and the Netherlands) or social issues (Belgium and Portugal, for example). Only two countries adopted legislation on both social aspects (including human rights) and environmental aspects – France and Norway.

France: The law of 2001 on new economic regulations – Article 116 and its implementing decrees

The law stipulates that all listed companies must set out in their management report the way in which they take account of the social and environmental consequences of their business activities.

A number of orders and implementing decrees set out the nature of information that must be published, among which the following:
- Measures to apply stipulations concerning professional equality between women and men;
- Employment and insertion of handicapped employees;
- Charity;
- The way in which the company takes account of the territorial impact of its activities with regard to regional development and employment;
- The way in which the company promotes the stipulations of basic ILO agreements vis-à-vis its subcontractors and ensures compliance with these by its subsidiaries;
- Consumption of resources – water, raw materials and energy - and, if applicable, the measures taken to improve energy efficiency and utilisation of renewable energy sources;
- The measures taken to restrict damage to bio-balance, natural environments, and protected animal and plant species;
- All items concerning the objectives allocated by the company to its foreign subsidiaries in relation to the above.

The most interesting recent point must certainly be the possibility for stakeholders to take legal action against companies which do not observe the law on new economic regulations.

Legal reference: Law n° 2001-420 of 15 May 2001 concerning new economic regulations - www.legifrance.gouv.fr

❖ A number of surveys compare and assess the different types of legislation, and in general these also provide an appraisal of the actual concept of regulations. The following are two such surveys:
- ORSE[9]: A critical account of application by businesses of Article 16 of the Law on New Economic Regulations (Annex 5C provides a comparative table of the various legislations) - 2004.
- KPMG[10] and UNEP[11]: «Carrots and Sticks for starters», tendencies in relation to voluntary and compulsory standards for Sustainable Development Reports – 2006.

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[7] The EC Regulation 1606/2002 governing the application of international accounting standards was adopted on 19 July 2002 by the European Parliament and Council.
[8] Council Directive 96/61 concerning integrated pollution prevention and control (the "IPPC Directive").
[9] www.orse.org, Reference documents, reporting.
[10] www.kpmg.com
[11] United Nations Environment Programme: www.unep.org

C. International standards

Even if actual legislation has little to say on the matter, there has certainly been some intense development in terms of voluntary standards, mainly concerning the scope of requirements.

In a bid to produce reliable quality reports, and even sectoral comparability in the long term, these international standards come into their own.

Several standards in relation to environmental or social management systems point to a dimension of external communication and transparency in terms of results. This, for example, is the case for the European EMAS[12] system making a report compulsory, unlike ISO 14001[13], which merely recommends it.

There are also transparency and communication criteria for more target-focused tools such as those dealing with assessment of the impact of greenhouse gases. This is indeed the case for the two major international tools, the Carbon Balance™[14] and the Greenhouse Gas Protocol[15].

Other international bodies or references recommend publication of Sustainable Development Reports, and offer guidelines to draw them up. We could mention, for example, the OECD Guidelines for Multinational Enterprises[16], the United Nations Global Compact[17] or the SA 8000 Standard[18].

❁ For a clear, accurate view of all current tools, standards and references and their relation to the reporting concept, see the inventory drawn up by the Belgian company Cap Conseil for Organisation Internationale de la Francophonie[19].

In this guide we will discuss the standards specifically given over to drawing up these reports, certification of the reports, or commitments to stakeholders: the Global Reporting Initiative and the AA 1000 Standard.

Global Reporting Initiative (GRI3)[20]

Honour to whom honour is due – we felt we ought to start off with this initiative which, since its creation in 1977, has become the reference par excellence for publication of economic, social and environmental information. According to the GRI web site, over 1,000 Sustainable Development Reports followed the guidelines in 2007 (performances in 2006).

It should be pointed out that this standard was developed by a platform of stakeholders (businesses, NGOs and universities). Since 2002 GRI has been an independent organisation, but it was originally created under the aegis of the United Nations Environment Programme.

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[12]   EMAS (The Eco-Management and Audit Scheme): http://ec.europa.eu/environment/emas/about/summary_en.htm
[13]   www.iso.ch
[14]   www.ademe.fr/bilan-carbone
[15]   www.ghgprotocol.org
[16]   www.oecd.org/daf/investment/guidelines
[17]   www.unglobalcompact.org
[18]   The SA 8000 Standard is a standardised management system specialising in respect for employment regulations. www.sa-intl.org
[19]   Social Responsibility, Tool inventory – legislation, agreements, references, codes of conduct, labels, stock market i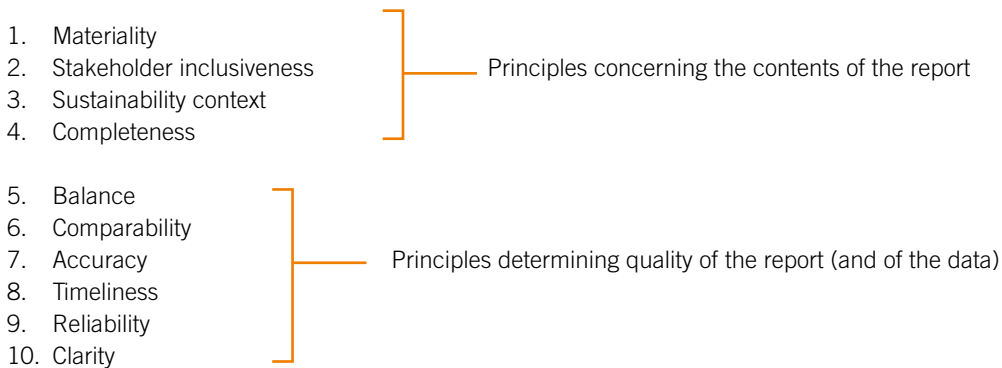ndicators and methods – Marie d'Huart, Serge de Backer – EPF publications, Points de Repère collection, 2007 – may be downloaded from www.iepf.org/ressources
[20]   www.globalreporting.org

The GRI's General Reporting Framework, now in its third version, contains the following precise components:
• the guidelines: these consist of the basic principles and the 79 main indicators,
• the protocols: documents containing specifics for practical production of the report (definitions, explanation of the indicators, data compilation methodologies, technical references etc.),
• 7 sector supplements: financial services, logistics and transportation, mining and metals, public agency, tour operators, telecommunications and automotive.

The 10 basic principles in the guidelines are as follows:

1. Materiality
2. Stakeholder inclusiveness
3. Sustainability context
4. Completeness

Principles concerning the contents of the report

5. Balance
6. Comparability
7. Accuracy
8. Timeliness
9. Reliability
10. Clarity

Principles determining quality of the report (and of the data)

Among the practical information on how to draw up the report, the guidelines also show how to define its scope in due consideration of the following:
• Scope in terms of themes: importance of impacts, materiality, priorities, stakeholders' expectations.
• Scope in terms of entities (countries, divisions, subsidiaries, subcontractors, suppliers etc.): control capacity and level, importance of impacts.

In terms of contents, GRI3 determines 3 basic divisions:
• Detailed company profile: management's commitment, general policies, definitions of impacts, risks and opportunities, governance principles, profile of the organisation, scope of the report, relations with stakeholders etc.
• The managerial approach: implementation of general strategies, management systems, methods employed for training, assessment and control etc.
• Performance indicators: economic, social and environmental indicators, and integrated performance indicators geared towards providing an overview of company performance in terms of Sustainable Development. Companies are bound to observe the main indicators as valid for all. The others represent themes or emerging practices, or practices targeting only certain companies. These indicators are divided into 7 categories:
  - Economic
  - Environmental
  - In relation to labour practices and decent work
  - In relation to human rights
  - In relation to product responsibility
  - In relation to action vis-à-vis society

Report guidelines		
Contents (4 principles)	Quality (6 principles)	Limits
	Output	
Company profile	Managerial approach	Indicators (7 categories)

Companies whose report follows GRI are entitled to apply a logo showing the standard's level of application. There are 3 levels of application: C, B and A.

These three letters may be followed by a « + » when the report has been verified by a third party. The report must contain a grid showing the standard's level of application, the level declared, and the origin of evaluation. The company may choose whether to declare its own level or to secure external assessment of the level of application or the opinion of the GRI Secretariat.

Some companies may also choose to follow the guidelines without declaring any particular level.
By way of example, the companies below declare as follows:
• Umicore 2006: this company follows the guidelines and publishes an application grille, but does not declare any specific level.
• Fortis 2007: B+ /GRI checked.
• Belgacom 2007: C+ /GRI checked.
• Coca-Cola Belgium Luxembourg 2006: B – /self-declared.
• KBC 2006: B+ / self declared.

Table 3: Presentation of GRI3 application levels

Report application level		C	C+	B	B+	A
G3 Profile disclosures	output	Report on : 1.1, 2.1-2.10, 3.1-3.8, 3.10-3.12, 4.1-4.4, 4.14-4.15	Report externally assured	Report on all criteria listed for Level C plus: 1.2, 3.9, 3.13, 4.5-4.13, 4.16-4.17	Report externally assured	Same as requirement for Level B
G3 Management approach disclosures	output	Not required		Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category
G3 Preformance indicators & sector supplement performance indicators	output	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment.		Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.		Respond on each core G3 and Sector Supplement indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.

Standard disclosures

Source and copyright : GRI3

By way of conclusion, GRI is not just a reference and comparability tool between reports, but also a detailed guide defining the report's contents and methods.

It is also utilised as a reference for many other standards (voluntary or not) concerning aspects of the reporting process.

AA 1000 framework

This standard was created in 1999 by The Institute for Social and Ethical AccountAbility (« AccountAbility »)[21], a British institute founded in 1996 by a number of stakeholders (businesses, NGOs and academics).

The standard's ultimate aim is to improve the ability of businesses to report to their stakeholders by improving the quality of monitoring, auditing and reporting of data in connection with ethical and social performances. To do this, it bases itself on standard processes covering the following aspects:
• planning,
• accounting (« measurement system »),
• audit and reporting,
• inclusion in strategy (managerial and operational),
• commitment to stakeholders.

The standard is based on a number of principles that ought to ensure quality at all stages, including the actual writing of the report. The main principle is, however, the response to the expectations of stakeholders through a process of dialogue and commitment. Stakeholders also include « voiceless » interests such as, for example, future generations and the environment. These broad principles are quite similar to those governing the GRI, where the standard is also an additional feature.

The standard is now used by some 150 companies, mostly in the UK – this is quite low in comparison to the 1,000 businesses using GRI.

The most interesting point is that the first standard gave rise to a number of underlying standards, one of which deals with controlling reports: the « **AA 1000 Assurance Standard** ».

The main objective of this standard, intended as a guide for specialists in controlling and certifying Sustainable Development Reports, is to boost the credibility of the controls and therefore the reports.

We will come back to the issue of controls and assurance in the second part of this guide.

III. The national context

A. Evolution of the phenomenon

By and large, relatively few businesses publish Sustainable Development Reports on their activities in Belgium.

If we compare the list of Belgian businesses publishing Social Responsibility Reports (economic, social and environmental aspects) in 2006 and/or 2007 as listed on the "corporate register" site, and the list of companies competing for the Belgian prize for the best Sustainable Development Report organised by the Institut des Réviseurs d'Entreprises[22] (IRE, The Chartered Accountants Institute), we come up with only 20.

Economic fabrics vary considerably from country to country, and thus it is difficult to draw comparisons. We ought, however, to remember that over 50 Social Responsibility Reports were published in the Netherlands in 2007.

If we take a look at the Bel 20 businesses, only 50% of them publish a Sustainable Development Report or a Social Responsibility Report, with regularity between once a year and once every three years.

By way of comparison, 67% of the FT 500 businesses[23], the Financial Times classification of the major 500 multinationals, published a financial report in 2007, and 88% of European businesses did likewise.

The relatively low figures for Belgium may be explained in different ways, although we intend to focus on only two.

As a general rule, obviously this type of report is the prerogative of large national companies or multinationals. Very few SMEs spend their time on this kind of exercise, and Belgium's economic fabric is chiefly composed of SMEs.

Another possible explanation could lie in the tendency to publish international reports – since group activities are included on a global scale, Belgian businesses are covered in a more general report.

By way of example, the Sodexo Group does not publish any specific report on its activities in Belgium, but it does publish a comprehensive group report in France.

Conversely, Toyota's report for Europe is drawn up at its European head office in Brussels, but Belgian activities form only a small part of the document. We have therefore not taken account of this in our breakdown.

This trend is now reversing, however, and a number of multinationals now publish national reports, regional or local reports for each production site.

This has been the case for many years at Janssen Pharmaceutica, part of the Johnson & Johnson Group, and at Randstad, whereas for the Coca-Cola Group it is a relatively recent phenomenon (2006).

[22] The Prize for the Best Sustainable Development Report is organised annually by the Institut des Réviseurs d'Entreprises – www.ibr-ire.be
[23] www.ft.com/ft500

B. Wettelijk kader

As mentioned above, the legal situation in Belgium makes provision for part of the information generally set out in Sustainable Development Reports – the federal government's requirement to publish a Social Report, and also the regional Flemish government's requirement to publish an environmental report for major polluters.

These two requirements, however, focus on only a portion of the indicators in both social and environmental terms. In the next chapters we will take a look at the organisation of Sustainable Development Reports, in relation to which there is no current legislation.

We ought to note that the Belgian government is nevertheless not indifferent to Sustainable Development Reports, and a specific point is made on the subject in the Federal Action Plan for the Corporate Social Responsibility[24].

Action 9 of the Federal Plan for the Corporate Social Responsibility: Sustainability Reports

A) CONTEXT

Transparantie is één van de basisprincipes van maatschappelijk verantwoord ondernemen. Het opzetten van Transparency is one of the cornerstones of a Social Responsibility Report. Implementation of successful dialogue between stakeholders largely depends on provision of accessible, honest information. Transparency may be obtained by publishing a sustainability report setting out not only results and financial and economic challenges, but also the aspects, results, and social and environmental challenges. (...)

A recent international survey (June 2005) into sustainability reports by the auditors KPMG and Amsterdam University with 100 major companies in 16 countries and 250 of the largest multinationals shows the trend in reports worldwide over the last 10 years (...) Belgium is at the bottom of the list, and has even regressed since 2002.

Many Belgian companies, however, are already familiar with reporting on Sustainable Development (...)

We may thus wonder why so few steps have been taken towards integrated reporting and why Belgian businesses do not follow along with international developments. The action outlined below is intended to rectify this situation.

B) ACTION

The action plan consists of three partial action plans, each addressing a different group of companies.

1. The Banking, Finance and Insurance Commission (CBFA) will create a working committee of experts and stakeholders to examine the initiatives to be taken in order to encourage listed businesses to publish a sustainability report, within an international context and assuming the creation of a level playing field vis-à-vis neighbouring countries. On the basis of foreign examples and the Global Reporting Initiative, a list will also be made of the minimum data to be set out in the sustainability report (...)

2. A check will also be run on publicly owned companies (regardless of whether they are listed on the stock exchange) as to how they may draw up a sustainability report ...

3. CBFA will draw up a manual to help SMEs publish sustainability reports, based on the 'High Five' developed for SMEs by the Global Reporting Initiative (...)

The full text with the target groups, those in charge and the schedule may be found at: www.cidd.be

Creating a report step by step

I. Introduction

Since the beginning of the 1990s, Corporate Social Responsibility Reports and Sustainable Development Reports have evolved considerably both in terms of perception and implementation. Moreover, the nature of the stakeholders and their expectations have also made some progress. The same is logically true for non-financial reports.

It was therefore necessary to take stock of recent years with the companies, but also in relation to issues still unsolved, regardless of whether they were new issues. This was the task taken on by the working group set up by Business & Society in 2007. Part Two of this report is entirely based on the conclusions of the various meetings.

Moreover, the phenomenon of non-financial reports has become so widespread that surveys are increasingly being conducted to analyse the latest trends and draw conclusions from these for future use.

On the basis of some of these surveys we identified the main reporting expectations of stakeholders, and major changes, either ongoing or forecasted, to the way in which Sustainable Development Reports are drawn up. The conclusions are also set out in detail below.

This second part follows the « chronological » order of the questions to be asked when developing a report. The following were the questions asked to those interviewed by the work group:

Why write a report?
• Is it really necessary?
• Who is interested in the report?
• What are the advantages of such an exercise?
• Who would publish such a report?

What should the limitations of the report be?
- Does the report have to be international, national, local etc.?
- Does the report have to be part of the financial report?
- Does the report have to be annual or not?
- Do all entities have to be covered, and to what level?
- What is the legal scope of the report?

What types of information have to be supplied?
- Do all subjects have to be discussed?
- What is the balance between general policies, statistical data, case studies etc.?
- Do we have to cover the dilemmas encountered, failures, unachieved objectives?

How are data to be collected?

Does the report have to be verified?

- What are the advantages of external verification?
- What do we assure?
- Who can assure a report?

What is the role of the stakeholders?
- When and how must they be brought into the process for drawing up the report?
- What are the specific expectations of the stakeholders?

How is the report to be added to the general communication policy?
- What are the other means at the disposal of businesses to communicate on these subjects?
- What are the potential report formats and means of distribution?

It should be pointed out that there is no single and totally satisfactory answer to all these questions. Almost every business has its own reasoning, and so we will work mainly on specific examples to illustrate the various possibilities. A number of questions have not yet been answered, and will most likely provide classic material for future studies.

II. Why write a report?

One answer would seem to be obvious: to make stakeholders aware of impacts, results, actions and objectives in relation to Sustainable Development or Social Responsibility. It is a transparency tool, a concept that is the cornerstone of a policy towards Social Responsibility.

Yes, certainly, but … why do companies that are noted performers in this area not write a report? Colruyt, Alpro and Ecover are examples of this type of firm.

Yes, certainly, but … if the stakeholders are so keen to have these reports, why don't they provide any feedback when they are published?

Yes, certainly, but … doesn't it limit the scope a little to reduce the document to the status of a simple « reporting » tool?

These are just some of the queries often voiced in connection with the decision as to whether this step is to be taken.

It must first be said that writing the initial report can be costly in terms of time and human and financial resources. This is gradually reduced over the years, but the attitude remains important, and so it is logical that businesses weigh the pros and cons before taking on such a task.

Moreover, as communication specialists will confirm, a badly drawn up report can produce more negative reactions than no report at all.

If the firm considers it a mere reporting tool, perhaps the most important questions to be asked before embarking on such an exercise are: drawing up a report for whom? Who are my stakeholders? Is this the best way to communicate with them? Is this what they expect of my company?

Many firms, however, take up the idea for other reasons:
• The report is used as a management tool, as follows:
  - for better management of information concerning the challenges of Sustainable Development,
  - for better identification and determination of priority challenges,
  - for better identification of good company practices,
  - for better knowledge of the expectations of stakeholders,
  - for better integration of Social Responsibility in company strategy,
  - to set and follow clear objectives.

• The report-writing process is used as a tool for distribution and clarification of Social Responsibility policy. In fact, the process of identifying risks, collecting data and case studies and structuring information for all departments often helps specify the firm's general policy. Depending on the information to be provided, the various departments will have a clearer idea of the specific role they may play.

• The report also allows its performances to be compared to other companies in the same sector that publish a report.

In a general sense, the report can only develop full value and sense if it is considered an instrument for managing Social Responsibility policy, and not as a routine annual communication exercise.

Thus the report also ought to be seen not as a transparent end in itself vis-à-vis stakeholders, but rather as a means of making a start on dialogue (we will return to this point below). This means it relinquishes its status as a mere « report » to become a genuine tool of communication and dialogue.

III. What is the scope of the report?

A. Geographical boundaries

There are several reporting levels, and businesses will either choose one, or use a number of them in combination.

In a general sense, stakeholders again ought to constitute a key factor in the decision relating to the report's geographic coverage.

If the challenges faced by the company, and therefore by its stakeholders, are mainly located around the areas relating to production activities (e.g., local employment, employee mobility and environmental damage), it would certainly be wise to consider a report at local level, or regional or national level at most.

However, if the firm is a major international player and identifies priority global issues, it will draw up a report at group level.

Although the initial tendency was to issue only a global report, we now increasingly find this in combination with a national or even local report.

Janssen Pharmaceutica

A 100% subsidiary of the Johnson & Johnson Group, this Belgian company has been bringing out its own report for some time now. The Group also issues reports for other countries or at European level, in addition to a global report.
The boundaries of the report are clearly established:
"Overview of the organization and scope of the report
This Sustainability Report relates to Janssen Pharmaceutica NV, the Belgian company that represents the Production departments and Support services as well as the Belgian site of Johnson & Johnson Pharmaceutical Research & Development. The figures of Janssen Animal Health BVBA and Janssen Internationaal CVBA are also included in the report. In Belgium, Janssen Pharmaceutica has production units in Beerse, Geel and Olen."

Source: Janssen Pharmaceutica Sustainability Report - www.janssenpharmaceutica.be

Coca-Cola

The Coca-Cola Group has published a global report for several years.

The Belgium and Luxembourg subsidiary has also published an annual Social Responsibility Report since 2006.

The report sets out the geographic boundaries and, where applicable, refers to the global reports in connection with issues that do not concern Belgium.

The preface to the first report reads as follows:

«People are entitled to expect a company such as ours to explain how it manages the impact of its activities on human beings, the environment and society. This is the aim of our first annual Social Responsibility Report for the Coca-Cola subsidiaries in Belgium and Luxembourg on business activities in 2005. Doing business while taking on responsibilities vis-à-vis society is one of the cornerstones of Coca-Cola's international growth strategy. In our region also – in Belgium and in Luxembourg – we wish to turn this desire into specific action."

Source: Social Responsibility Reports 2005 and 2006 – www.cocacolabelgium.be

When we interview companies, the following issues come up time and again:
- The role of local reports is basically to present proximity issues in a bid for transparency and to report to local stakeholders.
- Stakeholders who read the local reports are not usually the same as those with an interest in global reports. By way of example, as a general rule investors and the finance community will be more interested in worldwide reports, as will representatives at NGOs' international offices. On the other hand, neighbourhood associations and local authorities will be interested in information closer to home.
- Producing local reports also creates more understanding and interest among local employees in relation to Social Responsibility issues.
- The language in which the reports are written must be chosen in accordance with the stakeholders to be informed.

B. Inclusion in the financial report

Insofar as Sustainable Development and Corporate Social Responsibility are based on three pillars (economic, environmental and social), it is logical for a document known as the Sustainable Development Report to contain these three aspects. We may therefore wonder, as a number of firms have, whether it would be a good idea to add social and environmental aspects to the existing annual financial report (which already contains the social report).

What we have noticed in recent years is that businesses tend to add a chapter on the environment, Social Responsibility and Sustainable Development to the annual financial report, regardless of whether or not they also publish a non-financial report. This generally consists of a few pages with no real link or bond to the company's financial results.

If we analyse the contents of Sustainable Development Reports, on the other hand, these often contain economic information (as distinct from pure information and indicators in relation to finance and accounting).

Among the subjects mentioned, we find, for example: market trends, progress of turnover, environmental expenditure, restructuring etc.

Very few companies, however, have carried out full integration of both reports. In Belgium only one company has been carrying out this exercise for the last three years: Umicore.

Umicore

Up to 2004 the Group published a classic annual financial report and an environmental report. In 2006 it produced its first « 2005 Report to Shareholders and Society ».
This report includes the economic report, the environmental report, the social report, the annual accounts, and the governance report.
This was the way in which the Umicore Chairman and CEO addressed their stakeholders in the first such report:
«This "Report to Shareholders and Society" represents a coming together of the economic and environmental elements of our Group reporting in one document. It also extends our reporting on the social aspects of the company's operations. In preparing for this step towards sustainable development reporting we have opted to merge these three elements in one report. This combination seems to us to reflect the true spirit of sustainable development. The audience for the reporting has also changed and is no longer addressed only to shareholders.
This is recognition of the fact that the scope of people entitled to information about how we do business goes beyond the boundaries of the investment community. The reporting process and the information demands of our company's stakeholders are constantly evolving. By broadening the scope of the reporting and providing a more complete framework for the communication of data we hope to have made a meaningful step forward."

Source : Report 2005 to Sharelholders and Society – Umicore – www.umicore.com

The argument most often voiced by companies in favour of « merging » the two types of reports is the increasing interest of investors in non-financial information.

We have nevertheless observed the obvious desire for coherence with respect to a genuine attitude in favour of Sustainable Development taking simultaneous and interactive account of economic, environmental and social aspects.

Novo Nordisk

Novo Nordisk reports on business performance in one, inclusive document, the Annual Report. This move reflects the company's objective to 'strive to conduct our activities in a financially, environmentally and socially responsible way'."

"Novo Nordisk continues the process to drive integration of the financial and non-financial perspectives on business and seeks to reflect this in the approach to reporting. In the absence of global standards for inclusive reporting, this approach takes its point of departure in current standards for mandatory financial reporting and current guidelines for voluntary non-financial reporting. The aim is to drive business performance and enhance shareholder value by exploring the interactions between financial and non-financial objectives. This entails alignment of key priorities, target-setting and definition of key performance indicators, in consultation with internal and external stakeholders."

Source: www.novonordisk.com/sustainability/reports/reports.asp

C. Regularity of the report

Most existing reports are produced on an annual basis, although certain businesses publish a report every two years, or over longer periods. This is the case, for example, at Solvay (four years) and Nike (two years).

Solvay

In 2004 Solvay published « Towards Sustainable Development » for the period 2004 -2008.
The report includes additional statistics, and mainly focuses on the strategies and courses of action carried through (or to be carried through) in the various areas of Sustainable Development. The statistics are set out, but the emphasis is placed on a description of the policies observed and their field of activity.
At the beginning of the report the firm sets out its objectives and additional sources of information.

"How to read this report
The information has been grouped into ten themes. In each case, we have selected the main areas of initiatives, the principal achievements during 2001-2003 (that is, since our previous report) and the main projects scheduled to be achieved by 2008. A part of our projects – voluntary projects or following from legislative evolution – is completed by measurable objectives.
• In view of the diversity of our activities and the many challenges presented by sustainable development, other information sources can
be useful to supplement this report: in particular our Internet site www.solvayhse.com and local communications by our sites.
• There is a supplementary document providing quantitative data available on demand, and regularly updated figures on our website.
• The annual report contains the financial aspects and the strategy of economic durability of the Group."

Source: « Towards sustainable development » 2004-2008 - www.solvayhse.com

As in the case of financial data, the tendency is nevertheless to supply environmental and financial information in much shorter periods of time. The reports are thus increasingly becoming a link to the company web site, with regular updates of the indicators provided in the annual report.

D. The scope of the report

According to GRI3, the scope of the Sustainable Development report must include entities over which the organisation exerts significant influence or control in and via its relations with different entities both upstream (supply chain etc.) and downstream (distribution, customers etc.).

The standard also defines the concept of control (« the power to direct policies ») and significant influence (« the power to become involved in decisions on policies » but lacking the power to control).

Accessibility to information, and the nature of information, will obviously vary from one situation to another. The demand for statistics is not the same for a fully-owned subsidiary and for a subcontractor to whom the company is one of his customers. In the latter case, management processes in particular will be presented.

An obvious example is a company most of whose production is made by subcontractors. This is the case, for instance, in the clothing industry, where the main social impacts concern the working conditions of subcontractors and suppliers. It would thus not be responsible to publish a report making no mention of these issues, and the policies enacted to fight abuse in this area.

Nike

The example of the sports outfitter Nike is quite a revelation. The company was one of the first to be publicly questioned with regard to its subcontractors' working conditions in the 1980s.
Almost all the products sold by Nike are made by subcontractors, most of whom are located in countries where national laws do not guarantee respect for international employment regulations.
Nike's last report included not only details of policies implemented in relation to respect for human rights vis-à-vis its subcontractors, but also the results of audits performed and a list of the subcontractors with their addresses.
This effort towards transparency and the company's extension of its area of influence were welcomed by many associations.

For further information: http://nikeresponsibility.com

E. Legal boundaries

Paradoxically, this voluntary approach by businesses poses the problem of the « commitment » of information published in the report.

Legal proceedings, in fact, have been enacted on a number of occasions either by trade unions or NGOs on the basis of information published in Sustainable Development Reports.

Some of the main lines of argument are as follows:
• The allegations made in the report are untrue, and thus constitute misleading advertising.
• If the company takes up a commitment in its report with quantitative and time-related indicators, this becomes a binding commitment that must be fulfilled.

We do not intend to start a legal debate at this juncture, but we do wish to point out that certain companies also avail themselves of a disclaimer to state the boundaries of the report in terms of binding commitments. For example:

This report was drawn up to inform our agents as to the performances of XXXX and its commitment in terms of Social Responsibility. No part of this report enlarges or modifies the current commitments of XXXX vis-à-vis its customers, employees, suppliers, shareholders and investors or other agents.

IV. What information should be provided?

The nature of the information supplied in Sustainable Development Reports has evolved considerably over the years:
• The issues covered have been enhanced: in the case of manufacturers, environmental reports have been filled in with respect to social and citizen-related aspects, while the reverse is true of service companies.
• Certain issues have risen to the fore, and this has been the case over the last two years concerning climate change.
• Accounts of good practices or successful projects have receded in favour of illustrations of management practices and statistics indicators.

The changes may be attributed to a number of factors, among which the ever increasing accuracy requirements of stakeholders, improvements to international standards, and progress in practices in relation to Social Responsibility and Sustainable Development at companies.

There remains, however, one extremely important issue: what must a report contain to provide a genuine response to the desire for transparency on the part of the various stakeholders, in due consideration of the heterogeneity of their expectations?

According to a recent survey[25] by the Edelman agency specialising in public relations and reputation, NGOs are particularly interested in studying the following issues in reports:
• an accurate assessment of sectoral issues,
• a clear presentation of the company's position in relation to key issues,
• a description of the company's full impact,
• the contribution by the stakeholders,
• an accurate assessment of progress to date, including failures and delays in achieving objectives,
• an action plan for continuous improvement, with clear objectives and deadlines.

This list may be enhanced with other issues in a number of international surveys:
• commitment by top management,
• information on the integration of Social Responsibility Reports within the context of company values and principles,
• communication of the objectives and means implemented or envisaged,
• identification and hierarchisation of major risks and challenges,
• responses to reactions by stakeholders.

The contents of these requirements are likewise enhanced by quality criteria: completeness of scope, long-term vision, comparability in relation to time and the sector, control and certification of the report.

It should be pointed out that most of these criteria and requirements are set out in the GRI3 reporting standard.

By way of an illustration of some of these requirements, we have provided a number of examples collated from reports by Belgian businesses or by companies generally cited as the best performers in terms of reporting.

A. The concept of materiality

One clear demand by stakeholders (NGOs, investors, trade unions etc.), which is also a major reporting criterion, is the identification of all issues and determination of the most important. This is the criterion of materiality. The company must focus on impacts where it has a significant influence.

Obviously identification of these issues is a management process in itself, and goes far beyond actually writing up the report. However, if this task has not yet been carried out, development of publication may constitute a triggering factor.

❖ For an example of the procedure to be implemented to identify and classify issues in connection with Corporate Social Responsibility and Sustainable Development, we refer you to a document containing comprehensive information on the subject: « The Materiality Report: Aligning Strategy, Performance and Reporting », published in 2006 by AccountAbility[26].

Certain criteria are usually employed by companies to determine the materiality of an issue:
• The importance of impact on society (in the broadest sense)
• The importance of impact on the company
• The interest of stakeholders in this issue
• The level of control the company exercises over this issue.

[25] "Corporate Responsibility & Sustainability Communications: Who's listening ? Who's leading? What matters most?"
 – Edelman, WBCSD, Net Impact, Boston College – February 2008 – www.edelman.com
[26] www.accountability21.net

When this evaluation has been completed, the company can decide what it must announce, and how to do this.

British Telecom (BT): Assessing material issues and assessing their financial impact on the company

Identifying our material issues

Significance to BT stakeholders and society

Significance to BT

■ Most material issues - those discussed in this document and included in our online report
■ Material issues - those included in our online report
■ Not materia -no longer included in our reporting

CSR key risks

likelihood of risk happening

Financial impact on the business over a three-year period

― Breach of integrity   ― Outsourcing
― Climate change   ― Privacy
― Diversity   ― Supply chain
••••• Health and safety

British Telecom is often quoted as one of the best performers in terms of Social Responsibility and reporting. Some of the more exemplary points in its report are the assessment of material issues, communication, and their influence on the company's strategic development

Source: « BT's 2007 Sustainability Report » - www.btplc.com

B. Balance between general policies, statistical data, case studies ...

We can distinguish 3 general types of information in Sustainable Development Reports, as follows:
• General policies
• Statistical data
• Case studies

The issue of a balance between these different types of data is an annual concern for businesses. By and large, companies admit they must focus on recent material information, although they also wish to provide as complete a report as possible. There are a number of solutions to this dilemma:
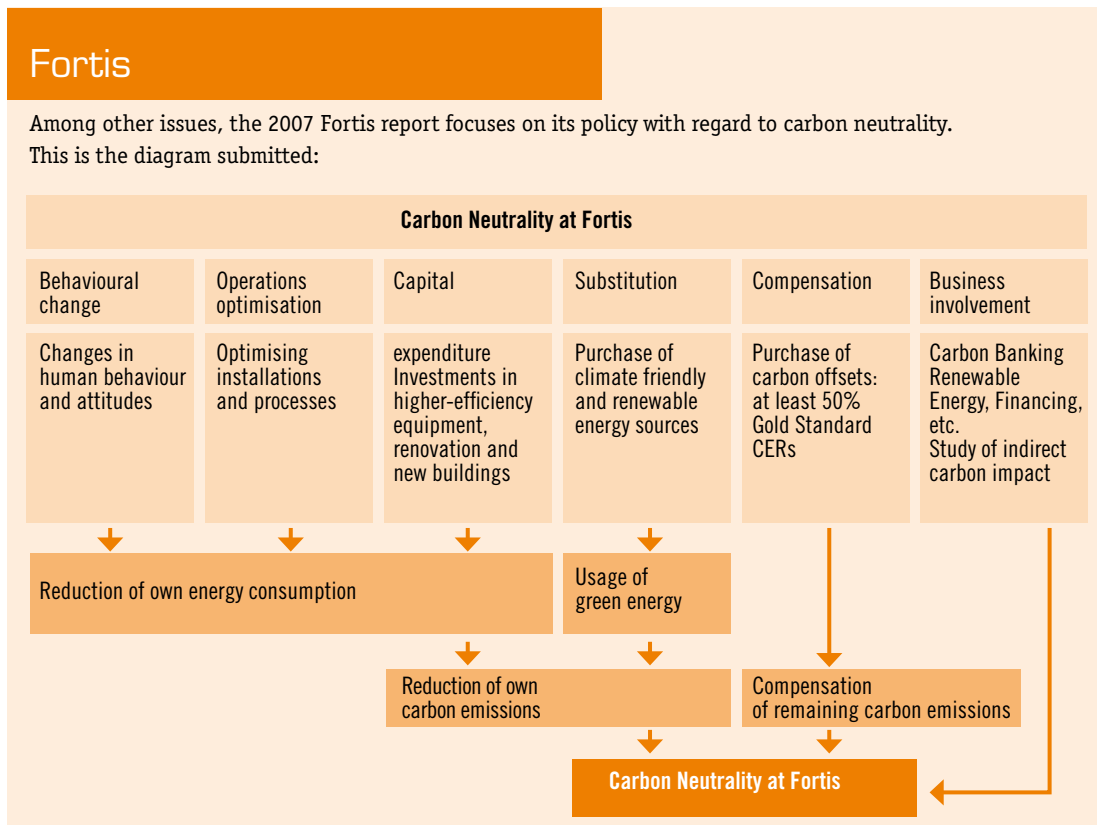
- Solution 1: producing a comprehensive report valid for a number of years, focusing on general policies and values, along with annual reports dealing exclusively with economic results (e.g., Solvay).
- Solution 2: producing a summary, a graphic representation of policy at the beginning of the report, which then moves on to deal exclusively with facts and figures (e.g. Umicore).
- Solution 3: producing a shorter year-by-year report with fewer explanations as to policies and programmes, and more practical examples and case studies (e.g., Vodaphone).
- Solution 4: publishing a hard-copy compact summary of indicators, and posting a full report on the Internet site (e.g., Randstad Belgium).

There are other options, but as a rule they are a combination of these 4 solutions.

We now move on with a slightly more in-depth analysis of trends in the contents and format of the various types of information submitted in Social Responsibility Reports.

Description of general policies: vision, strategy, management systems, policies by departments or by issues. This first type of information may be in the form of a descriptive text or an explanatory diagram, and we are increasingly observing a combination of the two.
We have observed that the space given over to this kind of information is gradually reduced in the reports.

Fortis

Among other issues, the 2007 Fortis report focuses on its policy with regard to carbon neutrality.
This is the diagram submitted:

Carbon Neutrality at Fortis

Behavioural change	Operations optimisation	Capital	Substitution	Compensation	Business involvement
Changes in human behaviour and attitudes	Optimising installations and processes	expenditure Investments in higher-efficiency equipment, renovation and new buildings	Purchase of climate friendly and renewable energy sources	Purchase of carbon offsets: at least 50% Gold Standard CERs	Carbon Banking Renewable Energy, Financing, etc. Study of indirect carbon impact

Reduction of own energy consumption → Usage of green energy

Reduction of own carbon emissions → Compensation of remaining carbon emissions

Carbon Neutrality at Fortis

Many companies in fact feel these policies are relatively stable and perennial, and so do not require detailed re-explanations every year.

Moreover, the role of websites is becoming increasingly important as a relay of the information set out in the report, either because this method provides more detail or because sites are regularly updated.

Fortis

In its 2007 report, Fortis chose to reduce the number of pages and focus only on certain topics. The company also made explicit use of its web site, with a table showing the scope of the report and the scope of the Internet site. Distinctive bookmarking which assists the reader throughout the report and also directs the reader to complementary information on the web site.

CSR Report 2007	CSR website : www.fortis.com/sustainability
• CSR at Fortis • Sustainable supply chains • Climate change • Social inclusion	• Our CSR organisation • Our customers • Our employees • Our environment • Our communities • Reporting and accountability • Interactive GRI G3 Index

Among the links to the website we find concise details of the various policies operated by Fortis.
« As part of our corporate riskmanagement procedures, a body of policies has been developed to manage the social and environmental risks we face in the relationship with our customers. Please refer to www.fortis.com/sustainability for the policy documents. »

Source : Rapport RSE 2007 – www.fortis.be

During the initial years of reporting, it is understandable that companies allocate large amounts of space to descriptions of their general policies. This is the case, for example, at Belgacom, which published its second Social Responsibility Report in 2008 (business activity in 2007) at group level. This contains a fairly detailed description of their approach to the Social Responsibility Report[27].

Statistical data: performance indicators, quantitative objectives, percentage achievement of objectives etc.

As mentioned above, one of the demands made by several stakeholders is for businesses to submit year-comparable statistical data (ideally between one company and another in the same sector, but we are still a far cry from this situation).

Over the last few years, therefore, it is this kind of information that has expanded most in non-financial reports.

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[27] www.belgacom.be

Some reports include almost exclusively statistical data. This is the case, for example, of the report submitted by Janssen Pharmaceutica, with sixteen pages on indicators illustrated with a number of case studies.

❉ Here we do not intend to suggest any typical performance indicators. A comprehensive study was made by the GRI3 reporting standard, especially concerning the choice of performance indicators by topic.

In connection with statistical data, we usually find tables setting out comparisons of achievements and indicators from one year to the next, and this secures an assessment of trends in results. It is much less common to find future projections with a presentation of the objectives to be achieved, and comparisons of the target results and those actually obtained.

The comparison between commitments taken up and achievement of these commitments can be set out as both qualitative and quantitative data.

Belgacom

	We said	We have
How we manage CSR	• We would set up a Group CSR Department • We would develop a Group CSR Strategy • We would develop and implement a CSR internal communication plan • We would further identify stakeholders and build a stakeholder engagement strategy (by end 2008) • We would build CSR management systems and structures (by end 2008)	• Established a Group CSR Department and created a CSR Operating Committee (CSR Opco) • Developed a Group CSR Strategy • Started to communicate more proactively about our CSR Engagement
Environmental Impact of our operations	• We would roll out energy efficient cooling methods at large Scale • We would purchase 25% of energy needs from green sources • We would investigate the possibility of a ISO 14000 certification at Group level • We would establish a study to monitor CO_2 emissions at Group level	• Rolled out free air cooling in 55 locations • Purchased 25% of Belgacom SA electricity from green sources since September 2007 (certified hydroelectricty from Alpenergie) • Reviewed our priorities and have not pursued the idea of ISO 14000 Certification • Identified potential suppliers for the CO_2 audit and will perform the audit in 2008 • Managed to keep our CO_2-eq emissions constant vs 2006 • Used less fuel (-4% vs 2006) • Produced less waste (-18% vs 2006) and used less paper (-19% vs 2006)

Throughout its report, Belgacom sets out the commitments taken up and the results obtained. A table at the end of the report shows this comparison along with the commitments for the following year.

Source: 2007 Social Responsibility Report, Belgacom Group – www.belgacom.be
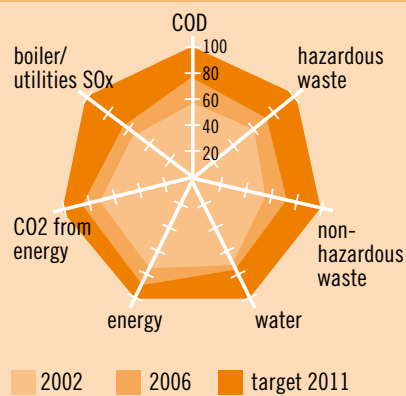
Unilever

By way of example, here are a few comparative tables from the « environmental » section of the 2006 Unilever report. After an initial summary table, more detailed graphs follow to explain why an objective has or has not been achieved.
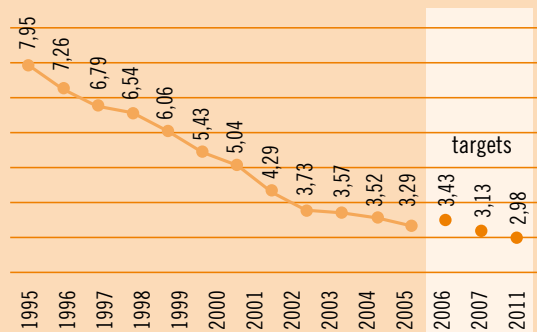
Target scorecard 2006

	target production 2006 vs 2005	actual reduction 2006 vs 2005	target met in 2006
water	2,7	6,5	yes
energy	2,8	5,2	yes
CO2 from energy	3,0	4,2	yes
boiler/utilities SOx	3,9	13,0	yes
non-hazardous waste	9,3	15,3	yes
hazardous waste	15,9	2,5	no
COD (chemical oxygen demand)	1,5	-2,7	no

Reduction in load per tonne prodution 2002-2006 and targets for 2011
expressed as % of the 2002 kg/tonne figures

- 2002
- 2006
- target 2011

Water m³ tonne of production

7,95 7,26 6,79 6,54 6,06 5,43 5,04 4,29 3,73 3,57 3,52 3,29 targets 3,43 3,13 2,98

1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2011

Source : « Sustainable development report 2006 » Unilever – www.unilever.com

Case studies: examples of activities, business cases, remarks by employees etc.

The third concept is always a major feature of the reports, generally to illustrate a policy or an indicator. There are many advantages to be drawn from citing these examples:
• They help understand concepts that lay readers frequently find difficult to grasp.
• They highlight specific achievements by company employees, thus increasing their motivation.
• If the company publishes only a single global report, they point to the local content of its policy.

We do not intend to dwell on any actual examples – all the reports mentioned in this guide offer a number of practical illustrations in accounts of projects and specific courses of action.

❈ We do, however, wish to elaborate on certain practical aspects of the utilisation of these examples – the following questions were asked by our working committee.
• How can we choose the most representative and relevant examples with respect to the policies implemented?
• How can we channel information on these cases from the various group entities?
• How can we secure a sound balance between the examples of different countries, different local entities or business units? This balance is necessary if the overall image is not to be distorted by cases representing only one of the world's regions, or only one type of activity.
• Which objective criteria must be implemented in order not to frustrate certain members of staff whose projects are not selected?

There are a number of possible answers to these questions, and here are a few of them:
• The business can draw up local reports (see above) in addition to the global report.
• The business can implement a project-compilation system on its Intranet.
• The business can implement a project selection committee at global level or in each country. This solution will secure the most representative examples of local issues.
• The business can use its website to present other case studies, possibly sorted by topics, by type of project, or by countries.

C. Dilemmas, failures and unachieved objectives

As if there were any need to say it again, the Social Responsibility Report must go beyond a marketing tool status designed only to give a positive (and often unrealistic) image of the company. The vast majority of businesses have now grasped this concept, although some remain hesitant.

It is all the more risky insofar as stakeholders attach particular importance to the quality and reality of the information set out in the report. They are also well aware (or should be) that Sustainable Development is a process of continuous improvement and learning.
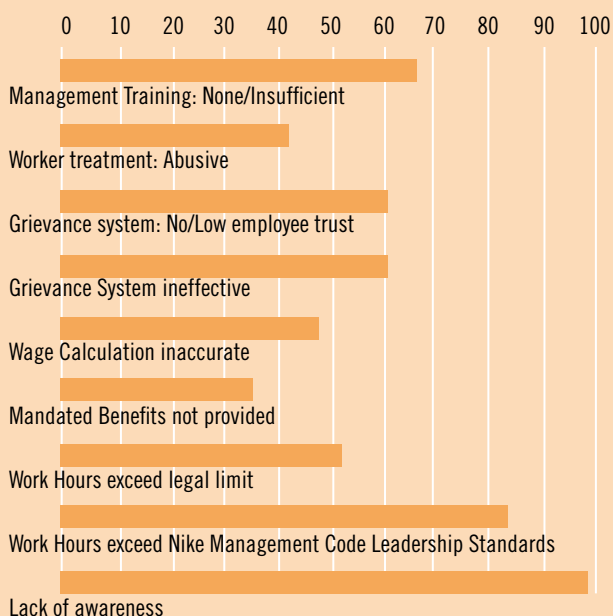
As we observed in the chapter dealing with statistical data, certain businesses no longer hesitate to state whether a project has been abandoned or an objective has not yet been achieved.

This transparency, naturally, only makes sense if it also applies the principle of materiality. It would be irresponsible to dodge around information on the most important issues.

Nike

The sports outfitter sets out the main non-compliances encountered on the basis of audits with its suppliers and subcontractors, and also covers social and environmental aspects. Here we have an example:

% Non-Compliance Management Audit

Bar chart with horizontal axis from 0 to 100 (increments of 10):

- Management Training: None/Insufficient — ~66
- Worker treatment: Abusive — ~42
- Grievance system: No/Low employee trust — ~60
- Grievance System ineffective — ~60
- Wage Calculation inaccurate — ~47
- Mandated Benefits not provided — ~35
- Work Hours exceed legal limit — ~52
- Work Hours exceed Nike Management Code Leadership Standards — ~84
- Lack of awareness — ~95

Source : Nike CSR Report 05-06
- http://nikeresponsibility.com

Rabobank

For all areas relating to Corporate Social Responsibility, the bank lists the objectives it set and their percentage achievements. In the example below, it clearly states an unachieved objective (item 2).

Employees	
Performance management of each of the 200 members of the executive management (excl. local Rabobanks) to include at least one CSR objective in 2007	Obligation 1 personal CSR objective accomplished
20% of trainees to be from an immigrant or non-Dutch background	Not accomplished, 10% in 2006
Optimise the reintegration process, offering a clear division of responsibilities between managers, employee and Health & Safety Service	Accomplished with new policy

Source: Rabobank Group CSR report 2006 – www.rabobank.com/csr

Even though the principle would appear to be simple, certain questions do not have any obvious answers. For example:
- How can pending litigation be announced without influencing the proceedings?
- How can incidences of non-compliance with an internal code or legal regulations be announced when this concerns only one person, without stigmatising this person?

In the case of failure to observe a law or non-compliance with an internal code, part of the answer lies in communicating the control and improvement measures that will be taken to prevent any future incidences.

D. The topics discussed

As we observed above, it is the concept of materiality, in particular, that will determine the topics which must be dealt with in the report.

The KPMG survey[28] on major reporting trends shows that the GRI guidelines and consultation with stakeholders are the two main sources for selection of the topics discussed in the reports.

We will not, of course, make a study of all possible topics, although it is interesting to dwell on two extremely important points:
- the general expectations of stakeholders in terms of topics,
- the attention paid to climate change.

The expectations of stakeholders

From a reading of a number of surveys, we have produced a list of priority issues for stakeholders, that are still not well addressed in reports:

Global expectations
- a more sectoral approach in relation to topics,
- information concerning the replies to comments made by stakeholders and the modifications made subsequently,
- analysis of products, not only of processes,
- information concerning integration of Corporate Social Responsibility in the firm's values and strategies.

In relation to social issues
- procedures to control the supplier chain, and their results,
- the impact on staff of restructuring and social devices implemented,
- wage policy,
- levels of subcontracting and outsourcing,
- organisation of work.

In relation to economic issues
- the impacts of economic activities on society, including products and services,
- fair trade (utilisation of products made, and modification of operating methods),
- rules in relation to competition (anti-trust rules, criteria for selection of suppliers, fighting corruption),
- employment dynamics and their impact on the region,
- the local impact of restructuring and relocating,
- the causes of exclusion from ethical investment lists,
- local development.

In relation to environmental issues
- ecological footprint (of the company and its products),
- the means implemented to reduce the risk of environmental accidents,
- financial means, provision and penalties concerning protection of the environment.

Climate change

A recent survey[29] conducted by CorporateRegister produced an analysis of Sustainable Development Reports[30] by 500 multinationals (basis: « Global FT500[31] ») from the point of view of climate change. The results were as follows for the 335 companies out of 500 publishing a Social Responsibility Report:
- 87% include the issue of climate change (over 95% of European companies),
- 65% allocate a specific chapter to the phenomenon,
- 78% present quantitative data on greenhouse gas emissions,
- 41% of CEO/Chairmen address the issue in their introduction.

Of the measures displayed by these companies, 74% concern initiatives to reduce energy consumption and 46% concern the utilisation of renewable energy forms.

We have, however, observed that overall very few businesses publish a management responsibility statement on the subject – barely 17% of European companies.

We wished to stress this topic, because it concerns all types of economic activity. This is confirmed by the results of the survey showing that the minimum percentage per sector of reports mentioning climate change is 50%, rising to 100% in 6 of the 18 sectors analysed.

V. Collecting data

Organising a Corporate Social Responsibility Report, and therefore collecting data, generally begins with putting together a team to carry out the task, usually a multidisciplinary team.

The report team, usually attached to the parent company, takes charge of general definition of contents, collection and verification of data, and the final wording of the report.

[29] The Corporate Climate Communications Report 2007 – CorporateRegister.com – www.corporateregister.com
[30] Reports published between September 2006 and December 2007.
[31] The Financial Times classification of the 500 major multinationals - www.ft.com/ft500

As we observed for selection of case studies, the group may also have:
- a case study selection committee,
- contacts at the various Group entities,
- contacts by topics,
- an external committee composed of stakeholders.

When the general context has been defined and the indicators selected, a data centralisation system must be implemented. Businesses may either use a system already employed for other types of data (e.g., financial data) or set up their own specific system – there are several software options available.

Many questions may be asked in connection with the consolidation of data:
- How can we consolidate and ensure that all entities and all countries have the same definition of the indicators?
- How can we ensure that the concept of material non-compliance adapts to various levels of legislation from one country to another?
- In the case of a global report containing local reports, how can we ensure coherence in both the message and the presentation of indicators?

Carrefour

"The 2006 Carrefour Sustainability Report was overseen by a Crossdepartmental Committee that brought together all the relevant Group departments (Quality, Responsibility and Risk Management, Human Resources, Internal Audit, Legal, Marketing, Assets, Purchasing, and Logistics) with representatives from the Quality and Sustainability network in the key European countries.

The system set up by the Sustainability department is a two-sided reporting system that permits the rigorous collection of qualitative and quantitative information from the various countries and retail banners. At the qualitative level, a dedicated e-room enables reporting on the best practices implemented in the countries. At the quantitative level, in 2005 the Group set up a new reporting tool for the 22 key performance indicators. Assigned personnel in each country are responsible for coordinating their reporting, ensuring that those responsible for reporting the different indicators are familiar with the procedures, definitions and guidelines.

The data are then entered into the intranet platform by the person responsible for the report or the indicator. This system includes automatic checks for consistency, so as to prevent errors in input; it can also be used to attach the source files and to make additional comments so as to facilitate internal controls and audits.

Each reporting officer checks the data input prior to consolidation at the Group level using a checklist and control tools supplied in the files defining each indicator."

Source : Group Carrefour, Sustainability Report 2006 – www.carrefour.com

Fortis

"Information systems and quality of data
Fortis has no overall information system for corporate social responsibility. For environmental data, we have developed a data system as part of our Corporate Environmental Management System. For other information, our primary sources are corporate systems, such as our financial reporting system, and the Global Data Warehouse for Human Resources information. For other relevant indicators that are not covered by existing systems, we use local information systems. To get the most relevant and up-to-date information, we have interviewed several representatives from our different businesses in order to provide us with anecdotal evidence and data. We also worked with an editorial board to test our findings and obtain additional organisational input. While we have made significant progress in data gathering, we recognise the need for continuous improvement of our information systems. We are also working on global coverage of systems that do not yet represent our entire organisation."

Source : Rapport RSE 2007 – www.fortis.be

As we may observe in these two examples, organisation and collection of data alone increasingly form part of the information in the report.

VI. External verification or external assurance

The main objective of a Social Responsibility Report for a company is to comment on its positive and negative impacts and the measures taken to increase or reduce these effects. This poses the question of the credibility of information in this voluntary publication (in most cases) produced by the company.

External verification is one of the solutions used by companies to guarantee this credibility vis-à-vis stakeholders, and this solution is also recommended by the GRI3 standards.

However, insofar as, according to the data provided by CorporateRegister.com, only 27% of the 2,500 reports published in 2007 were certified, we still must pose a number of questions. The figure rises to 44% in the case of the FT500 companies, according to the FT.

A. Advantages and disadvantages of external assurance

Establishing the advantages of the certification process for the company seems a simple enough process:
- It adds credibility to the report.
- It validates data-collection procedures.
- It provides a better idea of the opinions of stakeholders (generally contacted for the purposes of verification).
- It helps the report improve over time.
- It gives some indication of the internal control measures to be implemented.
- It generally increases the « value » of the report in the event of comparisons inside or outside the sector.
- It focuses on material issues, and therefore assists with a better understanding and application of the concept of materiality.
- As a general rule, it provides an objective view of the report's quality.

Some of the Belgian companies that publish a certified report are: Umicore, KBC, Belgacom and Fortis.

Randstad and Coca-Cola Belgium Luxembourg, however, chose not to have their report certified.

This now brings us to arguments against certification, or rather in favour of another method to validate reports or make them credible.

We will not dwell here on the disadvantages, since they would seem to be fairly logical – cost of the process, implementation difficulties, excessive work load – all quite basic arguments.

Businesses that do not certify their reports generally choose other methods of verification or validation. For example:

- re-reading and validation by an external committee of stakeholders,
- a process that involves stakeholders throughout the entire report-creation process,
- submission to management system certification bodies such as EMAS for the environment or SA 8000 for social issues,
- monitoring by the GRI standard,
- internal audits.

One of the possible reasons for choosing a panel of stakeholders rather than external verification by a specialist lies in the notion of the independence of the party verifying. Certain stakeholders, in fact, are unwilling to give credit to an audit performed by a service provider paid by the very company publishing the report.

General Electric (GE)

GE based its work on three of the "tools" mentioned above:

- a panel of stakeholders,
- monitoring by the GRI3 standard using application level A, the highest level,
- an external auditing team.

"GE utilized a Stakeholder Review Panel (SRP) to assess report quality (see page 28 for SRP letter). Ongoing stakeholder engagements have enabled the Company to determine the impact and influence of its corporate citizenship efforts. GE is committed to the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, which have informed the development of this report. For this 2007 report, we have used the new GRI "G3" Guidelines and compiled the report according to GRI Application Level A. ...

GE used the following GRI Reporting Principles to ensure the quality of this report:

- **Balance** Providing both favorable and unfavorable results and covering a range of controversial issues relating to the application or misuse of GE products and services.
- **Comparability** Providing metrics over a minimum of five years (less only when the information is not available) and by including a GRI Index.
- **Timeliness** Publishing our annual citizenship reports at the same time every year with updates to the web site as new issues arise.
- **Accuracy and Reliability** The internal Audit Staff has verified all of the metrics and claims made in the report. The report was reviewed and approved by GE senior management."

Source : GE 2007 Citizenship report – www.ge.com

Here we need not side with one option or the other, especially since many businesses use a combination of both. It must nevertheless be borne in mind that companies specialising in this kind of audit and verification adhere to an extremely strict code of ethics.

B. What does external verification focus on?

The scope of external verification is set by the writer and the verifier of the report. There are no legal obligations or rules, unlike certification of financial information.

Verification may focus on the following aspects:

- inclusion of all the actual impacts and issues in the report,
- the proper nature of procedures for reporting and collecting data,
- the faithfulness of the description of management systems and policies implemented,
- the commitment to stakeholders,
- observance of the principles of the GRI standard and the level of application,
- the realistic and complete nature of the qualitative and quantitative information submitted in the report,
- actual proof to back up the statements made in the report.

In the absence of a single international auditing standard, the methods used to verify the above aspects vary from one auditor to the next. National and international standards, however, do exist. We might cite the following, for example:

- ISAE 3000 (International Standard on Assurance Engagements), created in 2003 by the International Federation of Accountants[32]: basic principles and procedures for assurance missions other than auditing or verification of financial information.
- AA1000 Assurance Standard, created by AccountAbility[33]: another international standard to guide the work of auditors. Particular emphasis is placed on the commitment to stakeholders.

Some of the most common verification activities are:

- a search for material challenges by reading the press and consulting the Internet, interviews with stakeholders, sectoral comparisons,
- verification of management systems through interviews with employees and management, review of internal documentation,
- site visits,
- specific tests on quantitative data,
- verification of consolidation of data from the various sites,
- verification of material events occurring after year-end,
- ...

It ought to be pointed out that the opinion of the person verifying non-financial information is not on the same level of assurance as with the annual accounts. There are three levels of assurance, as follows:

- absolute: impossible to attain, since it means auditing 100% of the information,
- reasonable: generally attained in a classic financial audit based on statistical research,
- limited (moderate): this is the level most frequently used for qualitative and quantitative non-financial information.

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[32] www.ifac.org
[33] www.accountability21.net

A) 2006 Dexia Report (auditor: PWC France)

"Following the request received from the Dexia Group's Sustainable Development Department, we have performed an audit with the aim of enabling us to express a moderate assurance regarding the environmental and social information establishment processes, and regarding certain data and themes, published by the Dexia Group in this sustainable development report for the 2006 financial year. These procedures, and the corresponding information, were prepared under the responsibility of the Sustainable Management Department, in accordance with the Group's internal reporting protocol. (...).

Conclusion
On the basis of our work, we have not detected any material misstatement such that would call into question:
• the consistency of the social and environmental themes and data reviewed with regard to the reporting procedures laid down by the Group,
• the social and environmental reporting procedures and the environmental and social information establishment processes."

B) 2007 KBC Report (auditor: Ernst & Young Belgium)

"To the stakeholders of KBC Group
Engagement and responsibilities
We have been engaged by KBC Group NV ("KBC") to perform a limited assurance engagement on the KBC Corporate Social Responsibility Report 2007 ("the Report"). The scope of the Report, including any inherent limitations that could affect the reliability of the information contained therein, is set out in the sections "Scope of the report" and "Reporting policy and disclaimer" of the Report. The Report is the responsibility of the management of KBC. Our responsibility as independent auditor is to provide limited assurance about the reliability of the quantitative information contained in the Report and about whether the description of policies and measures in the Report, properly reflects the efforts made in 2007. A limited assurance engagement provides less assurance than an audit.

Criteria and reporting principles
There are currently no generally accepted criteria for reporting sustainability performance in Belgium. KBC applies its own internal sustainability performance reporting criteria, which are primarily derived from the Sustainability Reporting Guidelines of the Global Reporting Initiative ("GRI") level B+. This is detailed in sections "Reporting policy and disclaimer" and "Scope of the report" of the Report.

Scope of work performed
We conducted our procedures in accordance with the International Standard for Assurance Engagements 3000 ("ISAE 3000"): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and the Code of Ethics, issued by the International Federation of Accountants ("IFAC"). (...)"

C) 2007 Fortis report (auditor: KPMG Netherlands)

"What was included in the scope of our assurance engagement?
Our engagement was designed to provide the readers of The Report with limited assurance on whether the information in The Report is fairly stated.
Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and are less extensive than those for a reasonable level of assurance.

Which assurance standard did we use?
We carried out our engagement in accordance with Standard 3410N 'Assurance engagements relating to sustainability reports' of the Royal Netherlands Institute of Register Accountants. This Standard requires, amongst others, that the assurance team possesses the specific knowledge, skills and professional competencies needed to understand and review the information in The Report, and that they comply with the requirements of the IFAC Code of Ethics for Professional Accountants to ensure their independence."

D) 2007 Unilever Report (auditor: Deloitte UK)

"What we did: assurance process and standards
A multi-disciplinary team of corporate responsibility (CR) and assurance specialists performed the engagement to provide limited assurance in accordance with the International Standard on Assurance Engagements 3000 (ISAE3000).

What we found: our conclusions
Based on the assurance work we performed, we are not aware of anything that causes us to believe that the management assertions on the subject matters defined above are materially misstated."

C. Who can perform external verification?

In the absence of any hard and fast rule, this is also left to the discretion of the company. The international standards we mention above, naturally, recommend to chose verifiers who offer all possible guarantees in terms of competence and independence.
Although many reports are audited by companies specialising in financial audits, there are also specialist environmental or social consultants such as Bureau Veritas, SGS or ERM.
As a general rule, audit firms drawing up this kind of report are multi-disciplinary, and are present on the international stage (in the case of reports on multinational companies, at least).
It must nevertheless be said that other players such as NGOs could play a verification role. In this case, what is provided is frequently a less specific external viewpoint rather than an actual check.
This brings us to our next point: the role of stakeholders in the reporting process.

VII. The role of stakeholders

Dialogue and commitment vis-à-vis stakeholders form the basis of Social Responsibility and, by extension, of the reporting process.

The current expectations of NGOs, trade unions, local authorities, customers etc. go far beyond the actual desire to be informed a posteriori by a report, no matter how comprehensive it may be.

In this chapter we will examine dialogue and commitment within the context of the reporting process, and not as part of the general context of management of the company's Sustainable Development strategy. This is a topic which is also frequently covered in reports.

Implementation of dialogue with stakeholders must not, of course, be conditioned by the preparation of a report. Certain companies have implemented accomplished processes of dialogue that are ongoing all year round, and are not employed to draw up or assess reports. This allows the business to collate information which determines major expectations and the most material issues, subsequently used to define the contents of the report.

A. When and how to integrate stakeholders in the process

A number of dimensions are used to determine the level of involvement of stakeholders in the reporting process:

At what point in the process are the external opinions added?
• at the beginning of the process, in order to determine the material issues that must be examined,
• during the process, through regular consultation,
• at the end of the process, in order to validate the report before it is published,
• after publishing, for ex post assessment.

How is assessment by stakeholders organised?
• provision of an Internet line or form for comments,
• organisation of an information session,
• individual consultation with certain players,
• organisation of sporadic panels with several players,
• organisation of a committee of external experts to back up the process,
• organisation of an assessment committee to verify the report.

To what extent are external opinions taken into consideration and notified?
• no consideration taken,
• no particular mention, but taken into account within the process,
• description of the consultation procedure,
• inclusion of assessment of a programme by a stakeholder in the report,
• inclusion of testimony by external experts in the report,
• notification in the report (or on the web site) of the comments and recommendations made, with an explanation of monitoring.

The company must also determine which stakeholders are to be consulted, and whether they will all be consulted in the same way. We may imagine that in Belgium trade unions would be consulted via the firm's legal internal bodies, although other formulae must be envisaged for the remaining stakeholders. Likewise, the method used to consult customers will not be the same for a company dealing with consumers and another company operating an exclusive « B to B » format.

Shell

Like Shell, General Electric chose to have its report assessed by an external committee composed of various stakeholders. The report drawn up by this committee is extremely comprehensive, including comments on potential room for improvement.

"The findings of our External Review Committee

What we didn
For the second successive year, Shell has invited an External Review Committee to review its Sustainability Report. We concentrated on three main questions.
1. Has the company selected the most important topics for the Report?
2. How well has the Report dealt with these topics and responded to stakeholder interest?
3. Did Shell give us sufficient information and access to do our job effectively?

How we worked
We provided input into issue selection in 2006, and reviewed the Report outline late in 2006. Successive drafts of the Report were reviewed between December 2006 and March 2007. The Committee met in person twice; interviewed senior executives, including the Chief Executive and the head of Exploration & Production, and provided direct feedback to the Chief Executive and the Board's Social Responsibility Committee. The Committee's access to senior Shell decision-makers was exemplary, and Shell responded well to our questions and concerns. (...)

We believe the Report includes the topics of greatest interest to Shell's stakeholders, and those with the greatest material impact on the company. (...)

We are pleased that Shell has been responsive in the current Report to most of the comments provided in the Committee's letter reviewing the 2005 Sustainability Report. (...)

However, in our view, the Report does not provide readers with enough information to judge whether the speed with which Shell is acting to tackle climate change is consistent with the challenge, which the company itself rightly describes as urgent. This is reflected in: (...)"

Source: 2006 Shell Sustainable Development Report – www.shell.com

General Electric (GE)

"Commentary by the Stakeholder Report Review Panel

Overall, the Panel is impressed with GE's investment and progress in developing its public reporting on its citizenship, or sustainability performance. The Panel is appreciative of the openness and high quality of its dialogue with GE's senior executives. Many of the Panel's original comments have been taken into account in the final, published report, through: (a) adjustments to what and how issues have been covered; (b) GE's commitments for future reporting; and (c) underlying policy changes. GE's size and complexity make reporting more difficult than for most other businesses; it is in this context that we set out our comments and suggestions. Our comments have been organized under the AA1000 Assurance Standard's three principles, followed by a series of recommendations that would, if acted upon, improve GE's future reporting.

How complete is the report? (…)
Does the report cover what is material? (…)
Does the report cover GE's responsiveness to material issues? (…)
Recommendations for future reporting (…)
GE's human rights policy and practice"

This panel is composed of five people, identified by GE in conjunction with AccountAbility, which also acts as facilitator. Of the five, two represent NGOs (environmental and human rights), two are ethical investment specialists, and one represents a company."

Source : GE 2007 Citizenship report – www.ge.com

Fortis

"To evaluate our CSR Report for 2006, we consulted our stakeholders in collaboration with an independent research agency. It was a worthwhile process that enabled us to identify several areas for improvement. The most important of these were to concentrate on concrete results and future targets, to include more 'CSR dilemmas' in the report, to reduce the document's size and to make better use of our website when communicating on our CSR performance. We took these recommendations to heart, hence the revised structure and format of this year's Corporate Social Responsibility Report and the new CSR website.

In addition to the specific project of evaluating our 2006 report, we engaged with our stakeholders on a number of CSR initiatives in the past year and in specific business situations. Examples can be found throughout this report and on our website. The three theme chapters of this report, for instance, feature 'What do our stakeholders say?' items."

Source : CSR Report 2007 – www.fortis.be

Vodaphone

"Views from experts on key issues

We continually challenge ourselves to set higher standards of transparency as well as improving our performance. As part of our efforts to improve transparency, we include in our CR Report unedited comments from recognised stakeholders on our performance in key areas.

This year, we invited seven recognised stakeholders and experts to comment on some of the biggest challenges Vodafone faces: mobile phones, masts and health; climate change; privacy; supply chain; access to communications; content standards; and e-waste.

The stakeholders and experts were chosen according to their area of expertise, the reputation of their organisation, their independence and the ability to provide constructive criticism. Each was asked to provide their views on the status of the issue, Vodafone's current approach and expectations for the future. Here we include their unedited comments."

Source : Vodaphone CSR report 2007 – www.vodaphone.com

Sony a stakeholders voice

"Solving the Climate Change Issue

Climate change is having a negative impact around the world. The latest scientific findings urge the world community to reduce greenhouse gas emissions as quickly as possible.

We must act now, as delay is not an option. The WWF believes that companies have a special responsibility to fight climate change. The WWF Climate Savers Programme is designed to encourage companies to be proactive and ambitious in reducing their carbon footprint. By joining the program in 2006, Sony has taken responsibility to do its share in helping to solve the climate change problem.

The two partners agreed that Sony would reduce the CO_2 emissions caused by its business operations, and will gain leadership in energy efficiency for its main product lines. In fact, using Sony products causes more CO_2 emissions than the production process itself, as these products need electricity. The WWF believes that Sony's commitment to be world-class in developing energy efficient products illustrates how companies can help consumers reduce the consumption of electricity.

The WWF and Sony are now working together to monitor and measure the progress with respect to their agreed targets.

Oliver Rapf, Head Business & Industry Engagement, Climate Change Programme, WWF International"

Source : Sony CSR Report 2007 – www.sony.com

B. Expectations of investors

Investor interest in Sustainable Development policies is growing continuously. If only a few years ago it was exclusively specialists in Ethical Funds (or Socially Responsible Investors) who actively read non-financial reports produced by businesses, the entire financial community now expresses its expectations in this regard.

This phenomenon is not neglected by those writing Social Responsibility Reports, who ponder on the best way to set out non-financial information (which is not always quantifiable) for number-crunching specialists.

As we saw in the last chapter, some firms use the specialists as part of their steering committee and to assess their report.

Many surveys are also conducted in order to analyse the specific expectations of these « new » readers. One such survey[34] was published in 2006 by SustainAbility, Standard & Poor's[35] and the United Nations Environment Programme.

The survey is based on the increasingly popular idea that Sustainable Development can (must) form part of a company's competitive strategy and that, if this is the case, a Social Responsibility policy is no longer a response to potential hazards, but rather an opportunity in terms of values, innovation and markets.

This point of view is of particular value to investors – the survey thus attempted to analyse whether this new dimension was well expressed in the reports and, in passing, sought out the expectations of financial analysts. Some of the major conclusions were that finance markets welcome non-financial information and that they challenge their quality.

The report summarises the 6 main expectations of investors:
- a timeline well over 12 months,
- relevant raw data consistently reported over time and comparable at sectoral level at least,
- short precise comments explaining the materiality of issues in financial terms,
- information on the risk management and identification processes,
- statements concerning long-term objectives,
- precise comments on past performances.

It is interesting to observe that only a few years ago the Sustainable Development Report followed on from the financial report. Nowadays it is normal for it to be published simultaneously, and thus within increasingly shorter periods after year-end. Additionally, there is much more financial and non-financial information available between the two reports in the course of the year, often on the web site. We can only hope that this trend will do nothing to alter the quality of reports and the long-term concept that are features of Sustainable Development.

[34] Tomorrow's Value : the Global Reporters Survey of Corporate Sustainability Reporting – 2006 - SustainAbility
[35] Entity specialising in analytic data for finance markets. www.standardandpoors.com

VIII. The role of the report in general communication policy

Our aim is to ask all questions concerning the process of preparation and publication of a Sustainable Development Report in as chronological a fashion as possible.

We began this second part of the guide with the query « why write a report? ». Thus we feel it is logical to conclude with questions as to its distribution, and its role in companies' general communication policy.

Let us go back to some of the basic principles outlined so far:
• the report is a tool, not a means in itself,
• the report is not a rigid marketing tool, but rather a communication process vis-à-vis stakeholders,
• the report forms part of the general Social Responsibility strategy, including dialogue with stakeholders,
• the report alone is no guarantee of transparency,
• means other than reports may be used for communication, dialogue and transparency.

A. The other means of communication employed

As we have frequently remarked, companies' Internet sites are the most common vehicle used in addition to the report. Even though only a few years ago these merely contained a downloadable version of the publication and a general description of company policy, they are now much more extensive and interactive, to the extent that some multinationals have set up a specific site dealing with their Social Responsibility policy.

What can we find on these sites, for instance?
• the report in interactive format, with the means to create our own downloadable document containing only the items of interest to us,
• interactive consultation facilities taking account of several variables including, for example, the type of stakeholder making the query,
• a description of policies and procedures that are only touched on briefly in the report,
• case studies by countries, by type, by issues etc.,
• statistical data, regularly updated,
• comments by stakeholders ...

Fortis

"Managing social and environmental risks

Responsible growth requires carefully designed and effective risk management, governance and compliance processes. We are convinced at Fortis that, provided they are managed professionally and proactively, these processes can genuinely help improve the quality of our business and enable us to make more balanced and informed decisions. Our corporate risk management procedures, along with our legal and compliance activities, are discussed at length in the Fortis Annual Report 2007. As part of our corporate risk management procedures, a body of policies has been developed to manage the social and environmental risks we face in the relationship with our customers. Please refer to www.fortis.com/sustainability for the policy documents."

Source : Rapport RSE 2007 – www.fortis.be

Vodaphone CR dialogues

"Each of our CR Dialogues explores a key emerging CR issue in depth. The Dialogues include several key elements:
• focus groups for experts and key opinion formers,
• independent research commissioned by Vodafone,
• dialogue papers outlining the findings of this research and engagement, designed to stimulate further debate on the issue.
Our latest stakeholder events focused on privacy, climate change and emerging markets. We have published three Dialogue papers to date on:
• assurance of CR reporting
• stakeholder engagement
• economic empowerment through mobile
These papers are available on our website at www.vodafone.com/responsibility/dialogues.
Further information:
www.vodafone.com/responsibility/ourapproach
• CR strategy
• Business principles
• Embedding CR
• Policies
Further information:
www.vodafone.com/responsibility/access
• Socio-economic impact research impact
• Africa: the impact of mobile phones – full report
• Economic empowerment through mobile – full report
• Impact of mobile in healthcare – full report
• M-PESA
• Cash value-added
www.vodafone.co.uk/disabilityservices - www.vodafone.es/accesible"

Source: Vodaphone CSR report 2007 – www.vodaphone.com

Unilever

"Web links

- Our nutrition policy and approach
- Nutrition Enhancement Programme
- Choices
- Food and Beverage Marketing Principles
- Unilever Food and Health Research Institute
- Working with others – UNICEF, the World Food Programme, Partnership for Child Nutrition, Micronutrient Initiative, World Heart Federation, GAIN (...)
- Eco-efficiency projects
- Case studies and performance data (...)
- Environmental management system
- Detailed eco-efficiency KPI data and targets
- Environmental issues"

Source : Unilever Sustainable Development Report 2006 – www.unilever.com

New initiatives are gradually emerging, such as electronic newsletters to give any stakeholders who so desire the chance to stay informed of developments in relation to certain issues, regardless of whether or not they are covered in the report. This is the case, for example, at Coca-Cola Belgium Luxembourg.

Beyond the utilisation of classic means, stakeholder panels or other means of interactive dialogue also help enhance the report.

If all these means are enacted, the stakeholders must obviously be informed of their existence.

B. Distribution of the report and collection of comments

Here we must make a distinction between internal and external communication.

Concerning internal communication, this varies greatly between one company and another. Some companies opt to actively communicate with all employees either in direct messages (a rather costly method, which also uses up a considerable slice of resources) or through internal newsletters or their Intranet. Others inform only senior management and heads of department. There is no hard and fast rule.

Various methods are used for external stakeholders. Here are a few examples:
• In a "B to B" context, major customers may receive a direct message. The report may also be sent in addition to an offer if the customer demands guarantees relating to Social Responsibility.
• Consumers may be informed via the media, or even on product packaging. This target is very difficult to achieve. Companies generally favour extremely targeted information (the Colruyt case is an interesting example: there is no report, and information is sent out to customers as « in-house » magazines, or is available at the sales outlets, in the media etc.).
• Local residents and local authorities may also receive customised information.
• The company's home page on Internet generally displays a link to the report, in proximity to proactive targets such as job hunters.

Within the context of a globalised economy, it is difficult for companies to identify all their strategic stakeholders, particularly in relation to the NGO sector. This problem is frequently accompanied by a full process preceding active dialogue with external players.

There are a number of Internet sites given over to Sustainable Development where (either in return for remuneration or not) companies may announce the publication of their report. These sites generally relay the information in a number of electronic newsletters. The most comprehensive site is Corporateregister.com, where we find most of the reports published, including reports by Belgian firms.

When the report has been distributed and announced, there is the option of allowing the stakeholders to react to the contents. As we observed above, this can be done in a more or less organised and interactive fashion. It should be noted that nowadays almost all reports refer to sites or electronic addresses where comments can be sent, and some even have a reply form as part of the format.

In general firms regret the lack of reactivity on the part of stakeholders following publication of the report, despite all the best efforts.

We must remember that stakeholders are also learners in relation to the evolution of Sustainable Development Reports, and have not yet systematised their reading of the documents and their replies. It is utopian to believe that the national office of an NGO operates a service for reading and replying to the reports. They have neither the time nor the means to carry out this function. A proactive attitude on the part of businesses remains a crucial factor.

Dexia: continued dialogue

Assessment questionnaire

We would value your help as it means that we can take better account of your concerns. Please return this questionnaire to us.

1) Has this report enabled you to understand the nature and direction of Dexia's sustainable development initiatives?
❏ Completely   ❏ Mostly ❏ Not really   ❏ Not at all

2) Of the following themes, which seem to you to be most useful in understanding Dexia's sustainable development?

	Very useful	Useful	Not very useful	Not at all useful
Dexia's commitments				
Dexia's organization				
Sustainable development strategy				
Performance				
Professional code of ethics and compliance				
Corporate governance				
Public sector financing				
Socially responsible investment				
Retail banking and insurance				
Human resources management and social dialogue				
Direct environmental responsibility				
Partnerships and commitments				
Corporate philanthropy				

3) In your opinion, what area should Dexia concentrate on to continue its involvement in sustainable development?

4) How have you consulted Dexia's sustainable development report?
❏ *On Line* ❏ *On CD-rom* ❏ *Paper copy*

5) Are you happy with the format provided (CD-ROM or reading on line)?

❏ Yes ❏ No If no, please state why

Comments, advice, suggestions.

Source : Sustainable Development Report 2006 – www.dexia.com

IX. Conclusion

There are more questions and scope for improvement in relation to Sustainable Development Reports than there are answers and certainties. Development and utilisation of an international framework such as GRI3 nevertheless represent a considerable step forward and valuable assistance for businesses.

In view of the many queries and potentially available options, this process would seem to be inaccessible to any players other than large companies, and we must admit that the examples furnished in this guide merely serve to bolster this feeling.

We feel that a number of current trends would seem to indicate shorter and more accurate reports in years to come. The materiality principle, in fact, allows companies to focus on a number of key items and avoid encyclopaedic reports which few people read or understand. Our focus is certainly on quality of information, not quantity.

Furthermore, the emergence of sectoral additions in accordance with GRI3 also allows businesses to provide a better definition of the issues that are really important to them.

We should also observe that the international standard tackles the reporting process of SMEs with a view to, one would hope, setting out simplified guidelines. We nevertheless wish to state that other means, occasionally better adapted, constitute a better method for announcing social commitments.

Beyond the many company options set out above, the basic prerequisites and analysis for drawing up a quality report constitute a very useful questioning tool for all firms sensitive to Sustainable Development. These will, in fact, be beneficial to a general Social Responsibility strategy and an attitude of dialogue with stakeholders, even if it does not entail, or does not yet entail, preparation of this kind of report.

It is for this reason that we conclude our guide with a summary table of these prerequisites and traps to be avoided.

Summary of prerequisites to a phase-by-phase report

Phase	Prerequisite
Decision to draw up a report	• Define our communication target. • Define what we wish to communicate. • Define why we wish to communicate. • Choose the best method and means to provide a response to these three questions.
Definition of the scope of the report	• Assess local communication needs. • Investigate economic, social and environmental impacts, and define their global, national or local scope. • Define the company's area of influence and control in order to determine whether subcontractors and suppliers ought to be included.
Choice as to the contents of the report	• Define the material issues using input from stakeholders, and present the company's commitments and position vis-à-vis the issues. • Include objectives with long-term quantifications, and monitoring of these objectives on a year-by-year basis. • State and explain unachieved objectives, and the dilemmas involved. • Explain the strategy of consultation with stakeholders, and the impact of their comments concerning improvements to the report and Social Responsibility policy as a whole. • Provide an assessment of the impacts of products or services. • Define an objective method to select case studies to illustrate the report, in due consideration of criteria such as relevance, representativeness and geographic balance etc.
Verification of the report	• Choose an adapted verification method (external committee, audit company etc.). • Define the scope of verification.
Announcing the report	• Draw up communication strategies for the various stakeholders. • Develop use of the Internet site as an addition to the report. • Make arrangements for an abbreviated version of the report. • Draw up a methodology for consultation with stakeholders, which will also collate and monitor their comments.

draw up

- Draw up a report for stakeholders who will not tend to read it (local residents, consumers, employees etc.), although another medium would be more suitable (open days, internal postings etc.).
- Use a single means of communication.

- Neglect local stakeholders and local aspects.
- Provide no communication as to production conditions at subcontractors' facilities, if this accounts for a major portion of business activity.
- Provide no coordination of strategic guidelines and methods for calculation of indicators, if there both local and global reports.

- Present positive results only.
- Focus on non-material aspects to the detriment of essential issues.
- Neglect the impact of products and services.
- Provide no proposals for monitoring long-term commitments.
- Present the company's unilateral viewpoint only.
- Provide no replies to the reactions of stakeholders.
- Draw up a report which is too long and arduous, rather than using additional facilities such as the web site.

- Provide no external opinion on the report.

- Provide no facilities for comment.
- Neglect internal communication of the report.
- Provide a single means of communication, with no adaptation to stakeholders.
- Accelerate preparation and distribution of the report to the detriment of the quality of information.

ACKNOWLEDGEMENTS

Business & Society Belgium

Business & Society Belgium is a network and source of inspiration for enterprises and associations of enterprises that want to integrate Corporate Social Responsibility within their operation and management.

BUSINESS & SOCIETY BELGIUM

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