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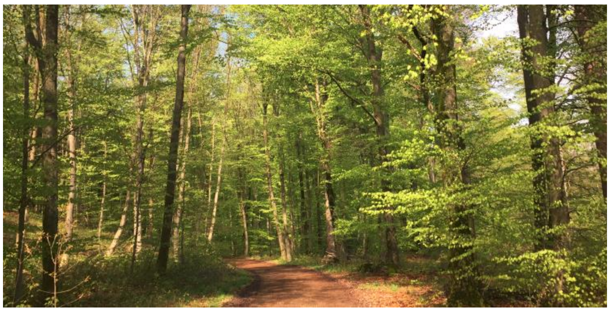

GRI Standards: streamline your internal reporting

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GRI Standards: Internal reporting and strategy

Published by C. Bailly-Leclerc on March 22, 2017 (Click on the title for the full version)

The GRI Standards are a set of internationally recognized CSR standards to report on sustainability topics. Usually, organizations use them to structure their sustainability/CSR a report. Such report is a tool used to disclose information to stakeholders, e.g. parties impacted by the organizations' activities. Organizations report their commitments, their actions and usually indicators about their environmental, social and governance impacts.

When publishing a report, companies choose between two options to decide to which extent they are in accordance with the Standards: Core and Comprehensive. The in-accordance option "Core" is less stringent than the "Comprehensive". If the organization fails to comply to some requirements of the chosen in-accordance option, it is also possible to use part of the standards, by making a GRI-referenced claim. So the good news is: If you do not wish to publish a full report for any reason, you can still use the GRI Standards to shape your strategy and own monitoring!

GRI Standards to tune the strategy

Many companies, even without having a structured and unified approach of sustainability / CSR, have already included such topics into their management systems. For example, it is very common to have Quality and Safety departments, Human Resources processes or even Compliance officers enforcing the code of conduct.

However, when it comes to including more topics and gather them over an overarching structure, you may wonder which topics to add, and which topics are of interest to you. The GRI Standards presents principles and a methodology that can be applied to identify such material topics.

In this sense, you need to identify where the impact occurs, relate the impacts to global sustainability challenges and include the stakeholders' opinions and needs when thinking of the strategy. The standard GRI 101 – Foundation provides guidance on how to identify such topics, by following specific principles. Once you know which topics are relevant for you and your stakeholders, and once you have prioritized them, you can assess your progress on them.

GRI Standards to assess KPI

The GRI Standards are composed of 36 standards, which contains themselves disclosures. Disclosures are indicators or KPIs (Key Performance Indicators), which can be used to quantify the achievement of certain topics. To know which KPIs to follow, you can either use the GRI standards to list the material topics, or you can simply check what you need internally.

For example, if you think energy reduction is an important topic for your company, you can use the GRI Standard GRI 302: ENERGY 2016, and more precisely apply the requirements of the disclosure – Disclosure 302-4 Reduction of energy consumption. When reading the GRI explanations, you will see that Minimum requirements are set, then recommendations and further guidance are provided. It should give you enough visibility to proceed to assessing KPIs.

What are the next steps for you?

Structure your CSR approach, identify the important topics, start collecting data internally, assess the KPIs you need and publish them in a report, if you want.

2017 DJSI questionnaire now open

Published by C. Bailly-Leclerc on March 31, 2017 (Click on the title for the full version)

The DJSI questionnaire “Corporate Sustainability Assessment” has now been shared with all invited companies.

What is the DJSI questionnaire?

The DJSI, or Dow Jones Sustainability Index, is a stock exchanges index, which includes Environmental, Social and Governance (ESG) criteria into the ranking.
In order to be part of the DJSI, invited stock listed companies need to fill a questionnaire, called the Corporate Sustainability Assessment. Over 3,400 companies are invited every year, to answer between 80 to 120 industry specific questions.
The results are then analyzed by RobecoSAM, an investment specialist focused exclusively on Sustainability Investing. Based on such results, and on financial data, the indices are composed.
More precisely, RobecoSAM states that: “This data, combined with sustainability and risk/return objectives of investors, is used to produce our family of indices, including our global indices, sub-indices, and innovative products like the multi-factor smart-beta ESG indices. Our ESG equity indices are based on RobecoSAM’s proprietary ESG database, covering over 600 ESG indicators for over 4,000 global companies.”
Such indices include DJSI World, DJSI North Amercia, DJSI Europe, DJSI Asia Pacific, DJSI Korea, DJSI Emerging Markets, DJSI Australia, DJSI Chile. Of note, DJSI World tracks the performance of the top 10% of the 2,500 largest companies in the S&P Global Broad Market IndexSM that leads the field in terms of sustainability, while DJSI Europe tracks the performance of the top 20% of the 600 largest European companies in the S&P Global Broad Market IndexSM that leads the field in terms of sustainability.

What is the Corporate Sustainability Assessment?

It is a questionnaire that the companies need to fill in, to be then rated by RobecoSAM. Only the best are part of the DJSI indices afterwards.
The questionnaire is customized for 60 industries, over 3 dimensions: Economic, Environment and Social. Such questions aim at finding out the measures of the companies, if the firm discloses policies and reports on the topics, what are the KPIs and so on.
The questions activated depend on the sector/industry. The maximum score for each question is 100. The various answer options within a question are scored individually or in combination, with the total sum resulting in a maximum of 100 points.
Such questionnaire is also weighted. You can read the methodology for an overview on the weighting rules.

Fight climate change with science-based targets

Published by C. Bailly-Leclerc on April 24, 2017 (Click on the title for the full version)

The independent analyses by NASA and the National Oceanic and Atmospheric Administration (NOAA) are clear: Earth's 2016 surface temperatures were the warmest since modern recordkeeping began in 1880. It is the second year in a row that temperatures reach such levels.
Higher temperatures lead to an increase in greenhouse effect, leading itself to higher temperature. Such global warming is believed to cause climate change (sea rise level, increase in natural disasters). Human activities produce also Greenhouse Gases, which are then strengthening the greenhouse effect. Therefore, companies have long assessed their carbon footprints, e.g. how much of these gases they generate with their activities. In this sense, they can identify the greenhouse gases sources, and prioritize their reduction initiatives.
However, how can they be sure that such efforts match the current scientific scenarios? Indeed, in order to actually curb climate change, the increase in temperature compared to pre-industrial era should only by 1.5°C/2°C. The Paris Agreement states so. This UNFCCC agreement was signed by 197 countries in December 2015, and is currently ratified by 133 parties. It includes various future milestones, including a focus on such target. How can companies actually achieve to the 2°C path? They can implement science-based targets.

Science-based targets: a solution for companies

SBT or Science-Based targets are Greenhouse gas emissions reduction targets. Why are they different from regular targets? They are calculated based on scientific scenario to make sure that the global warming does not go up to 2°C more than in the preindustrial era. It means that, by setting that type of targets, companies make sure that their emissions reduction efforts are aligned on such scenario and better help curbing climate change.
Such targets are currently being recognized by international CSR standards. For example, it is part of the CDP methodology scoring. Having science-based targets leads to higher ranking.
There are three different approaches to calculate science-based targets (contraction, compression, convergence). They take into account the predictions on how the sector and the company are going to evolve in the future and include such factors in the calculation according to the chosen approach. All approaches have their strengths and weaknesses and may be more suitable for some companies than for others. If your company would like to set up science-based targets, there are several solutions in this sense.

Science-based targets: how to make it happen?

Companies can definitely try to assess their science-based targets by themselves. The following resources can be used in this sense: http://sciencebasedtargets.org/methods/. However, it might be difficult to know which approach to choose and which factors to include.
If you are unsure what is the approach that fits your company the best, you can opt for external support.

German CSR reporting law overview

Published by C. Bailly-Leclerc on July 3, 2017 (Click on the title for the full version)

In March 2017, the German Bundestag passed the law to strengthen companies' non-financial disclosure in their management reports and group management reports. The CSR reporting law, which is the implementation of the EU Directive 2014/95/EU (non-financial reporting), is called „Gesetz zur Stärkung der nichtfinanziellen Berichterstattung der Unternehmen in ihren Lage- und Konzernlageberichten" (see the official legal text).

Target of the legislation is to improve corporate transparency in terms of social and ecological aspects, which is requested by stakeholders like investors, companies or consumers. Furthermore, the mandatory reporting is intended to provide incentives for companies to strengthen their sustainability commitment and to better assess their risks in this field.

Who is concerned?

Affected are all capital-market-oriented companies, as well as credit institutions and insurance companies, with a workforce of more than 500 employees, and whose balance sheet amounts to more than EUR 20 million, or whose revenues amount to more than EUR 40 million. According to a recent study, this concerns about 550 companies in Germany. It is however likely that companies directly concerned will also intensify their inclusion of suppliers, e.g. also SMEs. In practice, this could lead to requests for sustainability-related information such as carbon footprint data.

When does the law come into effect?

According to the CSR reporting law, the concerned companies need to start reporting for fiscal years starting after the 31st of December 2016.

What has to be reported?

Companies need to provide information on environmental, employee-related and social issues, respect for human rights and the fight against corruption. You will need to give a description of the concepts followed, present the due diligence processes applied, the results of these concepts, the main risks and the most important non-financial performance indicators. The non-financial declaration must be published not later than four months after your financial statement date.

How can you proceed?

The information requested by the CSR reporting law may be integrated into the annual report, published in parallel to the annual report or published later than the annual report, within a defined time limit of 4 months. Where a separate CSR report is produced, the company must ensure that it is available on the company's website for a period of ten years. In terms of framework, you can choose any reporting standard that fits your needs, for instance UNGC or GRI. An independent audit of the report is not mandatory.

CDP Questionnaire 2018

Published by P. Wellbrock on December 21, 2017 (Click on the title for the full version)

CDP has published the 2018 questionnaire for their programs CDP Climate Change, CDP Water and CDP Forests. The online versions can be accessed here, PDF and Word versions are to follow. The questionnaire experienced far-reaching changes compared to previous years. Prior to the reorientation according to the motto „Reimagening Disclosure“, an extensive consultation phase took place.

The chances that were realized for the questionnaire are adressing content and structure of those. Additionally, sector specific questions were included. This concerns the following sectors: Agricultural Commodities, Cement, Chemicals, Coal, Electric Utilities, Food, Beverage & Tobacco, Metals & Mining, Oil & Gas, Paper & Forestry, Steel, Transport OEMS, Transport OEMS EPM (Engine Part Manufacturers), Transport Services.

Major content-related changes of the 2018 questionnaire

Content-related, most of the announced changes were realized. From now on, the Climate Change questionnaire asks for the emissions for each greenhouse gas instead for CO2-equivalents as they did so far.

Major changes also occured for the demanded description of the analysis of risks and chances triggered by climate change. Also, plenty information about scenario-based forecasts and their influence on strategy and riskmanagement are inquired.

Basis for most of those adjustments is the recommendation of the Task Force on Climare-Related Financial Disclosure (TCFD). They set the targets for companies on how to evaluate and report climate change-related risks.

Next steps and further information on the CDP questionnaire 2018

CDP announced the publishing of one PDF and Word-version of the questionnaire for early 2018. Also, the official reporting guidance and a written documentation of all changes is going to be released then. Though, the scoring methodology which will explain the score accounting of the CDP questionnaire 2018 in detail will be released in march.

As official CDP Silver Climate Change Consultancy Partner, DFGE offers free german webinars on the innovations of the CDP questionnaire 2018. Beside the content-related and structural changes, we also speak about the strategic implications, for example the integration of risk management, scenario analysis and the setting of medium-term emission goals.

EcoVadis CSR Risk and Performance Index

Published by C. Bailly-Leclerc on September 18, 2017 (Click on the title for the full version)

Our Partner EcoVadis released last week their Global CSR Risk and Performance Index, a study on more than 20,000 companies. Read below the most interesting parts of their blog entry:

12 September 2017 by EcoVadis

"The first annual Global CSR Risk and Performance Index reveals progress of more than 20,400 companies looking to improve their sustainability efforts.

Today we published our EcoVadis first annual edition of the Global CSR Risk and Performance Index – which represents the culmination of an intensive research project to track the corporate social responsibility (CSR) performance of more than 20,400 companies, based on EcoVadis CSR Ratings across 10 industries and three world regions.

The overall news is encouraging

As companies prioritize the benefits of sustainability – meeting customer demand, reducing risk, doing good for the world, increasing procurement ROI – they are investing more in supply chain sustainability and experiencing strong year over year improvements.

That said, the criticality of supply chain CSR remains extremely high, leaving a lot of room for all organizations and industries to grow and improve. We graded on a tough scale to represent that reality – overall progress was strong in 2016, but there's still a major gap between where we are today and maximum CSR performance.

To determine Index scores, we measured and analyzed nearly 800,000 data points through 2015 and 2016. Companies were evaluated on 21 criteria across four themes, including: environment, labor practices and human rights, fair business ethics and sustainable procurement. We then broke suppliers down by industry and company size. Cumulative scores are based on a scale of zero to 100, with 25 representing basic CSR coverage, 50 representing standard, 75 comprehensive and 100 exceptional.

Interesting highlights

- Environmental performance: The Large Manufacturing Advanced segment took the lead with a score of 51.6. The Food and Beverage industry topped the small and medium sized segment, with a score of 50.2.
- Labor practices and human rights: Small and Medium companies in the Construction Industry had the best score (50.3) whereas Large companies in the Finance, Legal, Consulting and Advertising Industry scored 47.3.
- Fair business ethics: The Finance, Legal, Consulting and Advertising Industry led all groups and sizes in the Fair Business Ethics segment with scores of 47.5 points for Large companies and 46.0 for Small and Medium companies.
- Sustainable procurement: SMB Food and Beverage companies earned the top sustainable procurement score (41.9). Manufacturing Light took the top spot in the Large category (41.4).

Founded in 1999 as a spin-off of the technical University of Munich, the DFGE – Institute for Energy, Ecology and Economy provides consulting services in the field of sustainability. Our offer Sustainability Intelligence featuring calculation management and reporting solutions aims at bundling the effort of taking part in several sustainability/CSR standards and rankings like CDP, UNGC, EcoVadis or GRI. Our services are structured according to our ACCoRD scheme: Analyze, Collect, Compose, Review, and Document, to foster continuous improvement and collect reliable data. Our clients range from international companies (DAX and fortune 500) to SMEs. Our partners are key players in the domain (such as CDP and EcoVadis), and we constantly monitor the current trends and existing norms, to support the organizations with dedicated solutions.

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