

CONSCIOUS BUSINESS EDUCATION



**CONSCIOUS
BUSINESS**
EDUCATION



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COURSE

INTEGRATED REPORTING



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Lecture 1:

THE INS AND OUTS OF INTEGRATED REPORTING

Course:
INTEGRATED REPORTING



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WELCOME TO THE COURSE

INTEGRATED REPORTING

The background features large, overlapping, semi-circular shapes in shades of blue, yellow, green, and red, creating a dynamic, organic feel.

PROGRAM FOR TODAY

PART 1

- Introduction to Conscious Business
- Get to know the institutes and the teachers
- Get to know each other
- Practical info about the course

PART 2

- Placing IR in strategy
- Defining Integrated
- Defining Reporting

PART 1

Introduction to Conscious Business

Get to know the institutes and the teachers

Get to know each other

Practical info about the course



Introduction to Conscious Business



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The foundation of conscious businesses

In the context of “conscious business”, being conscious generally refers to an approach to business that takes into consideration the direct and indirect impacts of business practices on all stakeholders, including employees, customers, the environment, and society at large.

Being conscious in the context of conscious business also involves cultivating a culture of mindfulness and awareness among employees, promoting collaboration and empathy, and encouraging personal and professional growth and development.

Ultimately, conscious business aims to create a more equitable, resilient and flourishing world by using the power and resources of business to contribute to the greater good.

Source: Kofman, 2008

The foundation of conscious businesses

- Companies can do good and be successful at the same time.
- Conscious Business supports the movement of companies that know that profit and growth are no longer the main focus. That you are only successful if the world around you is also doing well.
- Conscious leaders therefore take into account all stakeholders who are directly or indirectly connected to your company

“Profit for a company is like oxygen for a person. If you don't have enough of it, you're out of the game. But if you think your life is about breathing, you're really missing something.”

– Peter Drucker (quote from 1954)

From traditional capitalism to conscious business

“There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.” – Milton Friedman



“The purpose of business is not to create profit. The purpose of business is to create profitable solutions to the problems of people and planet. Not to profit by creating problems for people and planet.” – Colin Mayer CBE



From traditional capitalism to conscious business

From ...

Profit focus
Shareholder perspective
Short-term
Zero sum
Business Perspective
Conflict of interest
Exploitative
Trade-offs
Control
Transaction focus
Efficiency

... to

Purpose focus
Stakeholder inclusion
Long-term
Win-win-win
Impact Perspective
Harmony of Interests
Balanced
Values
Trust
Transformation focus
Effectiveness first | efficiency second

Adapted from Mackey, Sisodia (2013)

The four tenets of Conscious Business



1st tenet: Purpose

2nd tenet: Culture & Management

3rd tenet: Leadership

4th tenet: Stakeholder inclusion

Context & Transformation

The four tenets of Conscious Business



- Interconnected and mutually reinforcing
- Foundational, not tactics or strategies
- Represent the essential elements of an integrated business philosophy that must be understood holistically to be effectively manifested

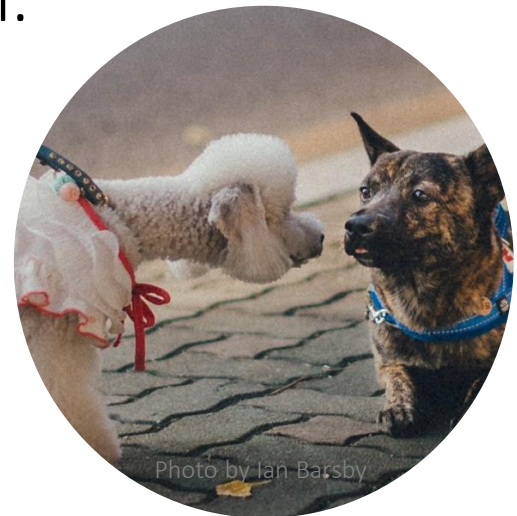


Getting to know the
institutes and teachers

<information on
teacher(s)/ institutions>

Getting to know each other!

Make groups of 3 with people you DO NOT know yet. Identify three things that you have in common with each other – the stranger, the better. At the end we'll vote on which group has the strangest three things in common.



Practical info about the course

2-week course | 1,5 ECTS

Week 1

- Lecture 1: Introduction to IR
- Lecture 2: Understanding what's important: **materiality**

→ GROUP ASSIGNMENT (30% of grade)

Week 2

- Lecture 2: Deep dive <IR> Framework

→ INDIVIDUAL ASSIGNMENT (70% of grade)

Lectures

- Lectures are mandatory
 - If you cannot attend a lecture please contact **<name teacher>**
- You are expected to participate actively
 - Come prepared: read the mandatory readings beforehand and prep Qs
 - Ask questions, try on a critical hat, don't shy away from a discussion

Learning goals & intentions



Why did you choose this course?

Take a few minutes to write this down.
Then pair up with your neighbor to
discuss. Share the outcomes of your
discussion with the group.

Learning objectives

- **Identify** the elements of integrated reports and the extent to which the report reflects the conscious strategy of the organization, using the examples and knowledge of the course.
- **Compare** different sustainable and integrated materiality-analyses and be able to give critical feedback for improvements of the matrices based on the knowledge of the course.
- **Judge** different sustainable and integrated reports on their level of consciousness using the knowledge in the course.



PART 2

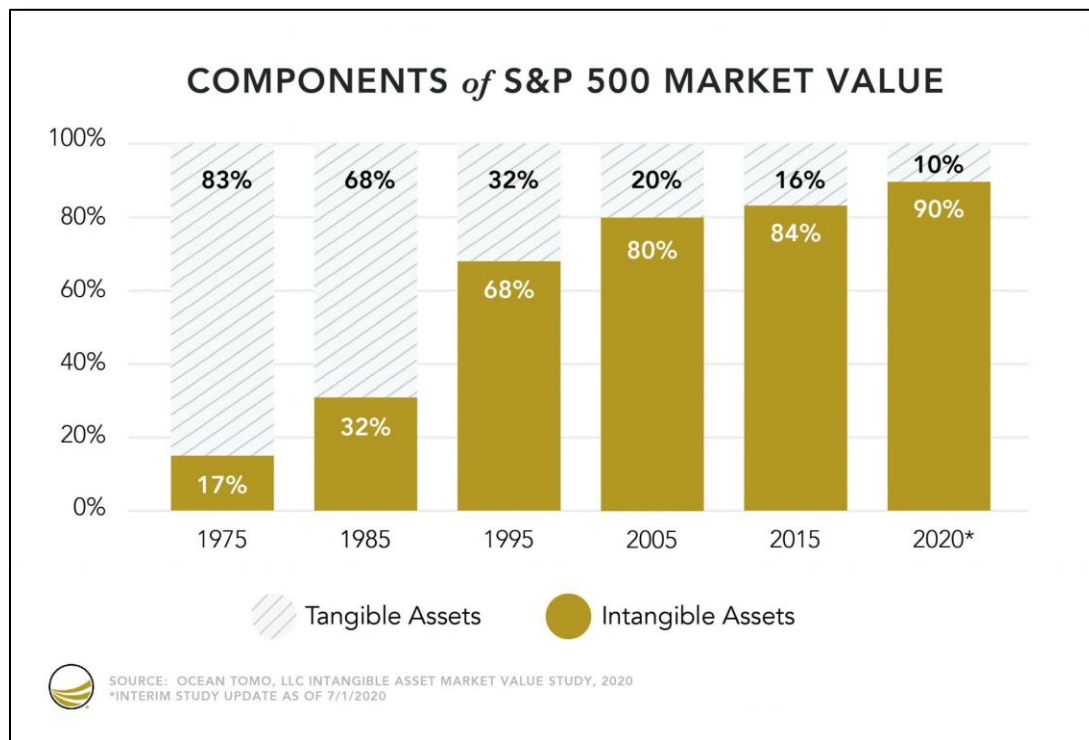
Placing IR in strategy

Defining Integrated

Defining Reporting

The value of intangibles

Over the last 50 years, the value of a company has increasingly become based on intangible and indirect financial topics.



These intangible topics include:

- **Ethics** (e.g. Volkswagen scandal)
- **Human rights** (e.g. Nike products from Uyghur work camps)
- **Environment** (e.g. Shell's oilleaks in the Niger delta)
- **Labor conditions** (e.g. Amazon's warehouses during covid)

Where mission statements first focused on their position in the market and their way of doing business...

Ford will democratize the automobile
Ford, 1909

Undisputed marketplace leadership
Hersheys, 2005

We will destroy Yamaha
Honda, 1970

...many organizations now incorporate their desired effects on people, environment and society in their mission statement

At Philips, we strive to make the world healthier and more sustainable through innovation. Our goal is to improve the lives of 3 billion people a year by 2025.

Philips, 2018

“A healthy life for all”.

Simavi

A **100% slave-free chocolate industry** – that’s our goal. It’s the reason we created Tony’s Chocolonely. And it’s our mission to make other people as passionate about 100% slave-free chocolate as we are.

Tony Chocolonely

Mission Zero: eliminating our negative environmental impact by 2020.

Interface, 1994

Rabobank is a socially-responsible bank. We are committed to making a substantial contribution towards achieving **wealth and prosperity in the Netherlands and resolving the food issue worldwide.**

Rabobank, 2018

Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis.

Patagonia



Read the missions of these financial institutions.

If you were a CFO, what questions would you ask related to non-financial information?

Discuss with your neighbor.

‘Our ambition is to become the leading impact investor in 2020 by doubling our impact and halving our footprint’

‘Banking with a human touch’

‘To make money work for a positive change’

‘Safeguard financial stability and thereby contribute to sustainable prosperity in the Netherlands’

‘Empowering people to stay a step ahead in life and in business’

‘Growing a better world together’

‘Banking for better, for generations to come’

Reporting intangibles

If intangible increasingly make up the value of a company, reports of organizations should reflect these myriad of values.

However, there is no universal standard (yet*)

Options are:

- **One-off sustainability/ impact report** following research or a specific program or part of the organization
- **Annual sustainability/ impact report** possibly in addition to a financial annual report
- **Integrated annual report** both financial and sustainability/ impact combined in one report



*** Legislation is fast-moving...**

More on the trends and developments in Lecture 2!

Integrated reporting = strategy!

- An integrated report follows from the organizational strategy
- Integrated reporting is conscious in nature: the strategy determines what they need to disclose
- Integrated reporting is not an isolated goal
 - What they do, but also *why* they do it
 - Not a goal in itself, but *a means* to shape their conscious strategy
- Integrated reporting can also be used to fulfill certain goals:
 - It improves transparency
 - It can be needed to build trust with stakeholders
 - It can showcase what you need to improve
 - Etc.

A conscious strategy means viewing business as an integrated part of society and the environment and managing + reporting in such a way.

A multi-capital model

Pioneering efforts, including shareholder value and the shared value model have led to more enlightened views in business and investing communities, paving the way to fully integrated management. Now some are arguing for a system value model which integrates the management of issues relating to business, environment and society.

The diagram below is drawn from the work of Future-Fit Foundation, one proponent of such a model.

Changing business reality in the global capitalistic system

Create and protect value for long-term business success.



Figure 2: Changing focus for management practice: 1970 to 2020 

Based on Future-Fit Foundation.

Integrated

Synonyms of INTEGRATED

- Unified
- Combined
- Interspersed
- Mingled
- Mixed

Integrated means to include all values the organization creates



The value of an organization is often grouped into 6 capitals



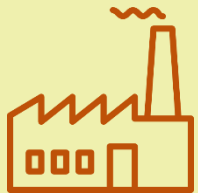
FINANCIAL

This is the most well-known of the capitals. It represents the financial funds available to an organization, either through financing (investments) or internal generation through the production of goods and services.



HUMAN

This capital has gotten more and more attention over the years. It represents the competencies, capabilities and experiences of the individuals the organizations employs.



MANUFACTURED

Also quite well known. This represents the value of the manufactured goods or other physical/ tangible assets of the organization.



INTELLECTUAL

Hard to capture. This capital represents the organizational's knowledge and other intangibles such as patents and R&D, but also software, procedures and needed systems.



NATURAL

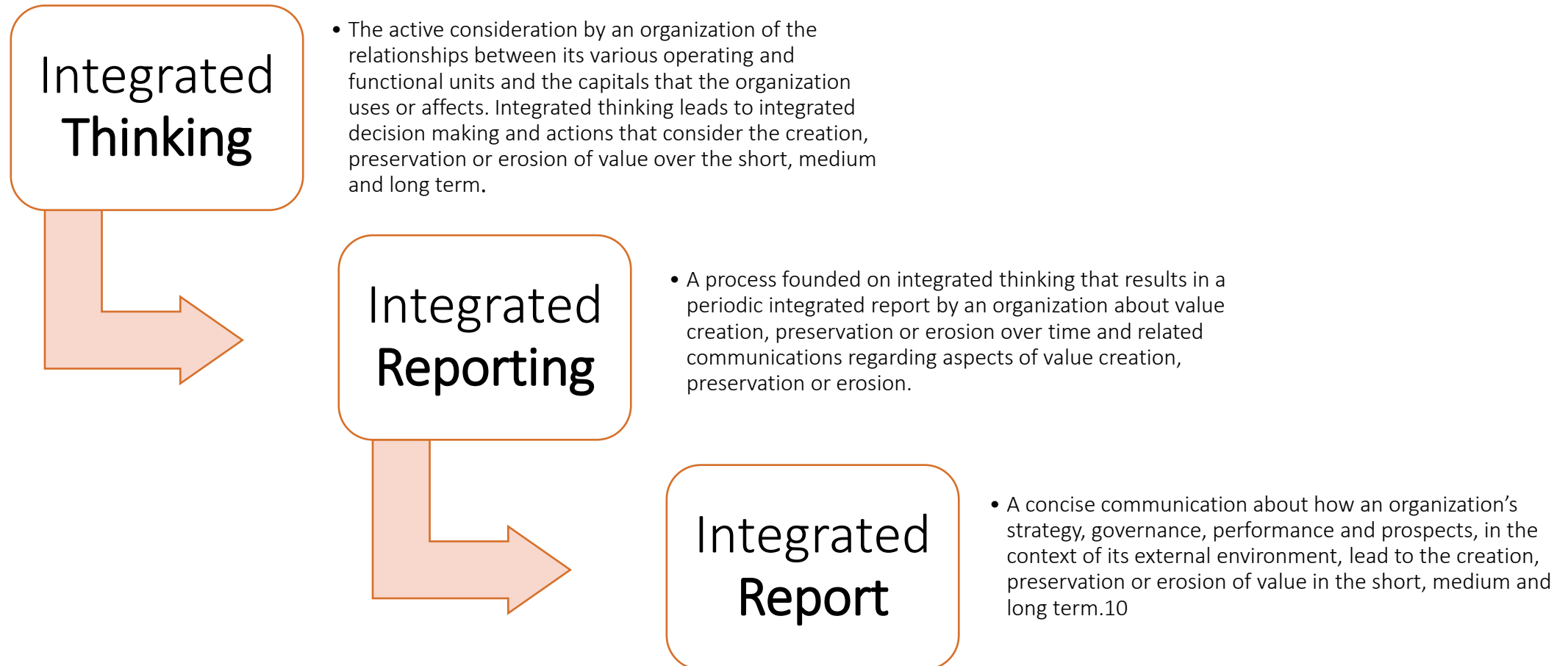
Most organization will use some form of natural capital for their value creation processes. This includes renewable and non-renewable environmental resources, including air, water, land, biodiversity, and can even extent to the health of natural ecosystems.

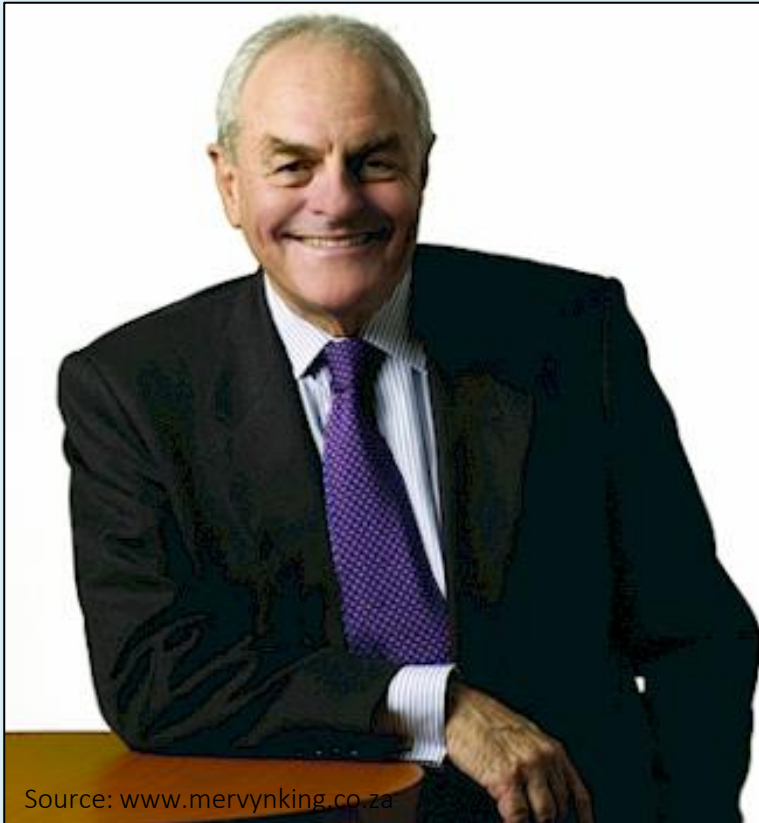


SOCIAL

Stakeholders are gaining in their inclusion in the value of organizations. This capital represents the relationships and institutions within and between the communities, stakeholders and other networks intersecting with the organization.

Starting with Integrated Thinking





Source: www.mervynking.co.za

“A collaborative management culture, a multi-capital mindset and outcome-based corporate governance – these are the building blocks of integrated thinking, the output of which is an integrated report.”

– Professor Judge Mervyn King SC,
Chair Emeritus of International
Integrated Reporting



INTEGRATED REPORTING <IR>

**Integrated Thinking
& Strategy**

State of play report



How the Integrated Thinking & Strategy Group view integrated thinking

Integrated thinking is a multi-capital management approach that enables organizations to deliver their purpose to the benefit of their key stakeholders over time.

Integrated thinking is about creating and protecting value. Linking purpose and values to strategy, risks, opportunities, objectives, plans, metrics and incentives throughout the organization enables better decision-making.

Integrated thinking requires effective governance, culture, accountability and transparency. It recognizes the importance of addressing value destruction, boundary conditions, changing conditions/context and feedback loops.

Integrated Reporting is...

- Integrated Reporting is a **process** that results in communication by an organization, most visible a periodic integrated report, **about value creation of the organization over time**
- An Integrated Report is a **concise communication** about **how** and organization's **strategy, governance, performance and prospects**, in the context of its **external environment**, lead the **creation of value** over the short, medium and long term

How is integrated reporting different from financial reporting?

	Financial reporting		Integrated reporting
Thinking:	Disconnected	→	Integrated
Stewardship:	Financial capital	→	All forms of capital
Focus:	Past, financial	→	Past and future, connected, strategic
Timeframe:	Short term	→	Short, medium and long term
Trust:	Narrow disclosures	→	Greater transparency, report that which is material
Adaptive:	Rule bound	→	Responsive to contextual differences
Concise:	Long and complex	→	Concise and material (single page overview)

Think of <insert known local organization>

What information cannot be missing from an Integrated Report from that organization based on this?

Make a list and compare with your neighbor.

In sum, materiality & integrated reporting

Financial reports no longer meet our requirements

- Many topics that are linked to the value of a company are not on the balance sheet
- The (long-term) value of a company can no longer be based solely on financial information
- Looking back and little predictive value

Sustainability reports no longer meet our requirements

- Information is usually separate from the business model and strategy
- It is often not clear what the relationship is between sustainability topics, financial performance and value creation

Need for Integrated Thinking & Reporting!

Lecture 2:

UNDERSTAND WHATS IMPORTANT: MATERIALITY

Course:
INTEGRATED REPORTING



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PROGRAM FOR TODAY

PART 1

- What is materiality(analyze)

PART 2

- The Materiality Process

PART 1

What is materiality(analyze)



Determining which topics are important for the organization



Source image: Shelley Anderson (2021)


Example: Financial materiality

<i>Overall materiality</i>	CHF 17.350.000
<i>How we determined it</i>	1% of total assets
<i>Rationale for the materiality benchmark applied</i>	We chose total assets as the benchmark because, in our view, it is a relevant benchmark against which holding companies can be assessed, and it is a generally accepted benchmark with regard to materiality considerations in holding companies

Source: Buhler, Annual Report 2018

There isn't a single definition of materiality

Organization	Definition of Materiality
GRI	"‘Material Aspects’ are those that reflect the organization’s significant economic, environmental and social impacts; or that substantively influence the assessments and decisions of stakeholders."
EU	"Information to the extent necessary for an understanding of the undertaking’s development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters." "In effect, the Non-Financial Reporting Directive has a double materiality perspective:—The reference to the company’s ‘development, performance [and] position’ indicates financial materiality, in the broad sense of affecting the value of the company[. . .]—The reference to ‘impact of [the company’s] activities’ indicates environmental and social materiality. Climate-related information should be reported if it is necessary for an understanding of the external impacts of the company."
FASB	"Materiality is entity specific. The omission or misstatement of an item in a financial report is material if, in light of surrounding circumstances, the magnitude of the item is such that it is probable that the judgment of a reasonable person relying upon the report would have been changed or influenced by the inclusion or correction of the item."
FRC	"Information is considered to be material if its misstatement or omission individually or in aggregate could influence the economic decisions of users on the basis of the financial information provided."
IASB	"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."
IFAC/IIRC/IR	"A matter is material if it could substantively affect the organization’s ability to create value in the short, medium or long term."
OECD	"Material information can be defined as information whose omission or misstatement could influence the economic decisions taken by users of information."
SASB	"SASB identifies financially material issues, which are the issues that are reasonably likely to impact the financial condition or operating performance of a company and therefore are most important to investors."
UNCTAD	<p>"Defining materiality as an entity-specific aspect may create a conflict with the criterion of universality. In the context of Goals-related reporting, materiality has a new dimension. Adoption of the Goals required multi-stakeholder consultations, and all parties agreed that certain aspects of economic, environmental and social activities were material to them."</p> <p>"The time horizon also influences whether risks are material to a specific company; some risks, such as those stemming from climate change, may become material only in the long term. In addition, different users of financial statements are concerned with different types of risks and therefore need different types of information."</p>



Read the definitions of materiality (full table in 2022 article by Garst et al. & previous slide)

From these, what can you see observe as common elements of materiality across definitions?

Can you see different perspectives reflected? If so, which?

PART 2

The Materiality Process

Reasons to conduct a materiality analyses

Three reasons to perform materiality analysis:

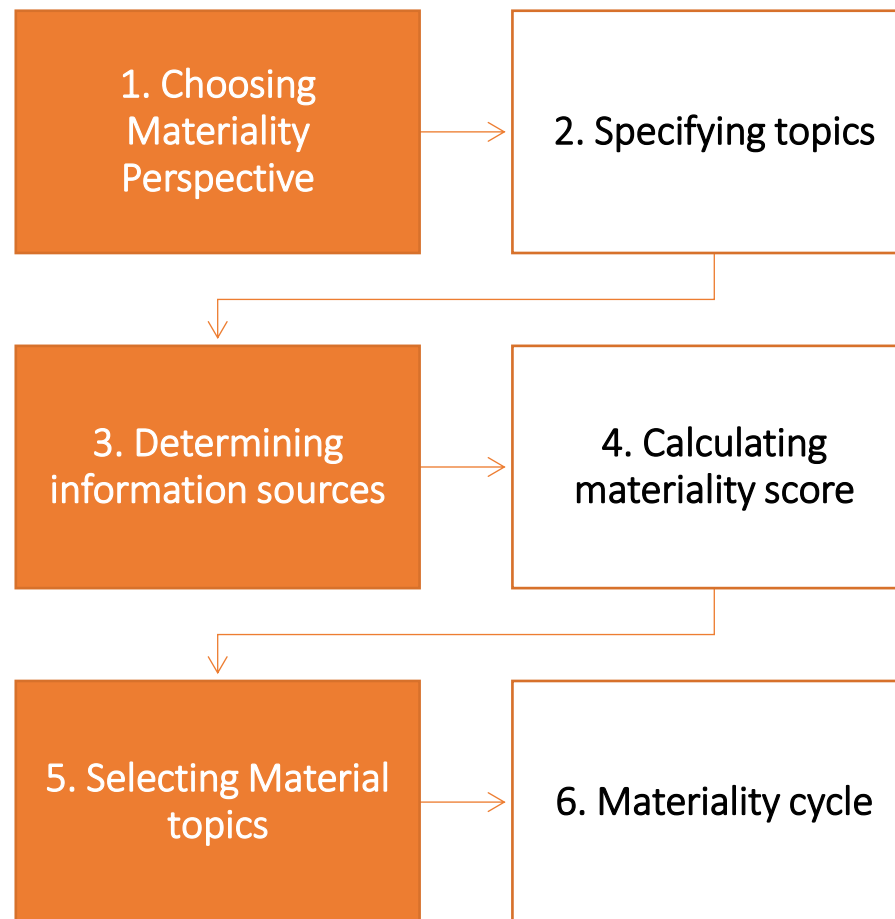
1. To determine the content of a report
 - Reporting standard; EUNFRD & CSRD
2. To evaluate current strategic priorities
 - Are the existing goals and implementation still correct?
3. To decide on new strategic priorities
 - Which topics are priorities for the next five years?

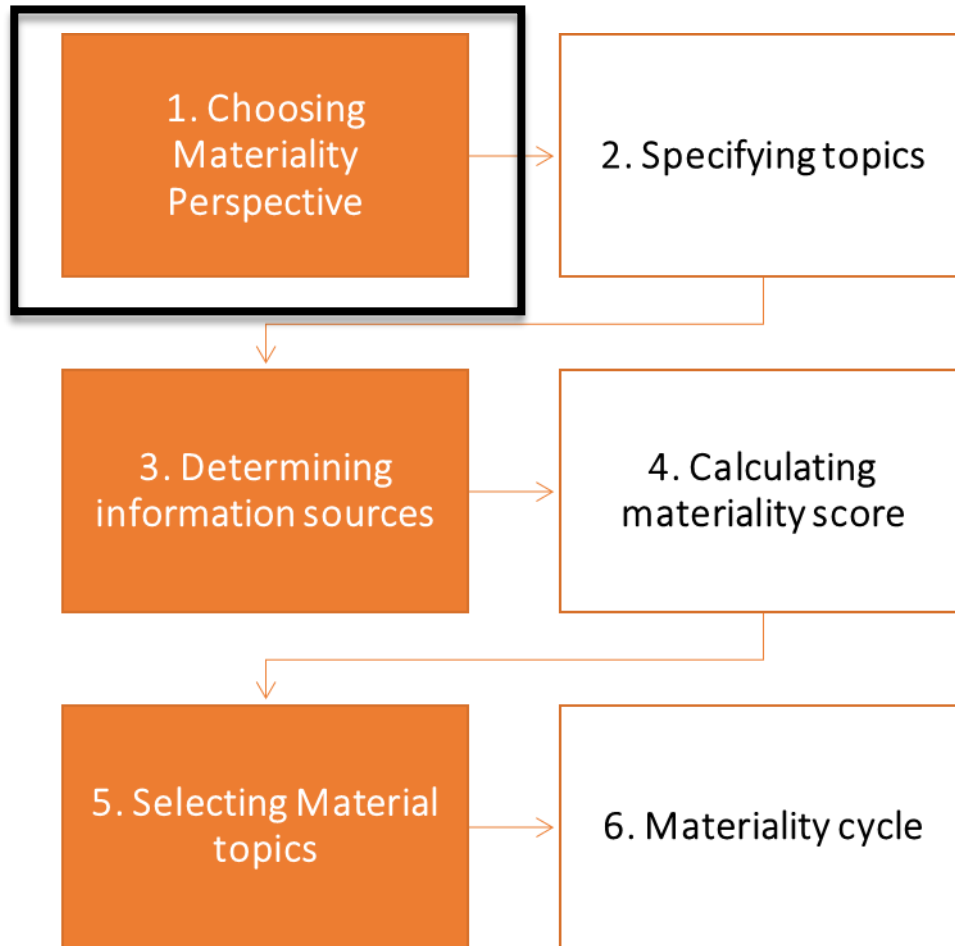
In an Integrated Report, the materiality analysis is often included to improve transparency about decisions and motivations made on what to include in the report.

The process of materiality

- Many organization have laid out ways and steps to go about determining materiality.
- Research works from 6 rough steps, under each several questions can be asked.
- After these 6 steps, organisations are ready to present and use the results.

We will dive deeper into step 1, 3 and 5.





STEP 1

Choosing Materiality Perspective

Two perspectives on materiality

Business case perspective

Subject is material if it has a significant impact on the financial performance of the organization.

Societal impact perspective

Subject is material if it is an important part of the social impact of the organization on society/ the environment. This impact can be economic, environmental or social.

Different standards use different perspectives

Sustainability Accounting Standards Board, 2019:

“SASB identifies financially material issues, which are the issues that are reasonably likely to impact the financial condition or operating performance of a company and therefore are most important to investors.”

International Federation of Accountants (IFAC), 2015:

“A matter is material if it could substantively affect the organization’s ability to create value in the short, medium or long term.”

Global Reporting Initiative, 2018:

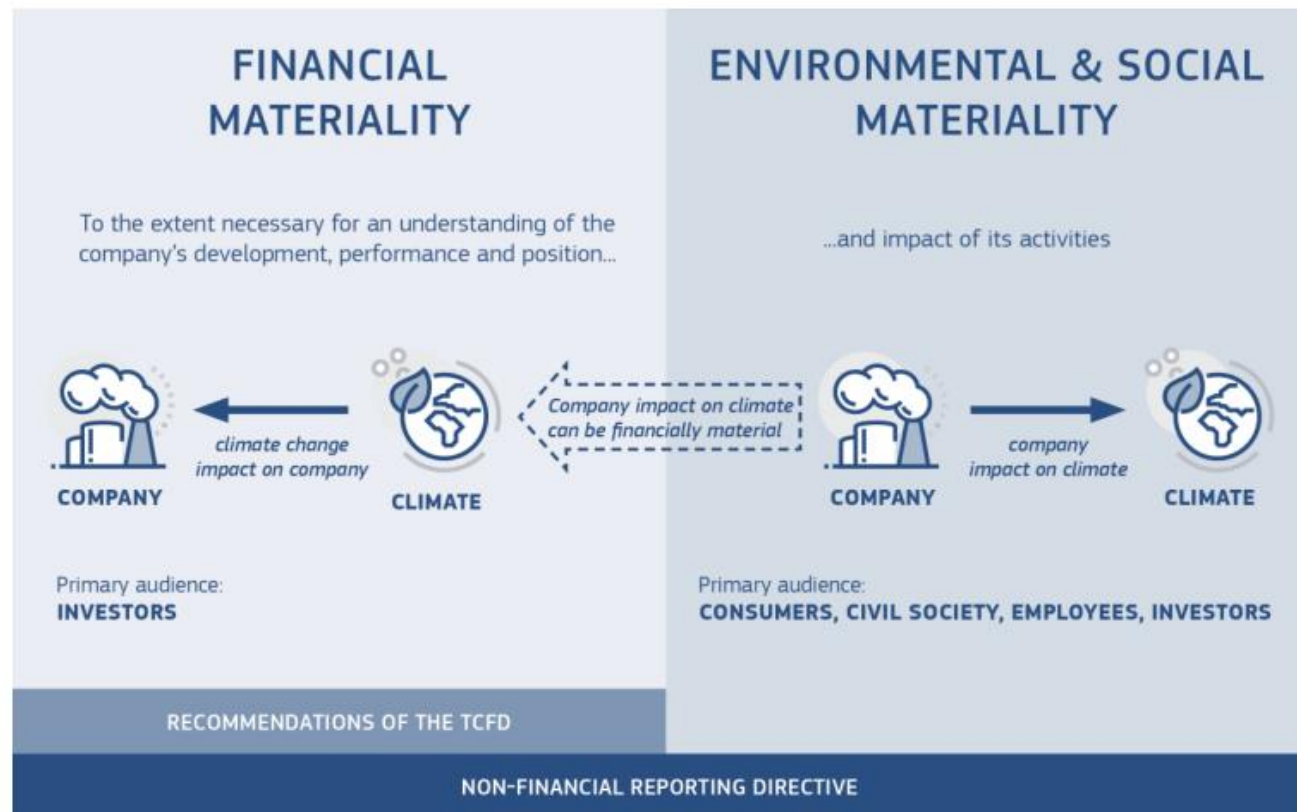
“‘Material Aspects’ are those that reflect the organization’s significant economic, environmental and social impacts; or that substantively influence the assessments and decisions of stakeholders.”

Climate Disclosure Standards Board, 2019:

“Environmental information is material if:

- The environmental impacts or results it describes are, due to their size and nature, expected to have a significant positive or negative impact on the organisation’s financial condition and operational results and its ability to execute its strategy;
- Omitting, misstating or obscuring it could reasonably be expected to influence the decisions that users of mainstream reports make on the basis of that mainstream report, which provides information about a specific reporting organisation.

The EU demands double materiality



* Financial materiality is used here in the broad sense of affecting the value of the company, not just in the sense of affecting financial measures recognised in the financial statements.

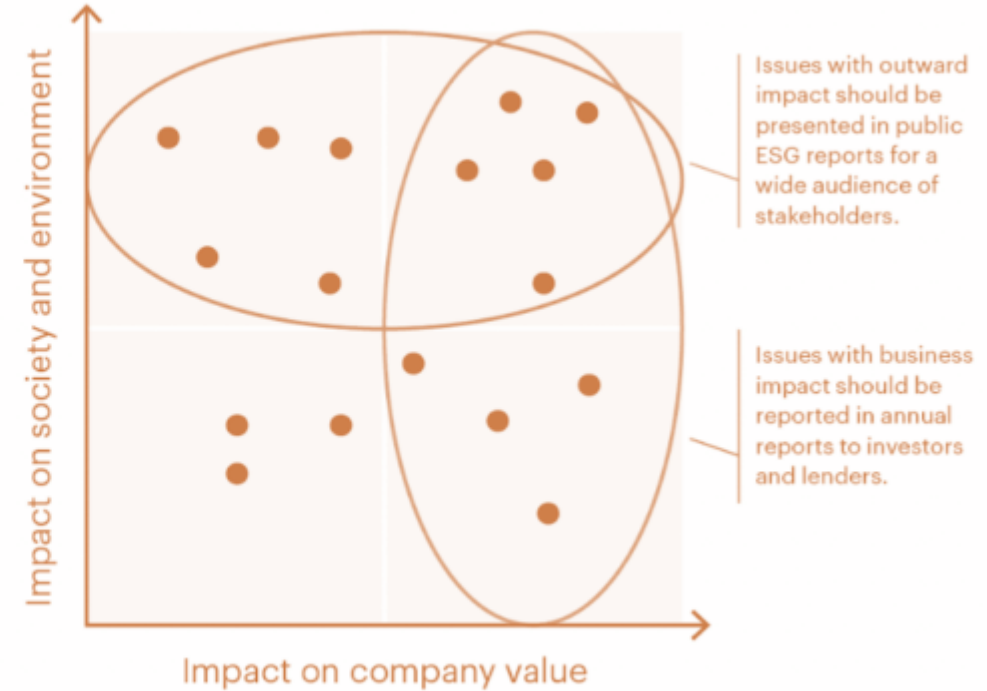
Source: EU NFRD

Can you think of an example?

Reporting traditional materiality



Reporting double materiality



Source: EU NFRD

Who decides that is material?

- In practice, often a third perspective is introduced: **the stakeholder view**.
- This stakeholder perspective states that something is material if the stakeholders consider the issue material.
- Often it is hard to determine why a stakeholder might find a topic material. This can be because:
 - **Business-case-perspective:** they select topic that in their view have a significant impact on company performance and their goal is the survival of the company
 - **Social-impact-perspective:** they select topic that in their view the company has a significant impact on, and their goal is to progress the company in society
 - **Own interests:** it is important for them as user of the report and their goal to use the organization's information for their decision making

This third perspective can also be seen in definitions

Sustainability Accounting Standards Board, 2019:

“SASB identifies financially material issues, which are the issues that are reasonably likely to impact the financial condition or operating performance of a company and therefore are most important to investors.”

International Federation of Accountants (IFAC), 2015:

“A matter is material if it could substantively affect the organization’s ability to create value in the short, medium or long term.”

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- Omitting, misstating or obscuring it could reasonably be expected to influence the decisions that users of mainstream reports make on the basis of that mainstream report, which provides information about a specific reporting organisation.

Leaving the choice of perspective to stakeholders has advantages and disadvantages:

PROS:

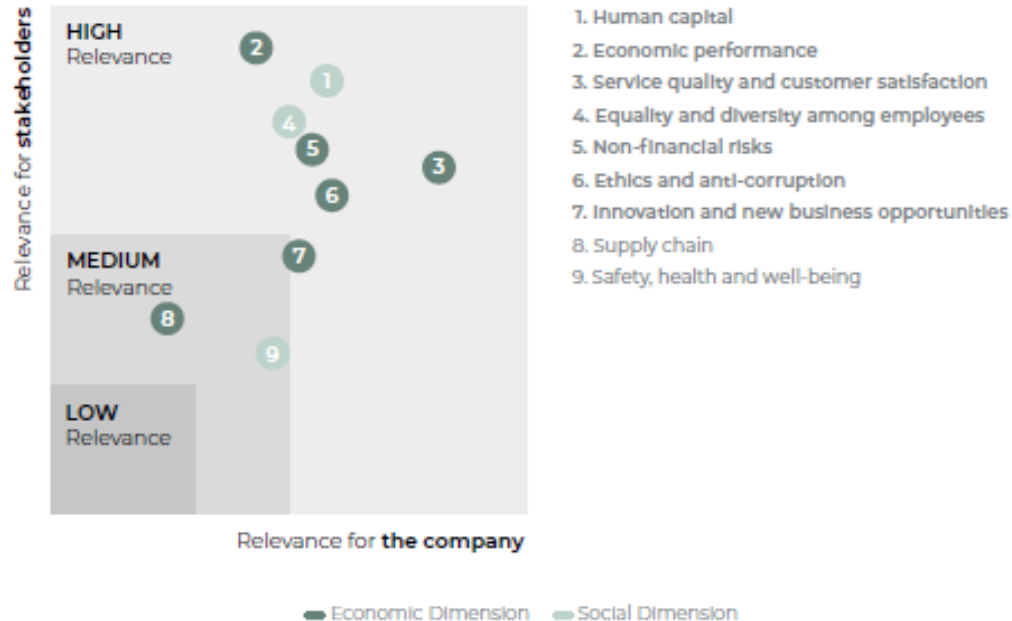
- Stakeholders can bring in new perspectives
- Stakeholders provide the organization with a *license to operate*
- Stakeholders can reflect the impact of the organization on society and the environment

CONS:

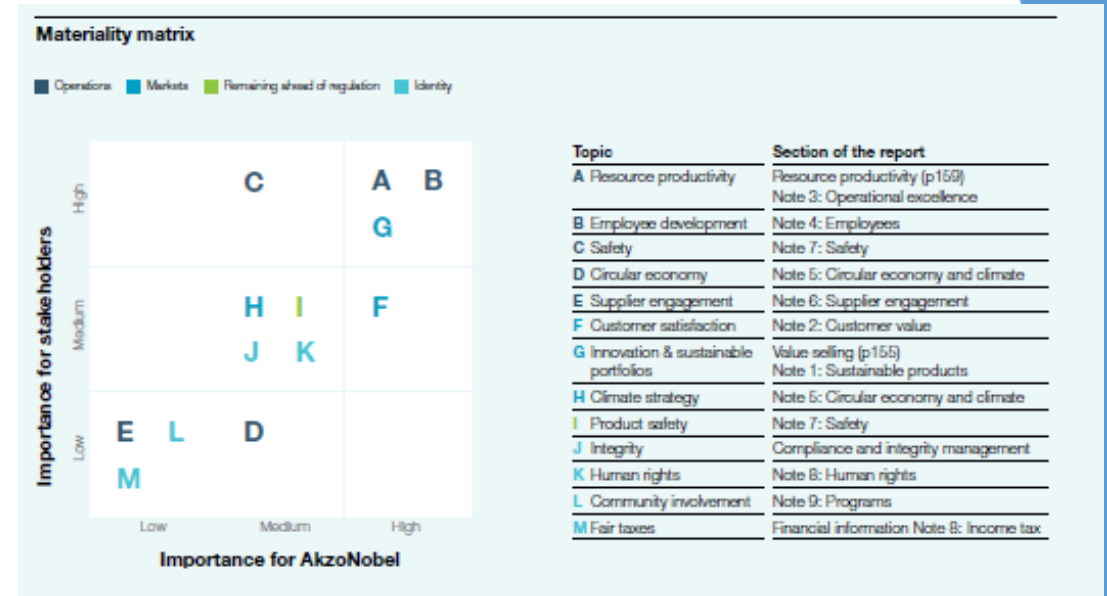
- Less insight into why a subject is material
- Multiple stakeholders = multiple perspectives > get lumped together
- Might contain overlap with the other perspectives

The role of perspectives

Example 1: Acciona 2019

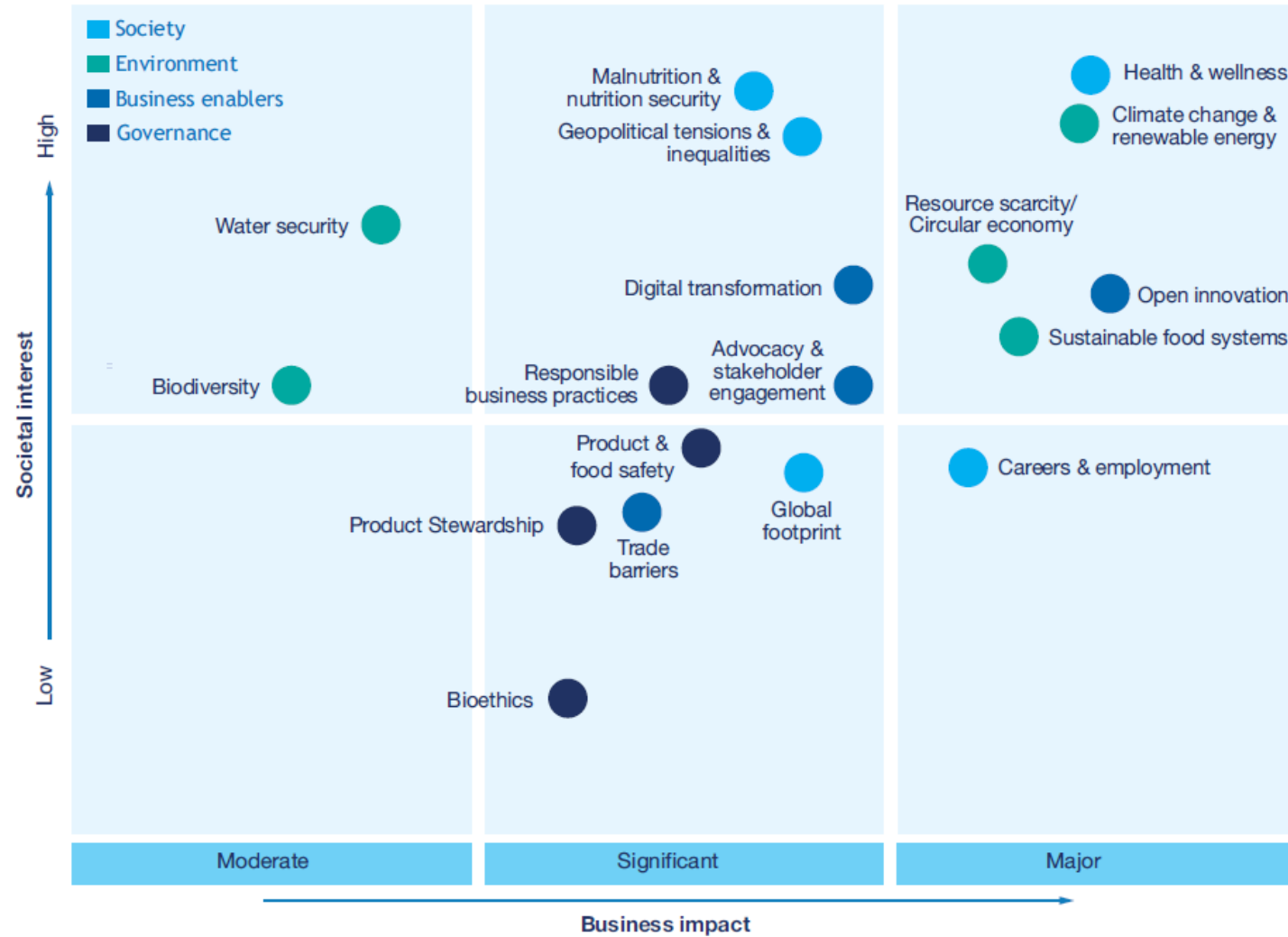


Example 1: AkzoNobel 2019

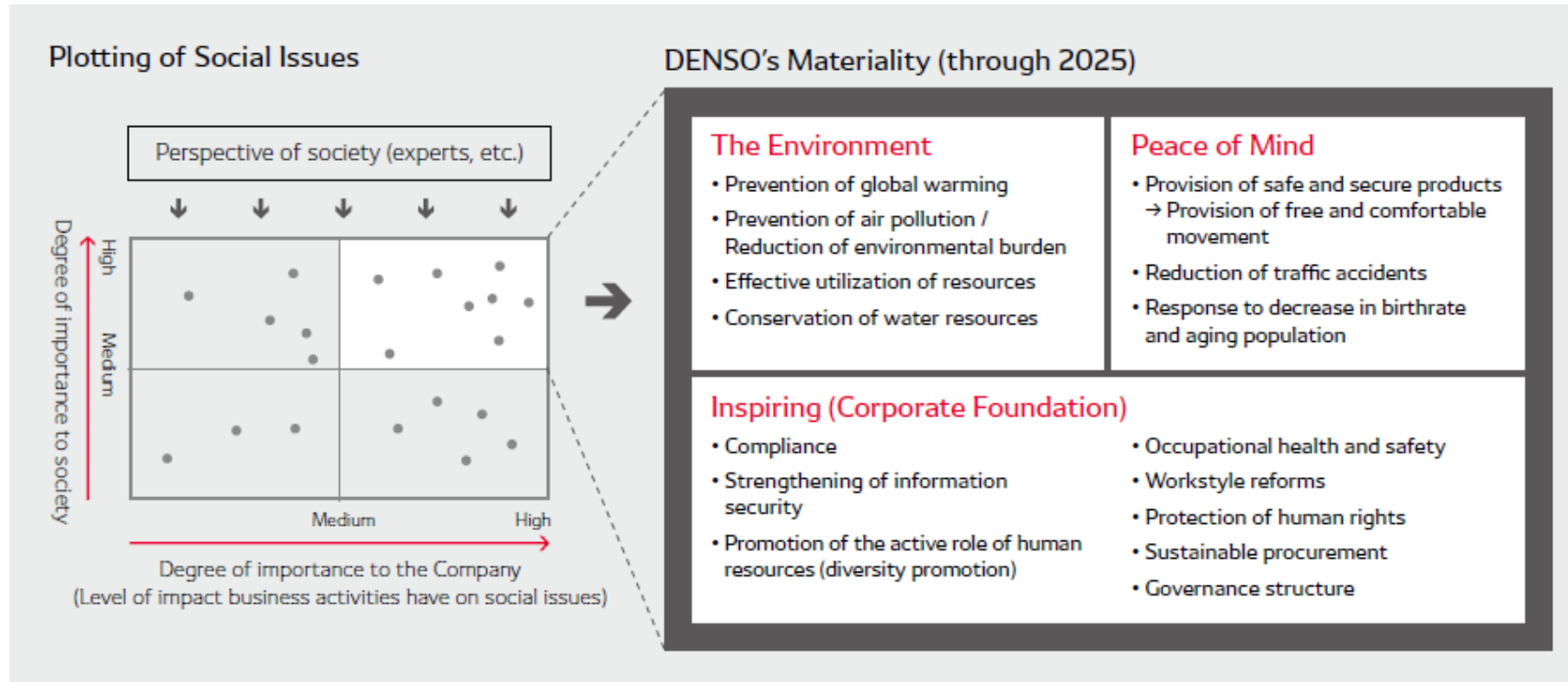


Example 3: DSM 2019

Materiality matrix 2018



Example 4: Denso 2019



Definitions & Perspectives

Which dimensions of materiality are reported? (n=427 reports*)	
Dimensions mentioned	65.1%
Business-case perspective	57.6%
Societal-impact perspective	11.5%
Stakeholder perspective	54.8%
Too vague to determine perspectives	16.4%

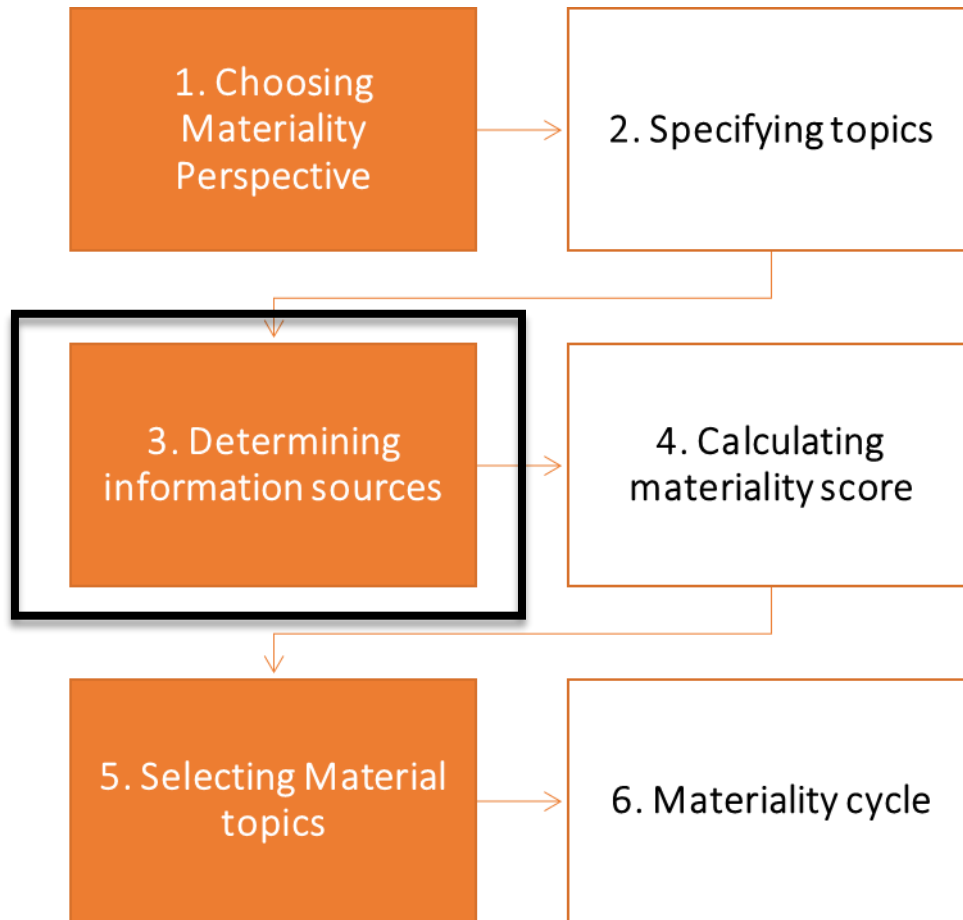
“*The perspectives on materiality] need to be more standardized because having all these different definitions starts to get very conflicting for a company and time-consuming*”
– interviewee in Garst et al. (2022) research

* 477 corporate reports were included. Of these, 427 (89,7%) report included information on materiality assessments. Percentages presented on this slides relate to the reports included: 427 report = 100%

Source: Garst et al (2022)

STEP 3

Determining information sources



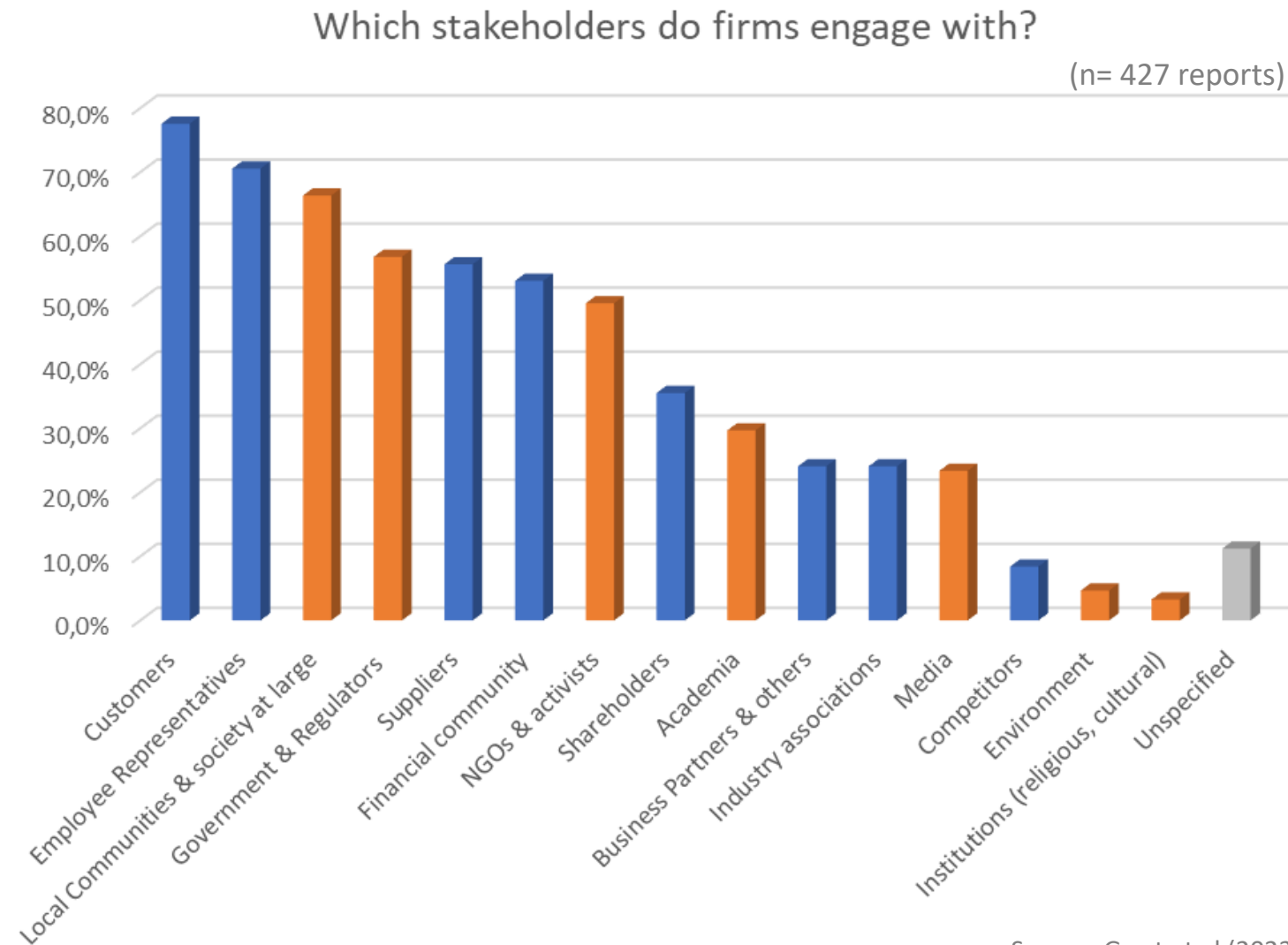
Step 3:

Choosing information sources

- Regardless of the perspectives, an important part is to talk to stakeholders.
 - Internal and/or external and/or document search?
- How do you do that?
 - Surveys, focus group, round tables, interviews, etc.
- Then who are you talking to? What are you asking them?

Can you think of the (groups of) stakeholders a company should consult on their materiality?

Stakeholders included in practice:



Data Collection & Stakeholder dialog

What engagement methods were used to determine materiality? (only 2019 sample; n=159 reports)	
Not specified	50.3%
Secondary data	27.0%
Surveys	26.4%
Interviews	18.2%
General stakeholder dialogue	17.6%
Workshops/Focus groups	8.2%
Taskforce/Council	3.8%
How many engagement methods are described? (only 2019 sample; n=159 reports)	
Not specified	50.3%
1 method	17.0%
2 methods	18.9%
3 or more methods	13.8%

Source: Garst et al (2022)

Examples of stakeholder survey

Example 1: Signify 2020

Brighter Lives questions (social)

Safety at work — Reducing occupational injuries and illnesses of Signify employees and contractors.



Human rights — Including human rights in Signify's operations, living wages, social responsibility in its supply chain and responsible mineral sourcing. Signify's adherence to human rights principles in its own operations as well as in its supply chain, including labor conditions, human rights, living wages and responsible mineral sourcing.



Social impact of light — Including human centric lighting, food availability and quality and access to light. Signify's horticulture and aquaculture products contributing to food availability, its efforts to enable access to sustainable and affordable lighting in off-grid areas and its human centric lighting products increasing well-being.



Example 2: Novartis 2018

Stakeholders

Surveyed

Interviewed

Academia and Scientific Community

25

2

Financial Market Participants

32

7

Governments, and Regulatory,
Political and Economic Stakeholders

6

0

Healthcare Providers / Industry

42

9

NGOs, NPOs and Charitable
Organizations

40

8

Other Companies

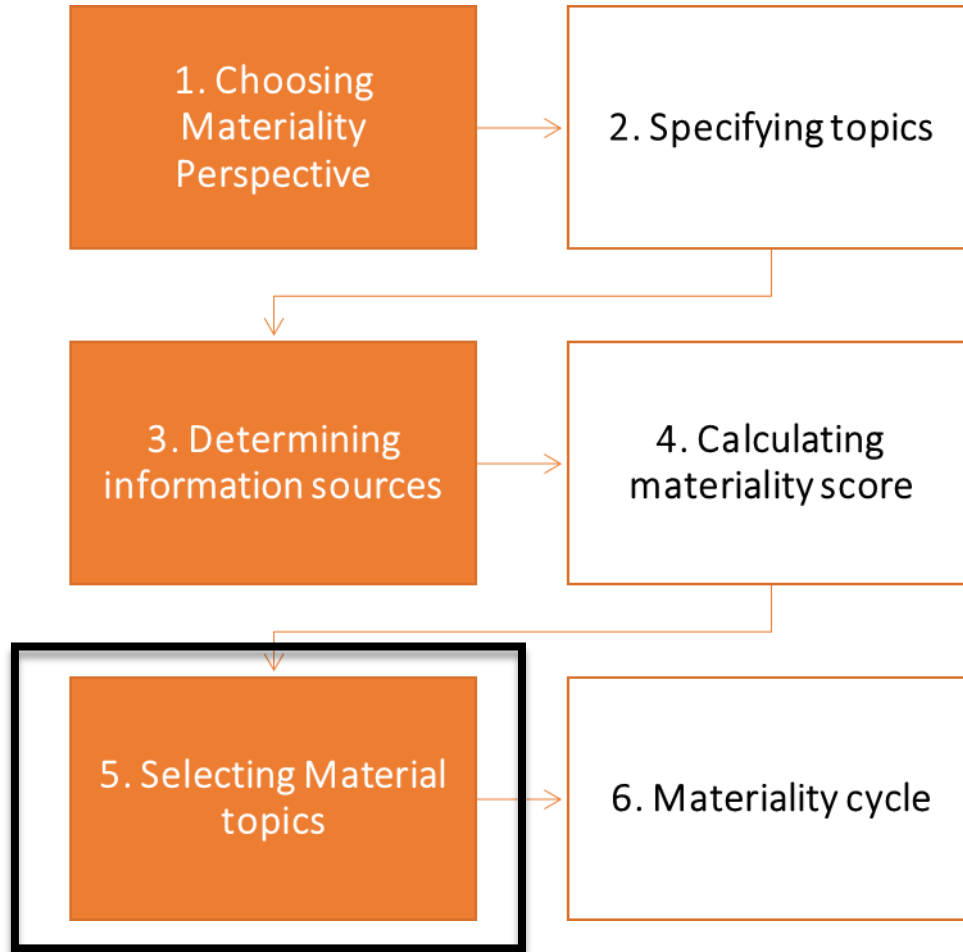
44

4

Overview of external stakeholder groups involved

STEP 5

Selecting Material topics



Step 5:

Selecting material topics

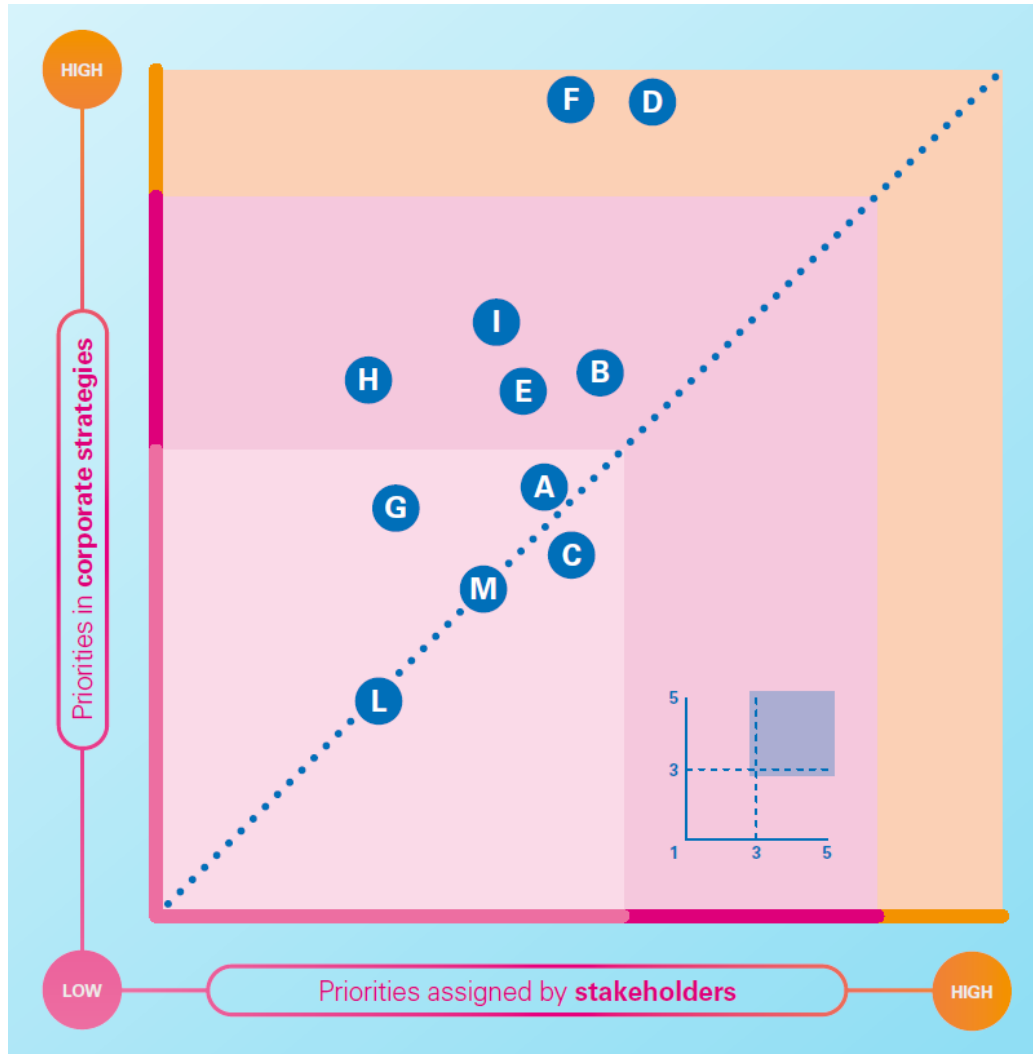
When is a subject material?

- Calculate scores
 - Likert scales in questionnaires
 - Threshold?
- Consensus between stakeholders
 - Should everyone see it as a priority?
- Conflicting views

Can you think of an example of conflicting views between stakeholders?

Selecting material topics

Example selecting only the subjects that score high on both axes:



Example of Enel 2019

Selecting material topics

Example overview of stakeholder conversations

Selecting topics which have:

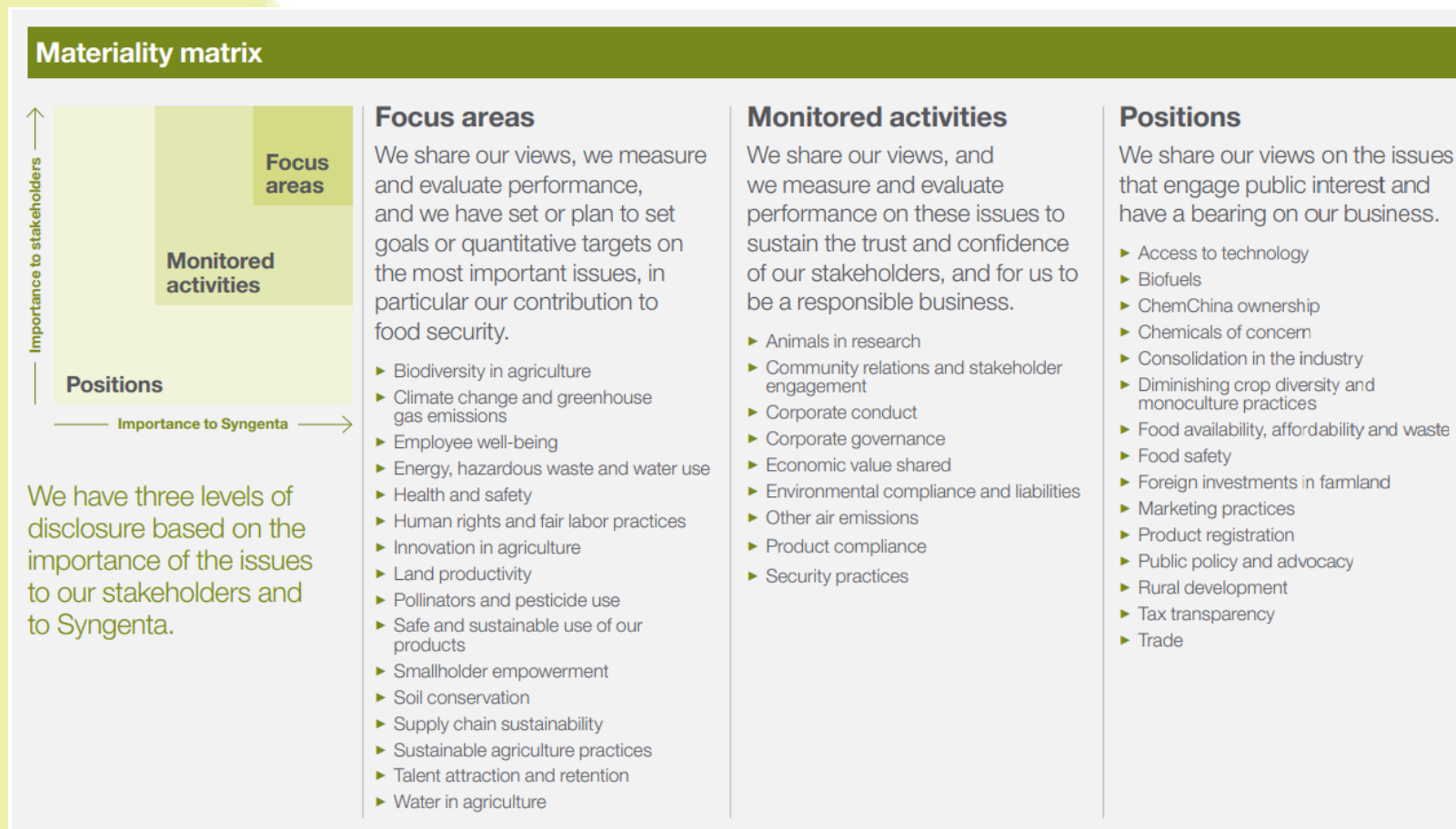
1. High impact and low performance of the company according to stakeholders;
2. Very high impact OR Very low performance;
3. Experts indicate that the subject presents major risks or major opportunities;
4. External and internal stakeholders disagree.

Novartis 2018

Selection criteria	True for	New topics	Total	Description
High impact and low performance	6	+ 6	6	All topics that were rated high on impact but low on performance. We identified six such topics.
Very high impact or very low performance	7	+ 4	10	All topics with a high impact rating, including those where Novartis performance was rated very highly, as well as all topics with a relatively low performance rating even if the perceived impact was very low: We identified where we are performing well and should maintain the level of performance, and where we are performing poorly and will need to improve. We identified seven such topics.
High expert ratings for risk or opportunity	8	+ 2	12	All topics that were considered to have a high risk or opportunity in our topic expert surveys and interviews. This indicates the risks to control and opportunities to leverage. We identified eight topics in this area.
Significant differences external vs. internal	6	+ 2	14	All topics where internal and external stakeholders provided significantly different impact or performance ratings. Through this criterion, we identified where Novartis should take action to address differences in stakeholder perception. We identified six topics, two of which were new since our last MA.
Priority topics			14	

Selecting material topics

Example of showing different levels of materiality and what it means for the firm

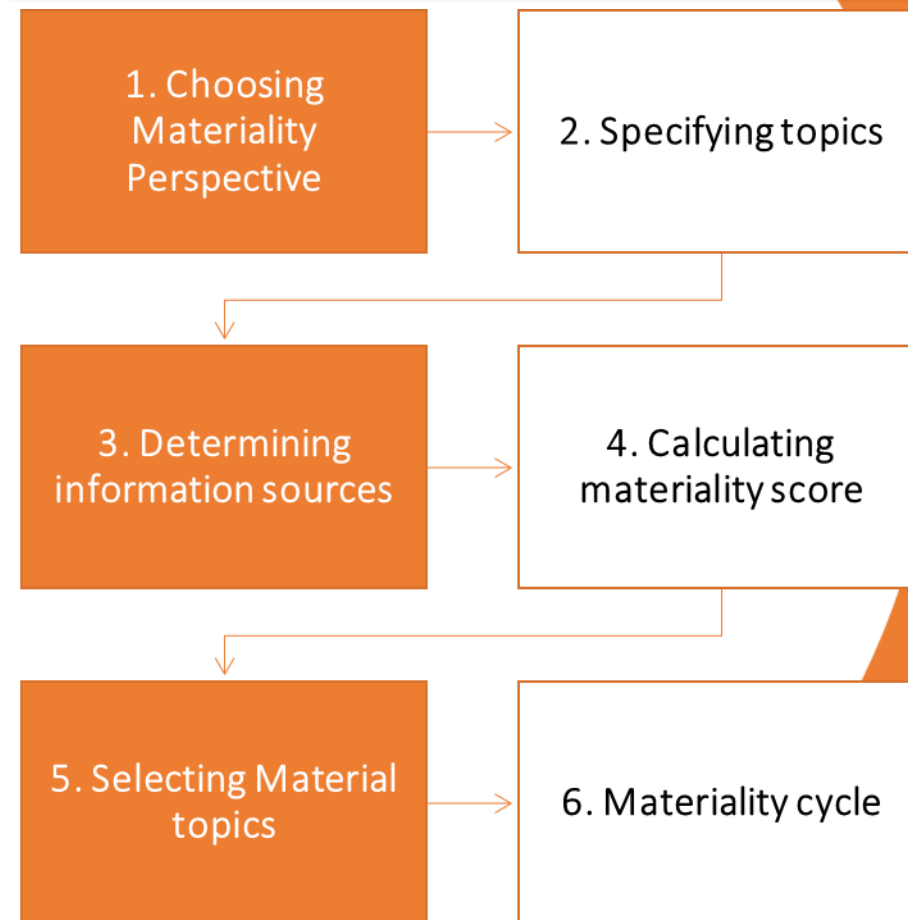


There are challenges in each step...

Table 2. Overview of the Six Steps of the Materiality Assessment.

	Description	Practical Insights for Implementation and Reporting
Choosing Materiality Perspective	Deciding when an environmental, social, and governance topic is material according to the firm	<ul style="list-style-type: none"> • Be specific in the materiality perspective(s) used in the assessment • Do not refer to the general "stakeholder view" as stakeholders might have diverse perspectives on materiality
Specifying Topics	Identifying topics to include and frame the topics to fit the context of the firm	<ul style="list-style-type: none"> • Avoid bucketing topics under very general, abstract labels • In contextualizing labels, use the same level of specificity and similar framings for all topics
Determining Information Sources	Selecting the information sources that give insights on the materiality of the topics	<ul style="list-style-type: none"> • Select information resources that represent stakeholders beyond the firm's value chain and network • Report if, how, and why stakeholders' views are weighted
Calculating Materiality Scores	Collection of data to calculate the materiality scores	<ul style="list-style-type: none"> • When developing a questionnaire, clearly indicate how participants should compare the multiple topics (e.g., what is meant with "impact"?) • Take into account recency bias and knowledge of the participants
Selecting Material Topics	Combining scores to rank and select the most material topics	<ul style="list-style-type: none"> • Record and report the heterogeneity of views between and within stakeholder groups • Set the thresholds for materiality in advance of combining the scores
Materiality Cycle	Using the materiality results and handling dynamic materiality	<ul style="list-style-type: none"> • Plan how to record changes in materiality over time • Reflect with other departments how the results are relevant for their strategies and activities

TO CONCLUDE The Materiality Process



Lecture 3:

DEEPDIVE INTO THE <IR> FRAMEWORK

Course:
INTEGRATED REPORTING



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PROGRAM FOR TODAY

PART 1

- Different methods

PART 2

- The <IR> Framework
- Practical application

PART 3

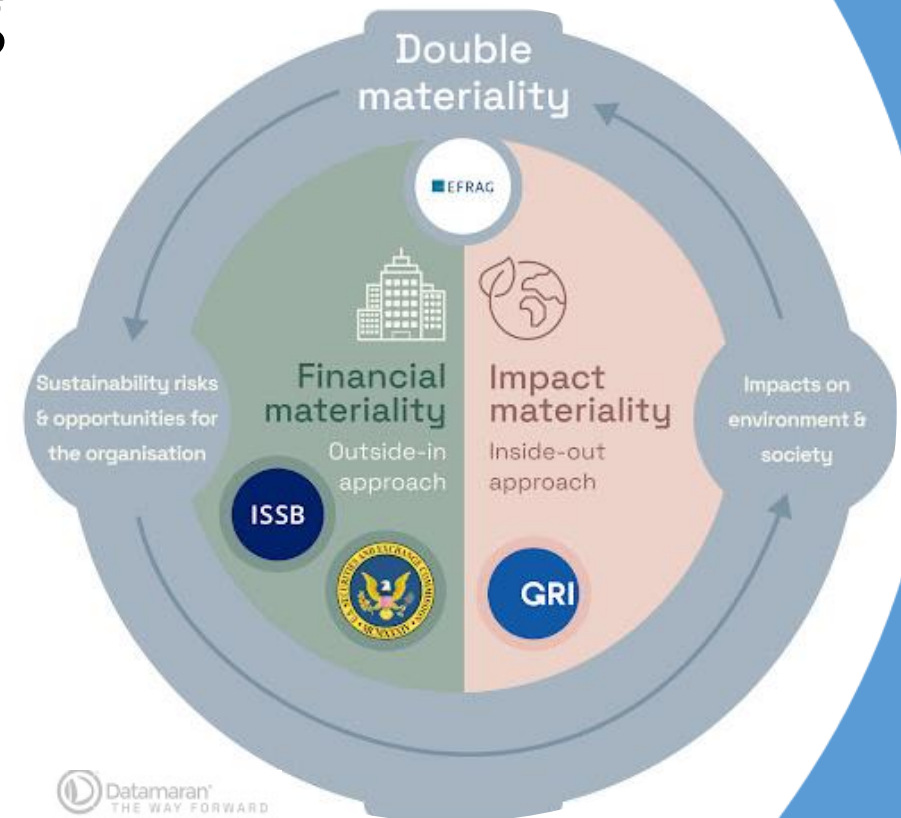
- Trends and developments
- Assurance

PART 1

Different methods

There is NO single, universally-accepted method for Integrated Reporting

- Different methods exist and they can differ significantly
- Some use only a single perspective
- Some don't use the 6 capitals
- Some determine materiality only on non-financial topics and thereby still create some kind of non-comparability between financial and non-financial information.





“Big 3” Sustainability Reporting Frameworks At a Glance



GRI STANDARDS

Why? Help businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues.

What’s in it? Interrelated standards both universal and topic-specific, ideally used together to prepare sustainability reports focused on material topics.

Point of View: Outward looking, the company’s impact on the world.



INTEGRATED REPORTING FRAMEWORK

Why? Help organizations explain how they create value over the short-, medium- and long-term, both financially and non-financially, through integrated reporting.

What’s in it? An integrated model using six capitals – financial, manufactured, human, social & relationship, intellectual and natural. Includes guiding principles and eight practical content elements for reporting.

Point of View: Principles based, the umbrella for all reporting, with a goal of consolidation and streamlined communication.



SASB STANDARDS

Why? Help businesses around the world identify, manage and report on the sustainability topics that matter most to their investors.

What’s in it? Disclosure topics, associated accounting metrics and technical protocols, and activity metrics for each industry SASB covers.

Point of View: Inward looking, the world’s impact on company and its financial performance.

What about...



CDP

Questionnaires and scoring that help organizations to measure, manage, reduce and disclose their impact on the environment, and build resilience, while providing greater transparency to the market.



SUSTAINABLE DEVELOPMENT GOALS (SDGS)

The UN Sustainable Development Goals are a collection of 17 global goals for the year 2030. They address global challenges, including poverty, inequality, climate, environmental degradation, prosperity, and peace and justice.



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

Voluntary, consistent climate-related financial risks recommended for companies to disclose to investors, lenders, insurers, and other stakeholders.

PART 2

The <IR> Framework
Practical application

Guiding principles

Seven Guiding Principles underpin the preparation and presentation of an integrated report, informing the content of the report and how information is presented:

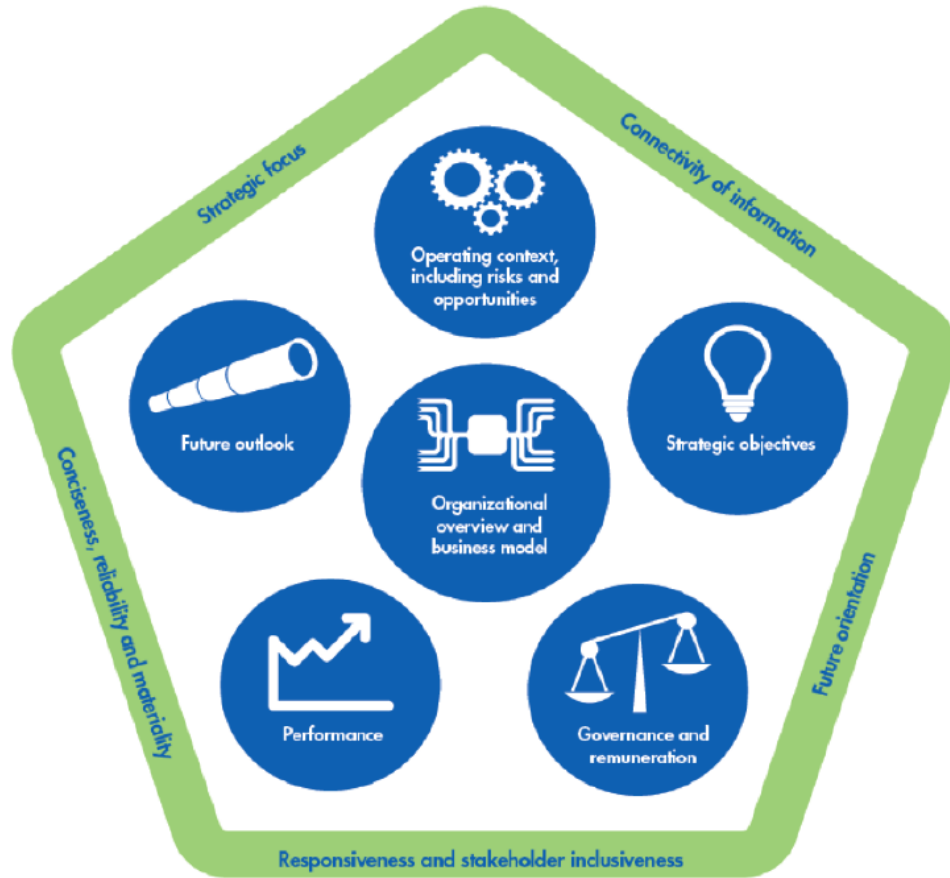
1. Strategic focus and future orientation
2. Connectivity of information
3. Stakeholder relationships
4. Materiality
5. Conciseness
6. Reliability and completeness
7. Consistency and comparability

Content Elements

An integrated report includes eight **Content Elements** that are fundamentally linked to each other and are not mutually exclusive:

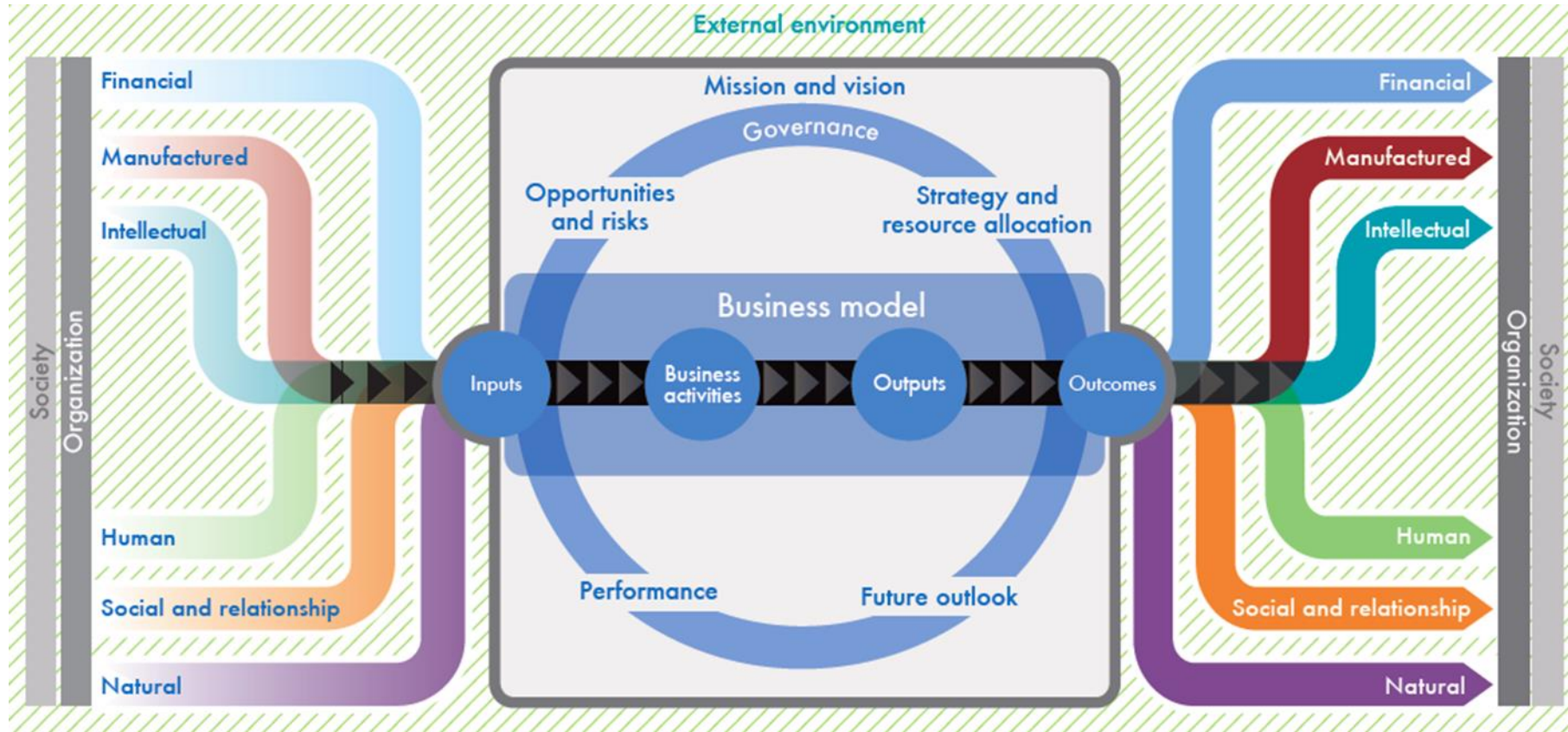
1. Organizational overview and external environment
2. Governance
3. Business model
4. Risks and opportunities
5. Strategy and resource allocation
6. Performance
7. Outlook
8. Basis of presentation

Content elements integrated report



Source: Integrated Reporting <IR> Framework (2021)

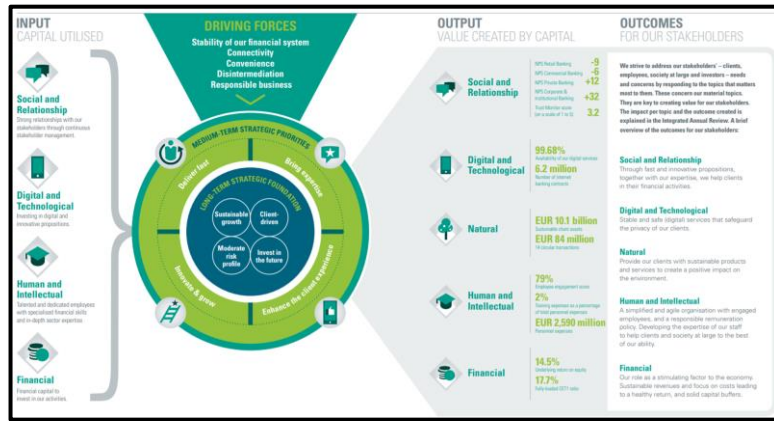
<IR> Framework



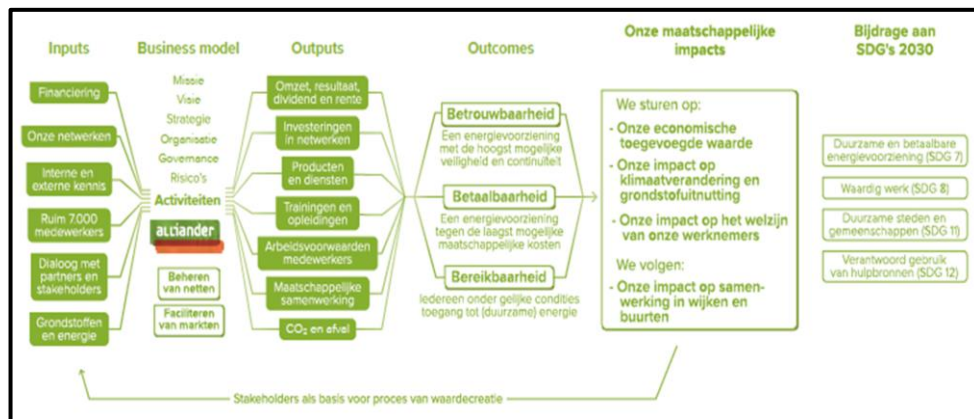
Source: Integrated Reporting <IR> Framework (2021)



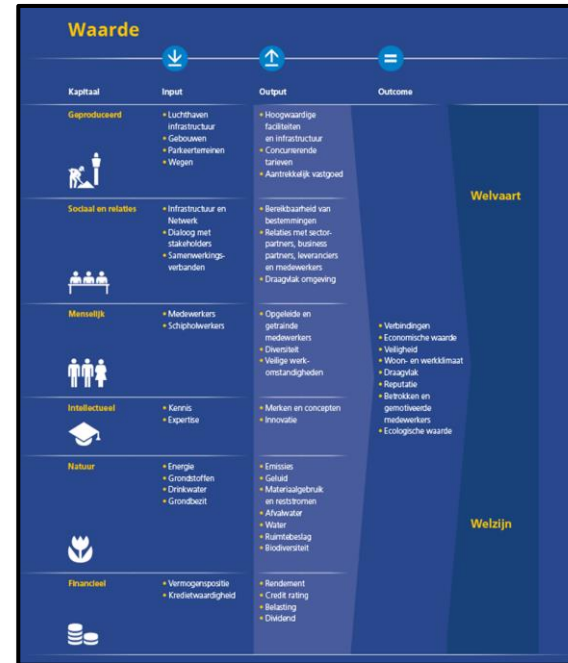
Practical application: three examples



Example 1: ABN AMRO



Example 2: Alliander



Example 3: Schiphol

1

What do you think of
the value chain(s)?

2

How do you
understand the
business model?

3

Is the business model
aligned with the value
model in your opinion
(why/ why not)?



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ABN AMRO (2015)

INPUT

CAPITAL UTILISED



Social and Relationship

Strong relationships with our stakeholders through continuous stakeholder management.



Digital and Technological

Investing in digital and innovative propositions.



Human and Intellectual

Talented and dedicated employees with specialised financial skills and in-depth sector expertise.

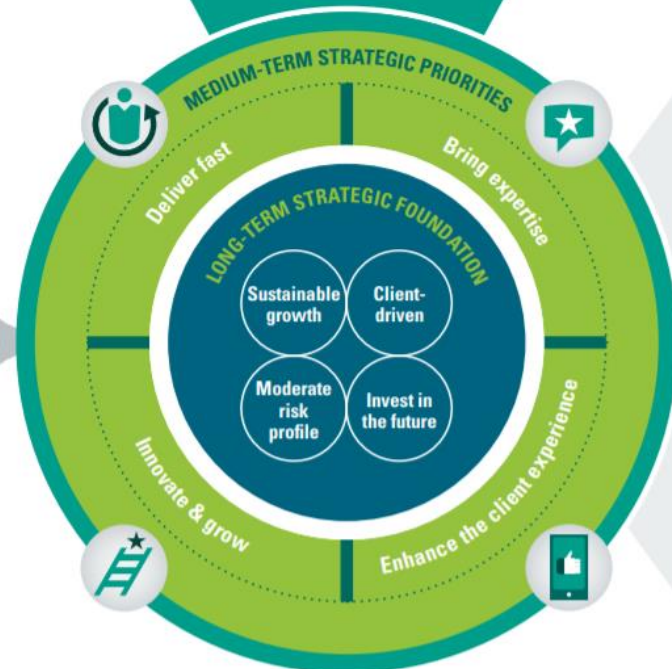


Financial

Financial capital to invest in our activities.

DRIVING FORCES

Stability of our financial system
Connectivity
Convenience
Disintermediation
Responsible business



OUTPUT

VALUE CREATED BY CAPITAL



Social and Relationship

NPS Retail Banking	-9
NPS Commercial Banking	-6
NPS Private Banking	+12
NPS Corporate & Institutional Banking	+32
Trust Monitor score (on a scale of 1 to 5)	3.2



Digital and Technological

99.68%
Availability of our digital services
6.2 million
Number of internet banking contracts



Natural

EUR 10.1 billion
Sustainable client assets
EUR 84 million
14 circular transactions



Human and Intellectual

79%
Employee engagement score
2%
Training expenses as a percentage of total personnel expenses
EUR 2,590 million
Personnel expenses



Financial

14.5%
Underlying return on equity
17.7%
Fully-loaded CET1 ratio

OUTCOMES

FOR OUR STAKEHOLDERS

We strive to address our stakeholders' – clients, employees, society at large and investors – needs and concerns by responding to the topics that matters most to them. These concern our material topics. They are key to creating value for our stakeholders. The impact per topic and the outcome created is explained in the Integrated Annual Review. A brief overview of the outcomes for our stakeholders:

Social and Relationship

Through fast and innovative propositions, together with our expertise, we help clients in their financial activities.

Digital and Technological

Stable and safe (digital) services that safeguard the privacy of our clients.

Natural

Provide our clients with sustainable products and services to create a positive impact on the environment.

Human and Intellectual

A simplified and agile organisation with engaged employees, and a responsible remuneration policy. Developing the expertise of our staff to help clients and society at large to the best of our ability.

Financial

Our role as a stimulating factor to the economy. Sustainable revenues and focus on costs leading to a healthy return, and solid capital buffers.



Value



Capital

Input

Output

Outcome

Produced



- Airport infrastructure
- Buildings
- Car parks
- Roads

- High-grade facilities and infrastructure
- Competitive airport charges
- Attractive real estate

Social and relationships



- Infrastructure and network
- Stakeholder dialogue
- Collaborations

- Accessibility of destinations
- Relationships with sector partners, business partners, suppliers and employees
- Local support base

Human



- Employees
- Schiphol workers

- Skilled and trained employees
- Diversity
- Safe working conditions

Intellectual



- Knowledge
- Expertise

- Brands and concepts
- Innovation

Nature



- Energy
- Raw materials
- Drinking water
- Land holdings

- Emissions
- Noise
- Use of materials and residual waste flows
- Waste water
- Water
- Space requirements
- Biodiversity

Financial



- Financial position
- Creditworthiness

- Return
- Credit rating
- Taxes
- Dividend

Prosperity

Well-being

Schiphol 2015



Financial capital

Positive impact

- Financial result
- Wages
- Taxes
- Contribution to the results of business partners

Negative impact

- Subsidies



Manufactured capital

- Investments in fixed assets
- Infrastructure

- Depreciation



Intellectual capital

- Innovation
- Aviation-specific knowledge



Natural capital

Positive impact

- Renewable energy generation
- Reuse and recycling
- Compensation-based greening of energy

Negative impact

- Emissions
- Raw material consumption
- Waste flows
- Water and land use



Social capital

- Well-being attributable to holiday travel
- Customer appreciation

- Noise disturbance
- Inconvenience caused by flight delays



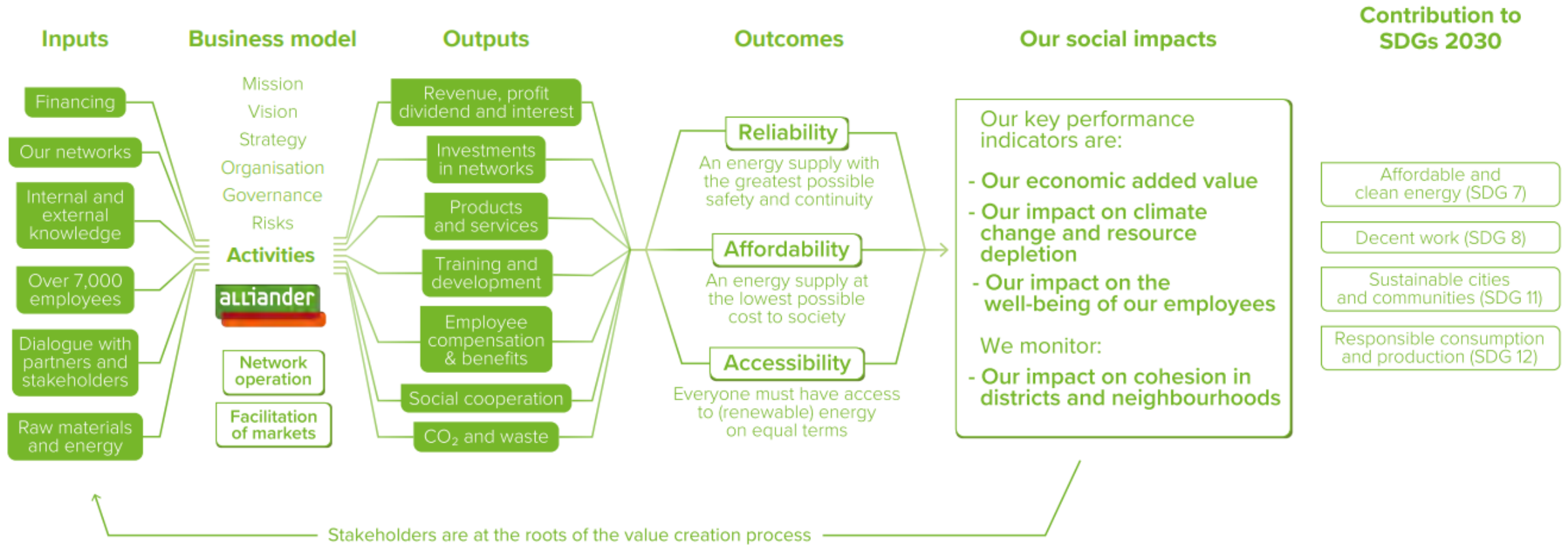
Human capital

- Well-being attributable to work
- Training and education
- Contribution to the employment of business partners

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Alliander Annual report 2017

Connectivity Model



1

What does the value model look like?

2







These examples are somewhat older. On purpose, because development is going quickly. Let's see how they're developing!

Value model?

Is this model aligned with the value model in your opinion (why/ why not)?

How we create value

Input

	Financial All forms of money and other financial assets	EUR 6.5 billion Net interest income EUR 1.6 billion Total fees & commissions EUR 21.5 billion Total equity EUR 93 billion Corporate and commercial lending ¹
	Manufactured All fixed assets, including property, equipment and selected financial assets	EUR 225 billion Total deposits (including banks) EUR 998 billion Total spending on General IT
	Intellectual Intangible assets, including intellectual property, systems and processes	Each year, we invest in technology to improve both internal processes and our service to clients. We also work hard to combat financial crime.
	Human Employees' individual skills, know-how and productivity	Total number of employees (FTEs) 17,977 in 16 countries We invest in our people through training and skills development to support implementation of our strategy and increase their employability .
	Social Social ties, norms, networks, brand and relations with stakeholder groups	EUR 7.6 million Investments made by ABN AMRO's Social Impact Fund 31,900 Hours of community investment through ABN AMRO Foundation
	Natural Natural resources, including energy, water and climate	146 GwH Total energy use (including mobility) of which 62% was renewable energy EUR 750 million Total investments through the ABN AMRO green bond

Our **purpose** Banking for better, for generations to come

Our strategic pillars

Support our clients' transition to sustainability

- Responsible investment & financing
- Circular economy
- Ethics and integrity

Reinvent the customer experience

- Customer experience
- Co-creation and innovation
- Digitalisation

Build a future-proof bank

- Viable business model
- System stability
- Talent attraction



¹ Excludes professional counterparties and other loans.

Inputs, outputs and metrics are included for illustrative purposes only. All inputs and output figures are for 2019, unless otherwise stated.

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Output

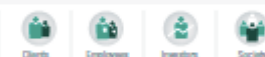
EUR 1.28 EUR 634 million EUR 3.4 billion	Proposed full-year dividend per share Corporate tax paid Interest paid to clients and ECB
EUR 148.2 billion EUR 99.1 billion EUR 20.6 billion	Size of residential mortgage portfolio Total corporate loans to business clients Sustainable investments (clients assets)
3.2 181 136	Trust (confidence in own bank) Total client complaints relating to primary branches in the Netherlands Total client complaints relating to branches of other regulatory or voluntary codes in the Netherlands
88% 3.4%	Employee engagement score Absentee rate
Customer loyalty (Net Promoter Score) +10 Retail Banking +41 Commercial Banking 49 99.9%	+49 Private Banking +429 Corporate & Institutional Banking Number of human rights-related risk assessments conducted Percentage availability of digital flexible banking
32 tko tonnes 14%	Carbon emissions from own operations, 100% compensated by green certificates (includes scopes 1, 2 and 3) Percentage of renewables in overall energy portfolio

Outcome

Financial In 2019, we generated value through dividends and interest payments, salaries, taxes and lending. At the same time, we took in financial capital - in the form of net interest income, fees and commissions. Financial value was also affected by a decline in our share price.				
Manufactured During the year, we created manufactured value through home ownership and by providing better access to banking services.				
Intellectual Through advice, we created intellectual value for clients. We also took in intellectual capital from others, including suppliers and business partners. At the same time, there were adverse effects, for instance from incidents of cybercrime.				
Human During the year, employees continued to contribute time, skills and knowledge. In return, we created value through training, development and increased well-being. We also consumed human capital through services provided by business partners.				
Social We created social value, largely through the benefits of home ownership and an increase in the bank's brand value. That said, some clients had financial difficulties, struggling to repay loans and mortgages. Through lending, we may also have caused in our wider value chain of fraud, low pay or labour rights violations.				
Natural During 2019, we depleted value through carbon emissions, use of natural resources and pollution, both through our own operations and as a result of our lending and investment activities. ²				

Impact²

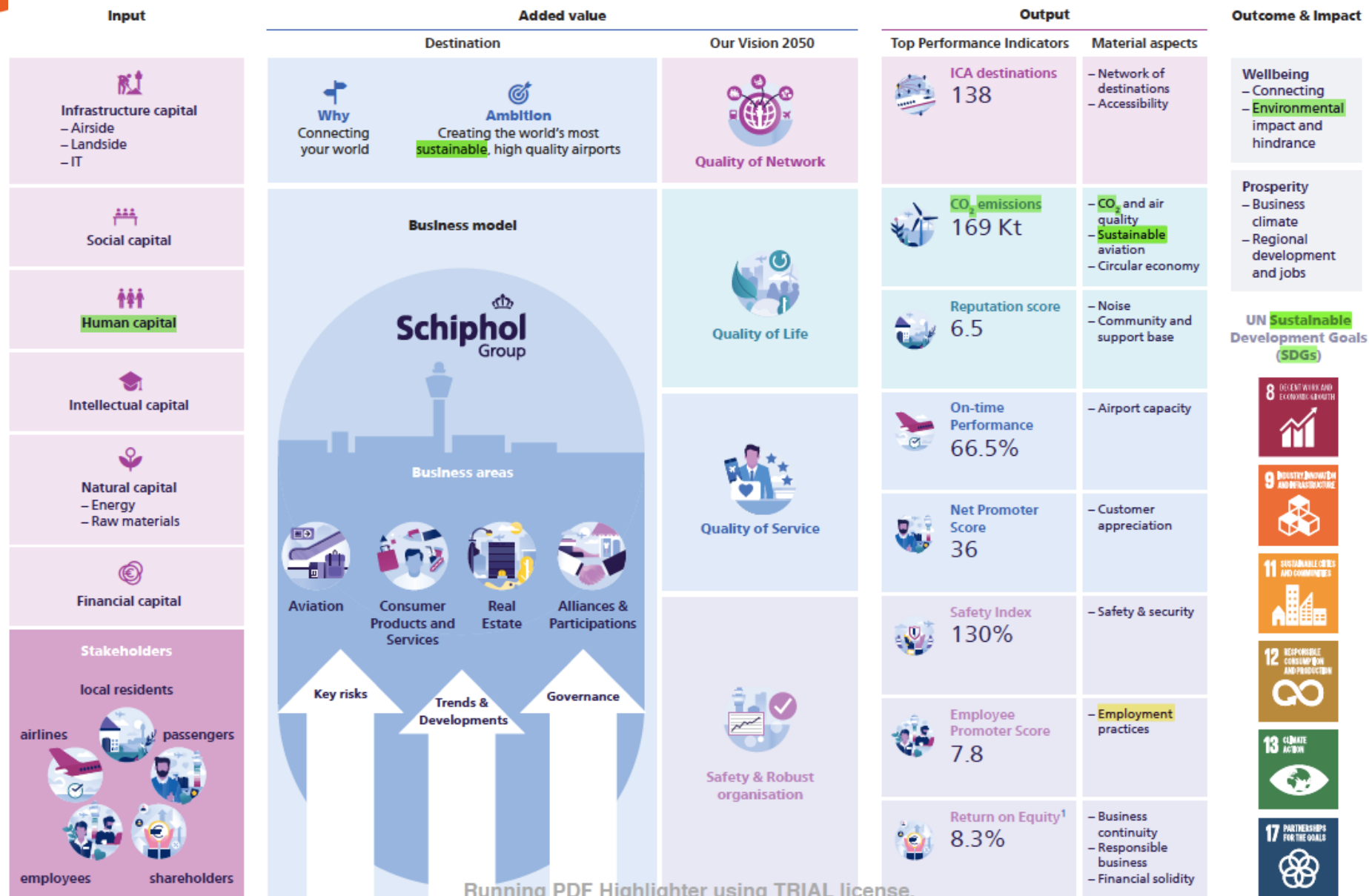
● Positive impact
● Negative impact



² For more details on our impact, see page 26. Impact by stakeholder group (EUR million equivalent - presented in ranges).

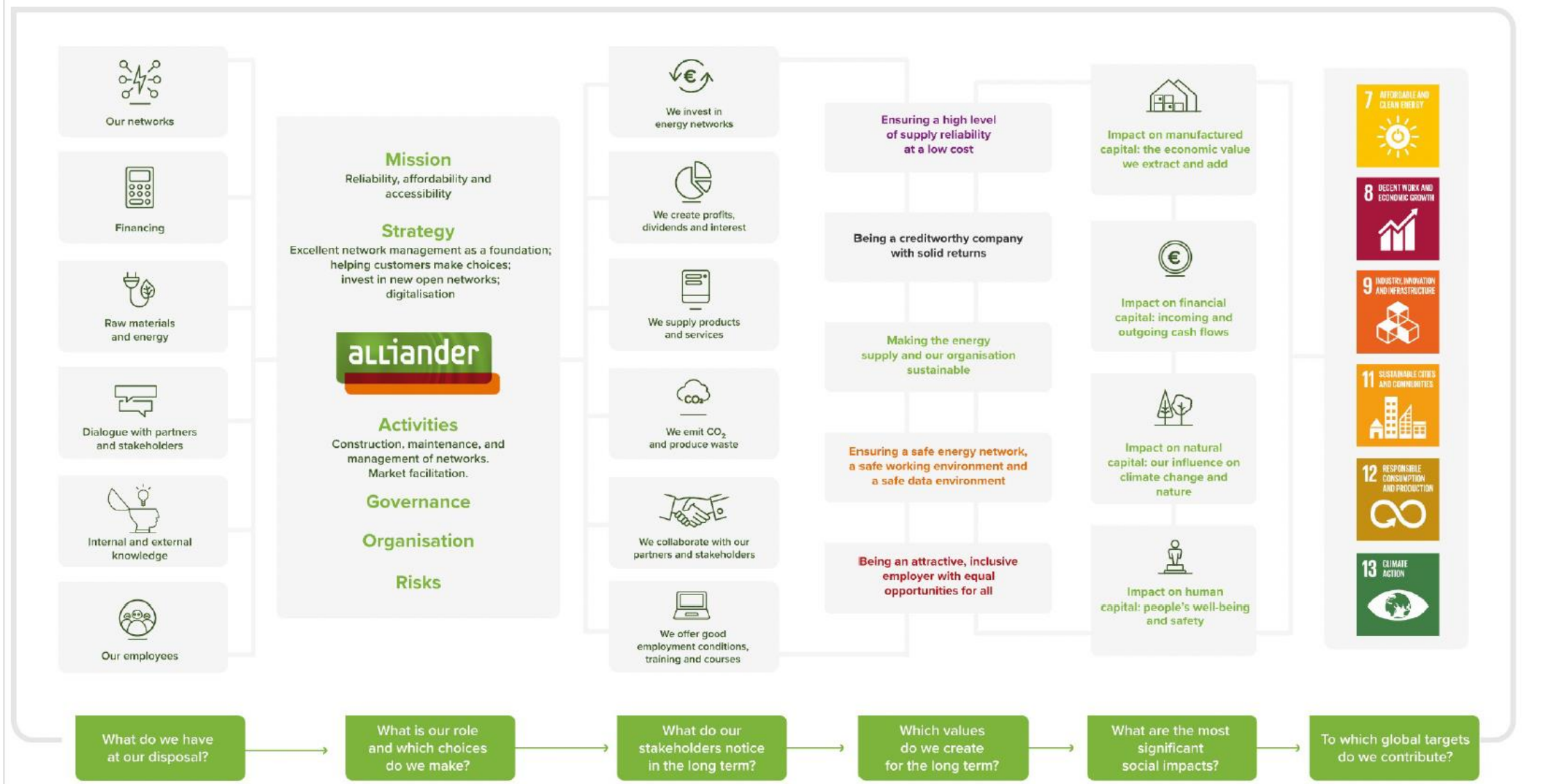
³ For more details on the bank's carbon emissions (including disclosure on scope 2) see ABN AMRO's Non-financial data & Engagement report, available online.

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¹ Normalised ROE: 5.5%





SUSTAINABLE DEVELOPMENT GOALS



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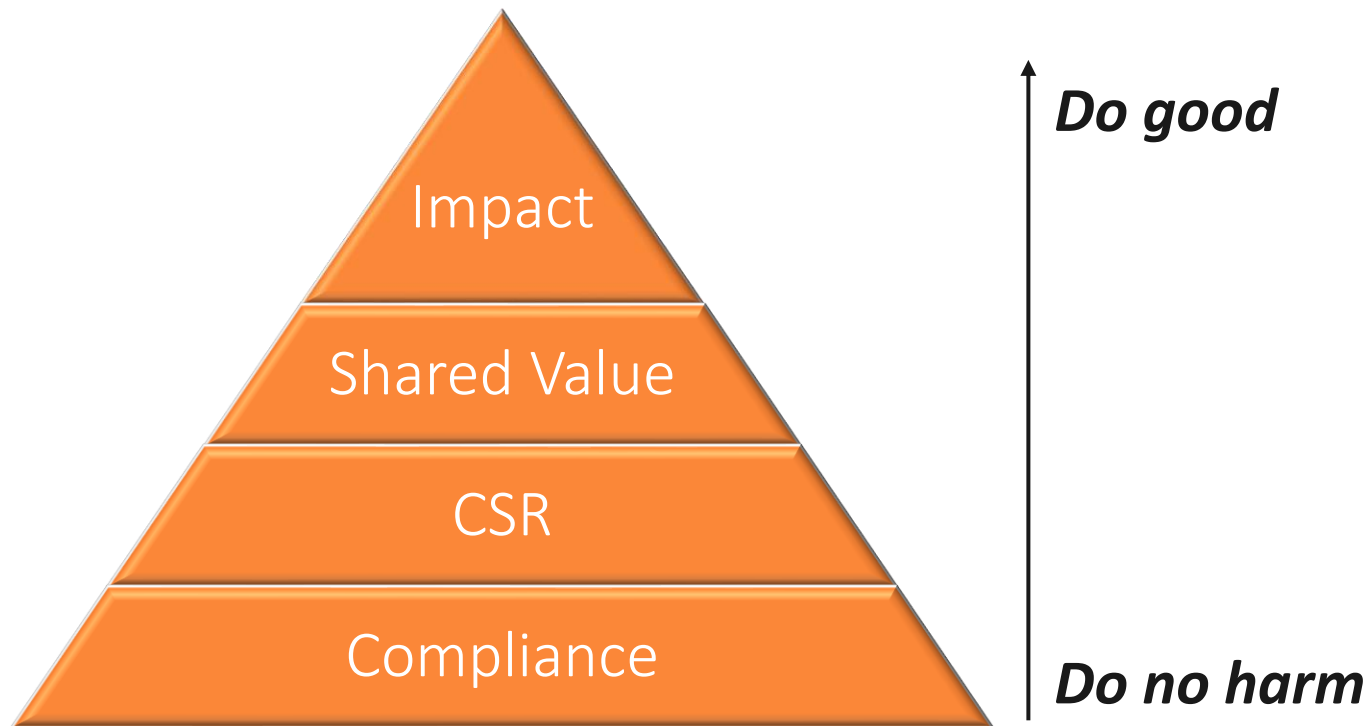


PART 3

Trends and developments

Assurance

From compliance to impact
From 'doing no harm' to 'doing good'

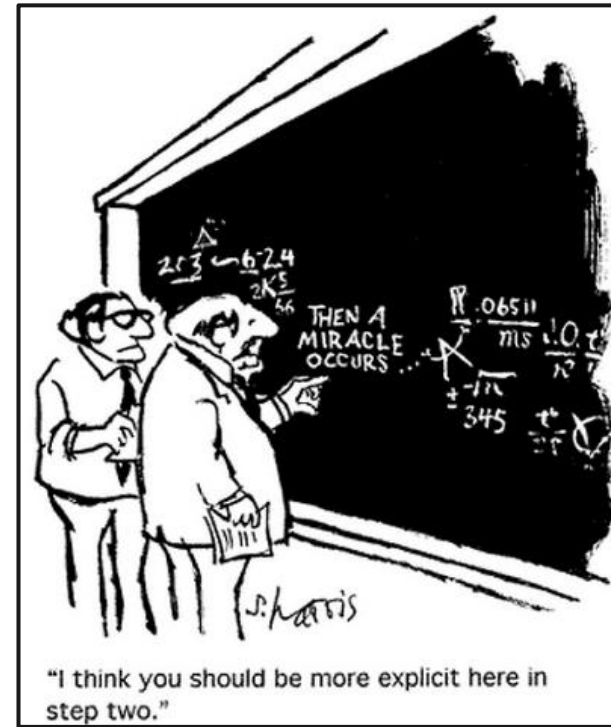


Source: Impact Centre Erasmus





How do we match the
mission to the
activities?



Greenwashing claims now prosecuted

FCA adds greenwashing to sustainability KPIs

The UK regulator will measure performance on incidence of misleading ESG marketing and ESG mis-selling

By [Charlotte Webb](#) · 7 April 2022

[Home](#) [Climate](#) [ESG](#) [UK](#) [News](#)



The Financial Conduct Authority (FCA) has included measures to tackle greenwashing in its key performance indicators for the coming year as part of wider plans to further embed ESG in its regulatory functions.

SEC fines BNY Mellon over ESG in first case of its kind

Regulator hits investment adviser with \$15mn penalty for allegedly misstating and omitting information



The fine comes two days before the SEC is set to propose rules establishing how financial firms can include ESG or other green labels to investment funds. © Gabriela Bhaskar/Bloomberg

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Science Based Targets initiative accused of providing a 'platform for greenwashing'

Published on 04/02/2022, 11:00pm

Heath, Ikea and Unilever are among brands the new Climate Institute found did not live up to the 1.5C-compatible label they'd been awarded



Stockphoto artists provide a caution sign to counteracting. ©Photo: Sora Photo Agency/REDA



Poland Spring, a bottled water brand, is a common sight in 2022. Photo: Sora Photo Agency/REDA

BOTTLED WATER GIANT BLUETRITON ADMITS CLAIMS OF RECYCLING AND SUSTAINABILITY ARE "PUFFERY"

BlueTriton, owner of Poland Spring and other brands of water packaged in plastic, stated in a court filing that its claims of sustainability are "vague and hyperbolic."

[Green Center](#)
April 20, 2022, 11:00 p.m.



HSBC suspends head of responsible investing who called climate warnings 'shrill'



SEC investigating Goldman Sachs for ESG claims

ft.com · 2 min read



Deutsche Bank's top asset manager quits after greenwashing probe

Dove and Marmite maker Unilever to be investigated in UK over 'greenwashing'

Consumers may be misled by 'green' claims on some essential household products, says watchdog

Julia Kollewe

Tue 12 Dec 2023 12.21 CET



📷 The beauty cream bar Dove is a Unilever brand. Photograph: PSL Images/Alamy

Unilever, the maker of Marmite, Domestos and Vaseline, is to be investigated by the UK's competition watchdog over concerns that consumers are being misled by the company's "green" claims on some essential household products.

The Competition and Markets Authority (CMA) said Unilever may be overstating how green certain products are through the use of "vague and broad" claims, unclear statements about recyclability, and natural-looking images and logos such as green leaves.

Primark sued for greenwashing in Netherlands

 [Brett Mathews](#)  28th June 2023

Spread the love



AMSTERDAM – Fast fashion giant Primark is being sued for greenwashing after a complaint was made to the Dutch Advertising Code Committee. The complaint claims Primark billboards in Dutch stores broke rules laid down in the Dutch Advertising Code (CDR) as well as the Dutch civil code relating to unfair commercial practices. The claims are being investigated and Primark, which has 18 stores in Holland, has been invited to submit a defence.

EU-Initiative on substantiating green claims

- The European Green Deal states
 - “Companies making ‘green claims’ should substantiate these against a standard methodology to assess their impact on the environment”.
- The 2020 Circular Economy action plan commits that
 - “the Commission will also propose that companies substantiate their environmental claims using Product and Organisation Environmental Footprint methods.”
- It is important that claims on the environmental performance of companies and products are reliable, comparable and verifiable across the EU.

“Today it is difficult for consumers, companies and other market actors to make sense of the many environmental labels and initiatives on the environmental performance of products and companies. There are more than 200 environmental labels active in the EU, and more than 450 active worldwide; there are more than 80 widely used reporting initiatives and methods for carbon emissions only. Some of these methods and initiatives are reliable, some not; they are variable in the issues they cover.

– EU website on the new initiative

Reporting on impact for businesses

- There is not a mandatory standard for business
- Many companies report on more than just their financial situation
- According to EU legislation, from 2018 companies must also report non-financial information in their annual reports (NFRD/ from 2024 CSRD):



The European Green Deal is about **improving the well-being of people**. Making Europe climate-neutral and protecting our natural habitat will be good for people, planet and economy. No one will be left behind.

The EU will:



Become
climate-neutral
by 2050



Protect human life,
animals and plants,
by cutting pollution



Help companies
become world leaders
in clean products and
technologies



Help ensure a
just and inclusive
transition



The European Commission is **proposing to cut net greenhouse gas emissions by at least 55% by 2030**, compared to 1990 levels, up from our current target for 2030 of at least 40%.

EU LEGISLATION: FROM GREEN DEAL TO CSRD

GREEN DEAL

EU Sustainable Finance Action Plan

Plan to create a financial system that supports the goals of the EU Green Deal.

Sustainable Finance Disclosure Regulation (SFDR)

Directive that regulates the provision of information by financial market parties to their ultimate investors and asset owners.

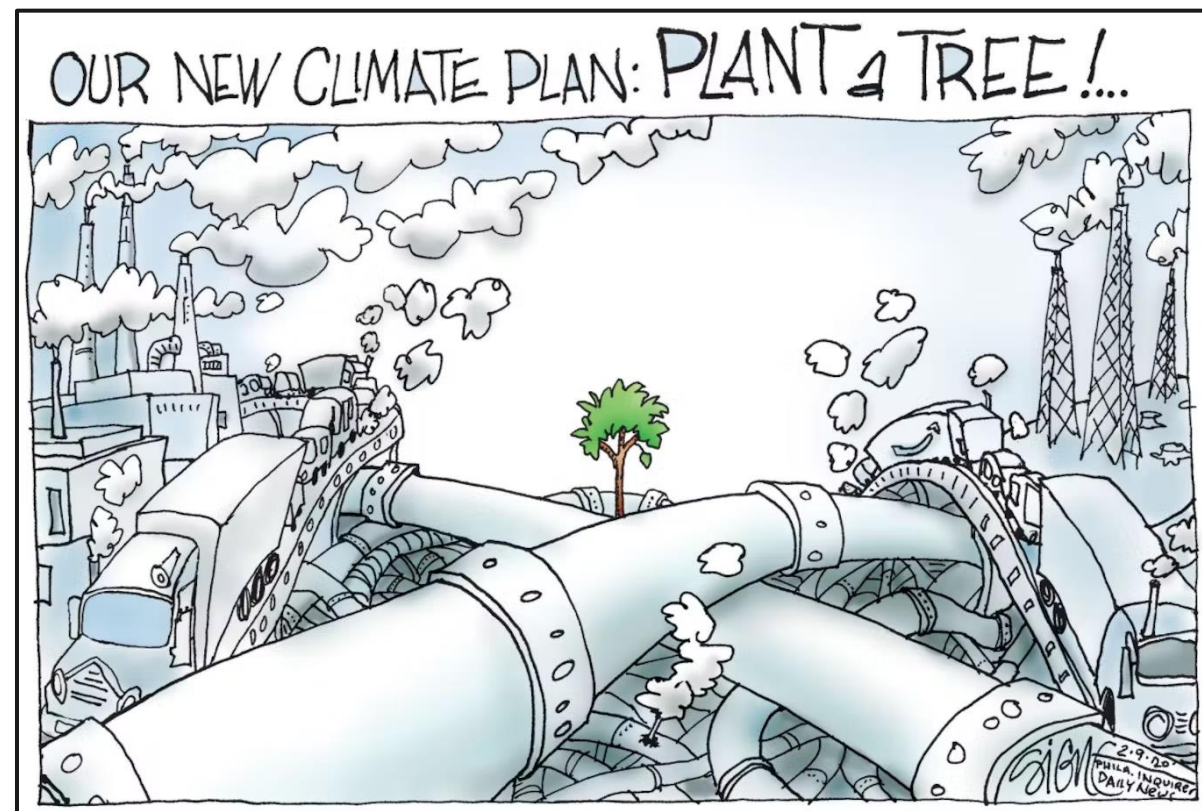
EU Taxonomy

Classification system for 'sustainable' economic activities with the aim of scaling up in sustainable investments and preventing greenwashing.

Corporate Sustainability Reporting Directive (CSRD)

Directive that regulates information provision by companies.

Can we believe what's
in the report?



Source: Philippine Daily Inquirer

Trends in reporting on non-financials

What should be reported on?

- Environmental aspects (environmental protection)
- Social responsibility and treatment of employees
- Respect for human rights
- Anti-Corruption and Bribery
- Diversity within the board and supervisory board (age, gender, professional background)

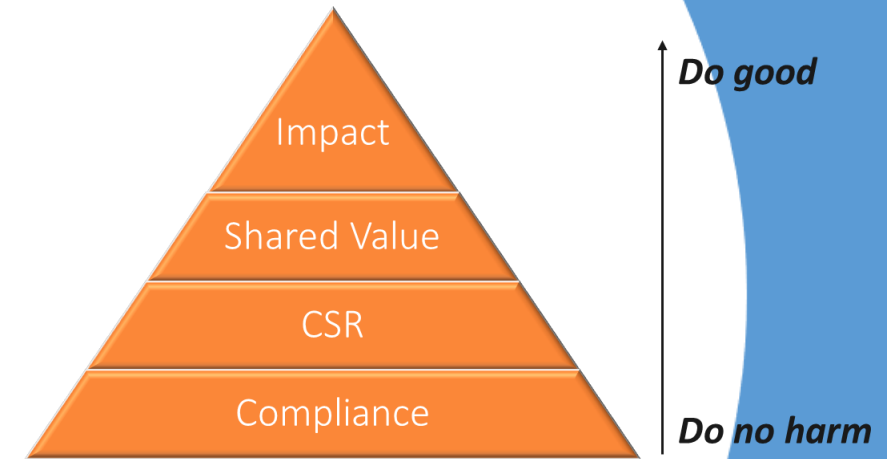
Capitals?

Materiality?

How should be reported?

- Separate report (including Global Reporting Initiative (GRI))
- Separate Impact Report (including Framework for Impact statements (FIS))
- Integrated Report (International Integrated Reporting Council (IIRC))

Development:



Source: Impact Centre Erasmus

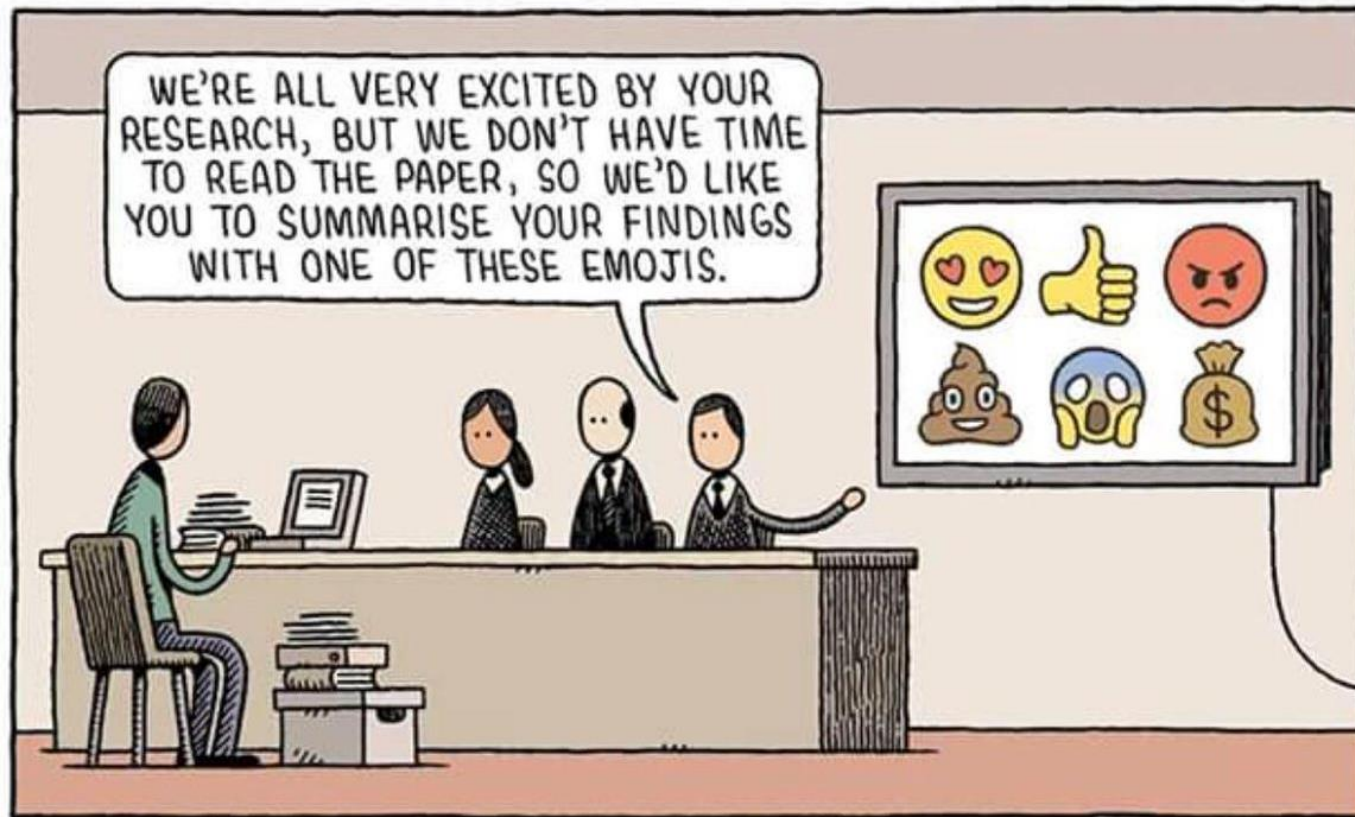
Report what matters? = impact

Report what's mandated? = compliance

The age-old issue

TOM GAULD

NewScientist



Source: twitter.com/justinf3672

Assurance

- Assurance = External, independent review to increase reliability
- In Europe this is done in particular by the Big Four
 - EY, KPMG, Deloitte, PwC
- In some countries, mainly outside of Europe this is done by
 - Certification institutes like DNV
- No assurance, but critical co-reader:
 - External advisory panel (e.g. Shell)
 - Stakeholder groups
- Assurance becomes mandatory in the CSRD
- Many smaller organizations often have very limited assurance on reporting

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