



10 Years of Guilé Reporting Assessments - Developments, impacts and learnings

Dr. Dorothea Baur
Member of Guilé Engagement Team

Background and Emergence of the Guilé Reporting Assessments

When Fondation Guilé first introduced their Reporting Assessments in 2006, the field of corporate sustainability, let alone the reporting on sustainability, was still in its infancy. However, it was a fast-developing infant: six years earlier, the issue had received a significant boost, when then UN Secretary-General Kofi Annan had officially launched the UN Global Compact in New York. In the meantime, and against all odds, corporate sustainability has become a broad movement involving companies across the globe.

Fondation Guilé is proud to have been an active player in this movement over the past ten years. In 2005, Fondation Guilé started their work on promoting the 10 principles of the UN Global Compact. In a next step, Fondation Guilé took advantage of the fact that the UN Global Compact is not just a global voluntary framework but that it also entails mandatory reporting requirements. The UN Global Compact's request that its members publish communication on their progress in adhering to the ten principles served as the basis for the GuiléReportingAssessment as introduced in 2006.

The Global Compact aspires to enhance the openness and transparency of corporate communications on sustainability. By offering companies a distinctive service, namely an in-depth assessment of the degree

of transparency and the credibility of their publicly available information, Fondation Guilé has taken this idea one step further.

While there has been a proliferation of sustainability ratings over the past years, it is safe to claim that the GuiléReportingAssessment stands out in terms of the thoroughness with which a company's information is being screened. Most importantly, this thoroughness is not the result of elaborate software algorithms but of the work of analysts and consultants who together invested countless hours into carefully analyzing the documentation of each company. The personal effort behind the assessments has also played a central role in the ensuing meetings with the companies in which the results of the assessments would be discussed.

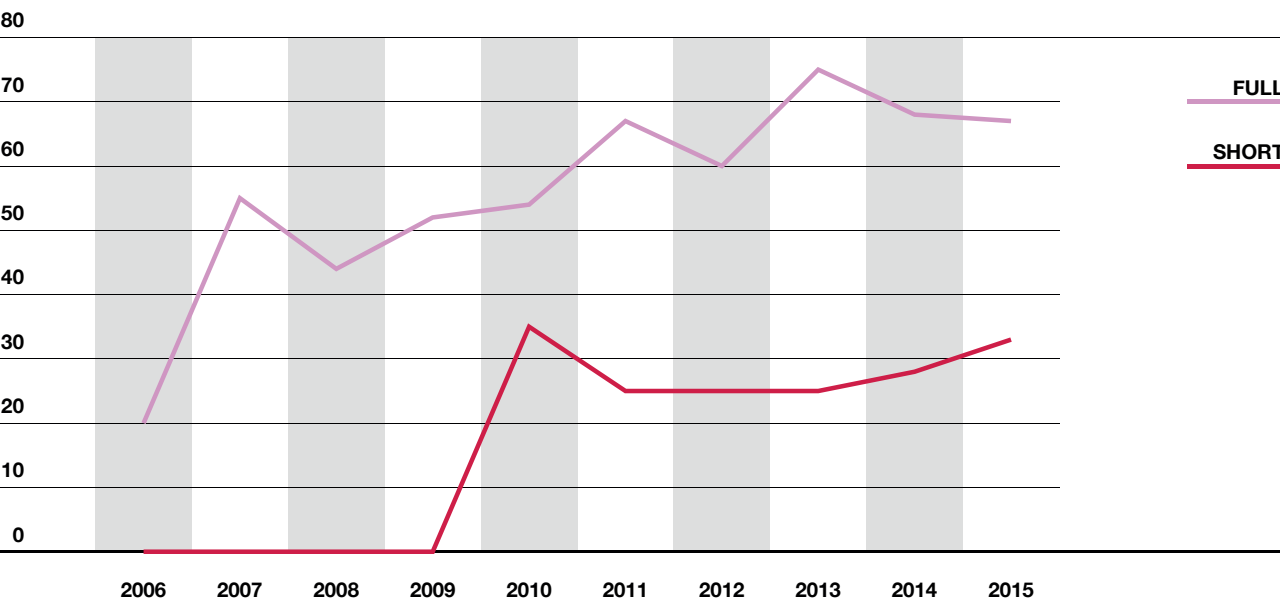
After ten years the time has come to move toward new horizons. We would like to use this opportunity to look back at our journey over these past ten years during which we have had the pleasure of meeting numerous, highly engaged representatives from a wide range of inspiring companies across the globe, who took the time to share their insights with us. We are happy to present you an overview of what has been done and of what we have learned.

Development of assessments over time

The number of GuiléReportingAssessments has increased significantly over time. While it started with a relatively modest amount of 23 full assessments in 2006, already in the second year this number rose to 55 companies. The peak of full assessments was reached in 2013, when the portfolio comprised 75 companies.

In 2010 Fondation Guilé introduced so-called short assessments for companies whose less advanced style of reporting did not allow for an in-depth analysis of their information on each of the ten principles. Instead, short assessments focused on summary information along the four issue areas of the UN Global Compact, i.e. human rights, labor norms, environmental issues and anti-corruption. The number of short assessments varied between 34 in the year of their introduction and 24 in the subsequent years.

Number of assessments done



Background and Emergence of the GuiléReportingAssessments

When we look at how sectors compared to each other in terms of comprehensiveness, we see that the differences between the leading companies are quite small. The diagram below focuses only on those sectors which have been subject to a minimum of 15 as-

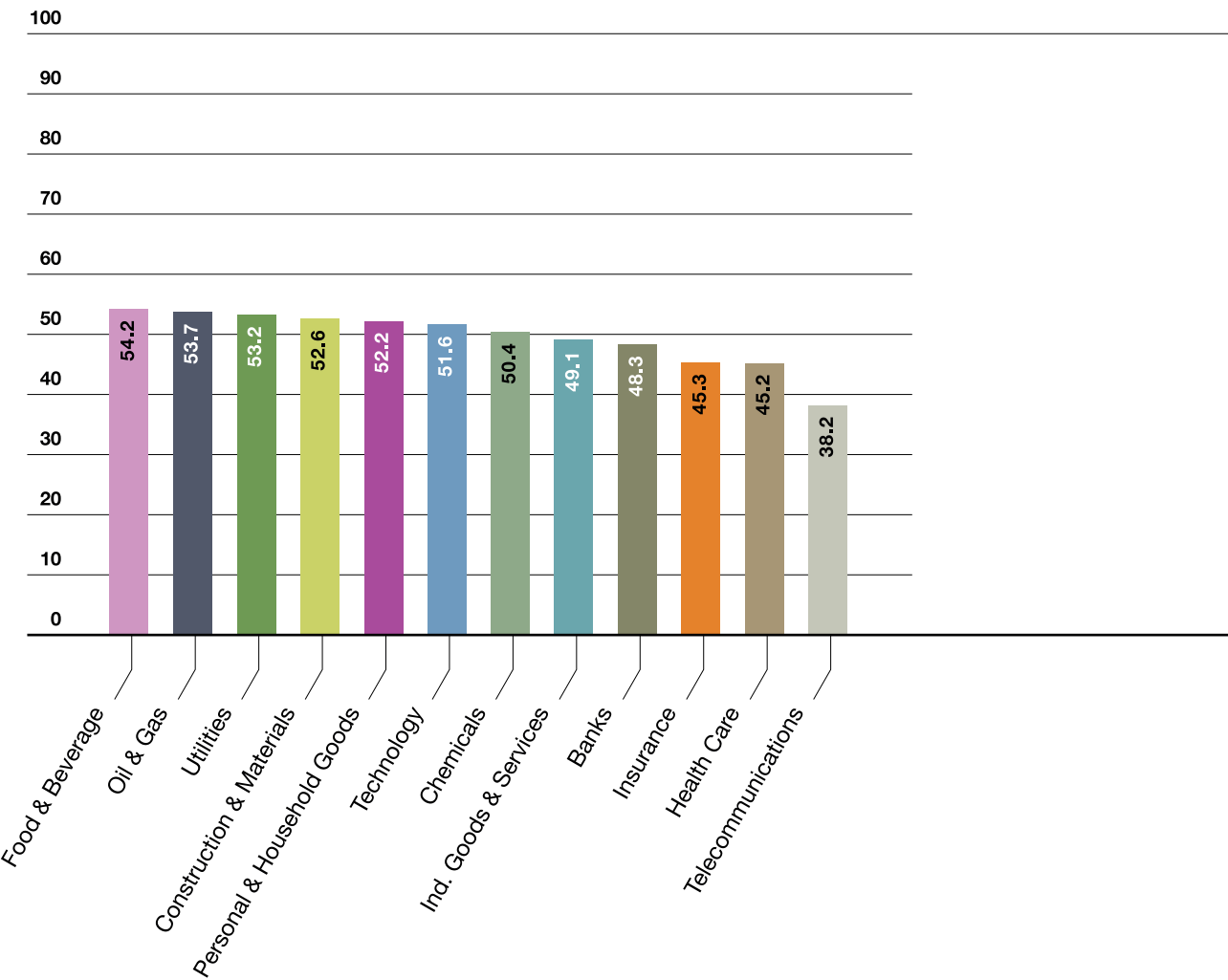
sessments over time, and shows that within our pool of companies, the food and beverage sector scored highest, but is quite closely followed by oil and gas, utilities, construction and materials, and personal and household goods. This suggests that there is no

clear distinction between the comprehensiveness of reporting in business-to-consumer and business-to-business industries. We found that in particular when it comes to operational environmental data, industrial companies would often provide very detailed information.

At the other end of the list we find telecommunications, health care, insurance and banks. The rather poor performance of banks and insurance companies

might be due to the fact that as pure service providers, some of the criteria we assessed such as forced labor, child labor and freedom of association, are only marginally relevant within their owned operations and therefore receive comparatively little attention. However, over time these sectors have started to include these principles as part of their reporting on responsible investment.

Average % Comprehensiveness per industry



Average Comprehensiveness of analyzed Sectors by Year (in %)

As mentioned above, we have assessed companies across a wide range of sectors. Added over the ten years, the main focus was on banks, followed by food & beverages, industrial goods & services, oil & gas, and health care.

Reception of the GuiléReportingAssessment by companies

Over the past ten years, the Guilé Engagement Team has established solid relationships in particular with those companies that have been assessed for many years.

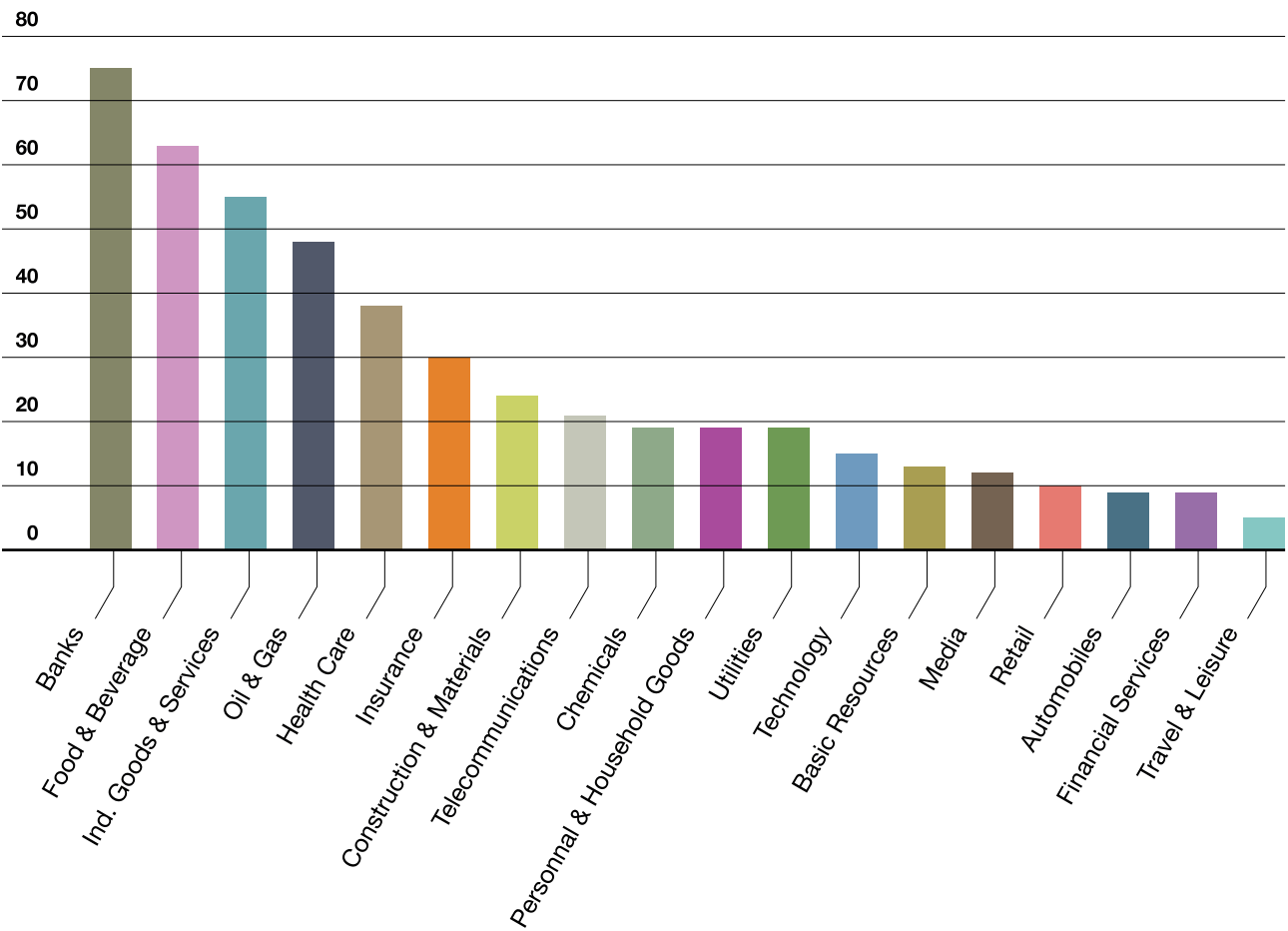
40 companies have been assessed more than five times. For these companies the GuiléReportingAssessment and the ensuing dialogue became a regular feature in their yearly agenda. In particular in those cases where the same representatives from both sides met over several years, the GuiléEngagement-Team took on the role of a regular sounding board.

Looking at the feedback on our work, we are happy to see that companies appreciated the personal exchange. In particular in the beginning, a physical meeting was deemed to be helpful in setting the stage for a candid exchange. In some cases the GuiléReportingAssessment would draw a company's attention to facts of which they had not thought themselves. It was not rare for our CSR experts to hear that no one else had read the company's reporting as carefully as they did. Companies also claimed that the GuiléReportingAssessment and the dialogue had an impact on their reporting, not, however on their CSR strategy as such.

In general, companies were happy with the fact that contrary to other ratings, Fondation Guilé would not make their results public. Since the GuiléReportingAssessment went beyond a mere checkbox approach and only developed its full potential when being accompanied by a dialogue, it was not suitable for no a publication without further explanation.

While some companies explicitly appreciated the GuiléReportingAssesment's predominant focus on the UN Global Compact, others would have wanted us to go beyond. However, there was agreement that our method was clear, and this evidently links back to the straightforward guidance from the UN Global Compact with its focus on just ten key principles.

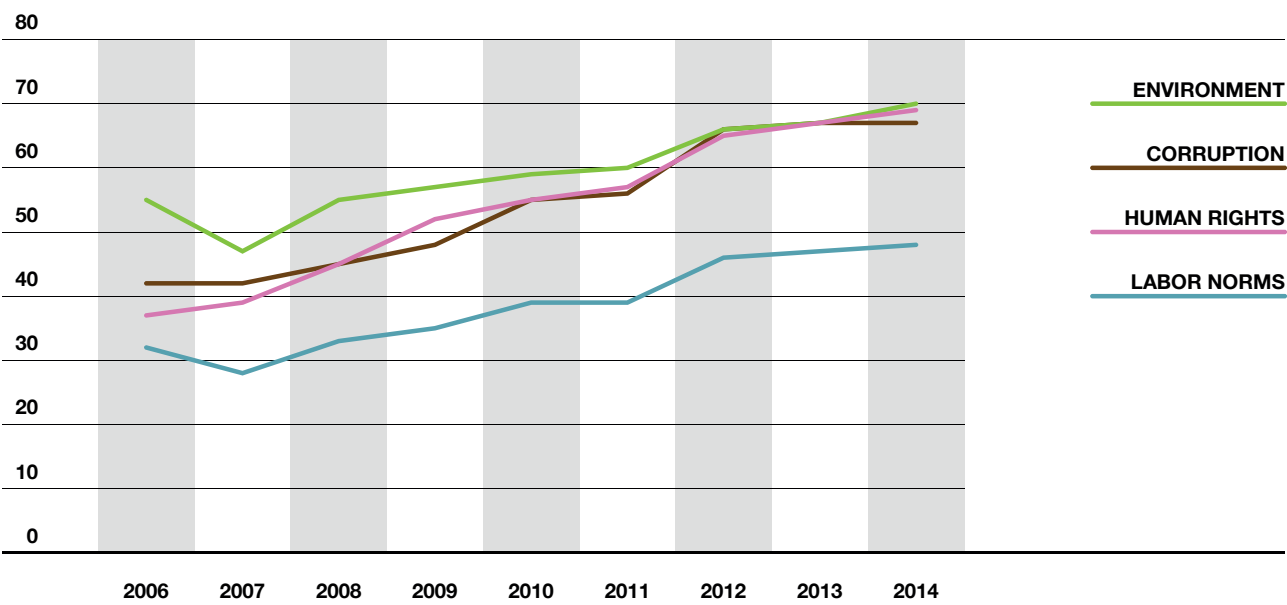
Assessments per sector



Development of comprehensiveness across issue areas

Looking at the issue areas across all sectors, we can see that apart from some instability in the beginning, companies have successively expanded the transparency provided across all issue areas. However, it is striking to see that reporting on labor norms has always clearly lagged behind the other issues areas. By contrast, the other three issue areas converge and there is now almost equal emphasis on human rights, environmental issues and the fight against corruption.

Average % comprehensiveness per issue area by year

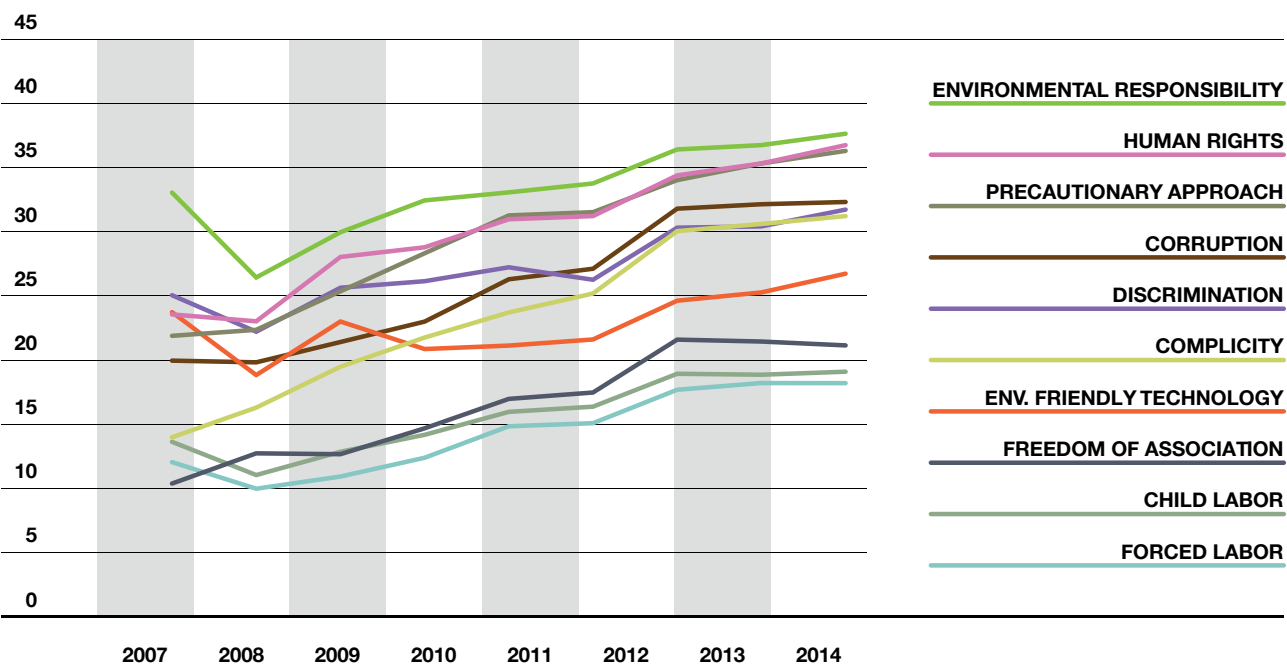


Comprehensiveness across principles – progress over time

The gap between labor norms and the rest would be even bigger if we excluded information on discrimination and instead only looked at the core ILO labor norms of freedom of association, the prohibition of child labor and of forced labor. While almost every company acknowledges the importance of securing non-discrimination, many companies, particularly in the services industry, would claim that they could entirely rule out the violation of these norms within their owned operations and therefore deemed it unneces-

sary to address them explicitly in their reporting. If at all, respect of these norms might be challenged along their supply chain, i.e. in their procurement of goods. Yet, with the entry into force of the UK Modern Slavery Act in October 2015, which includes a supply chain provision, the issues of forced labor and also of child labor will certainly receive more attention in the future.

Average % comprehensiveness per principle by year



At the same time, it is encouraging to see that companies report comprehensively on climate change, i.e. the precautionary approach, and on their environmental responsibility, i.e. their management of environmental issues like water and energy consumption or waste. There is considerably less information on the promotion of environmentally friendly technologies. The reason for this is, on the one hand, that it is difficult to differentiate between real technological innovation and mere improvements on environmental management. On the other hand, the relevance of this issue varies significantly across the sectors. Again, a purely service-oriented company discloses far less information on this matter than an industrial player, for whom the biggest opportunities and risks are directly related to environmentally friendly progress.

In terms of reporting on human rights, it is nice to notice that over time the gap between the amount of information that companies publish on human rights within their owned operations (e.g. health and safety, people development, etc.) and what they publish on human rights along their value chain has become

smaller. Even though only few companies reference them directly, we can assume that the UN Guiding Principles on Business and Human Rights have played a role in this trend. In any case this development means that there are hardly any companies today, which restrict their responsibility for human rights to their owned operations. Such views fortunately belong to the past and companies address value chain-related issues in a more or less straightforward manner, and in some cases, in particular in the retail sector, they even provide more information on their supply chain than on their owned operations.

Finally, there is also a more or less steady extension of reporting on anti-corruption. This issue is in fact the one that is most likely to be addressed as part of the standard annual report. At the same time, we found it hard to discover ‘hard data’ in this field. Companies for example were often reluctant to reveal information on the number of incidents reported through their whistleblowing hotlines. Emphasis in this issue area is mostly on measures of prevention, in particular on training.

Comprehensiveness across criteria

- Progress over time

With the exception of objectives, where initial gains have been lost more recently, companies are now publishing significantly more comprehensive information on all criteria. Commitment thereby stands out as the most elaborate criterion by far.

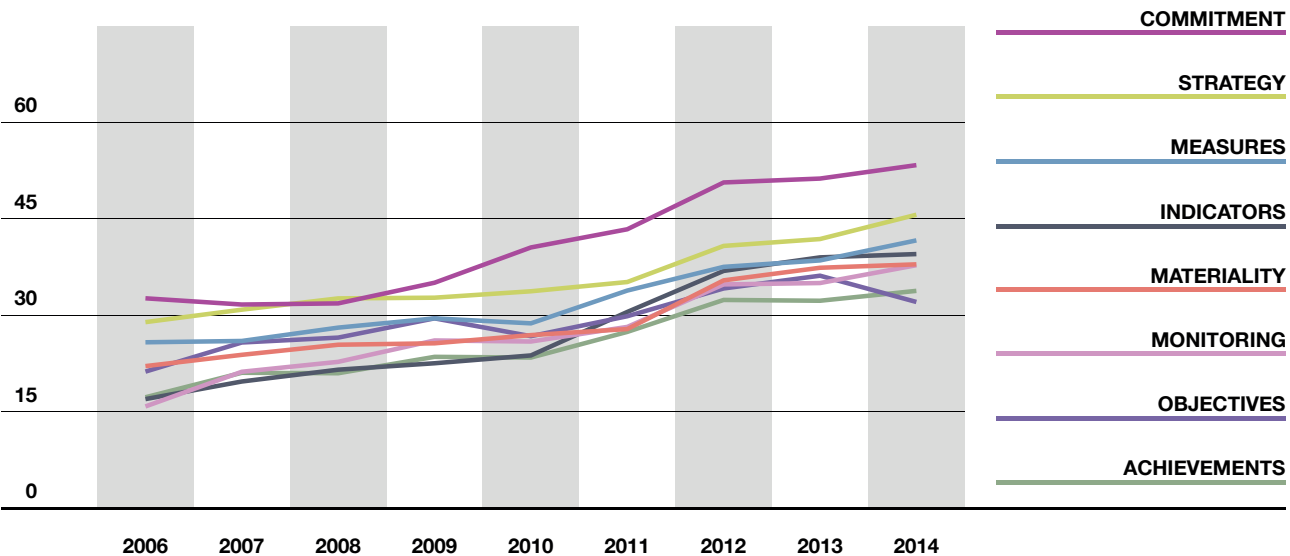
It is standard behavior for companies nowadays to explicitly address core social and environmental issues in a policy document and to commit to respect their underlying principles not just within their owned operations but also along their supply chain. However, it is fair to say that expressing a commitment is the easiest part of any sustainability strategy. The most challenging part refers to substantiating commitments with a clear strategy, differentiated measures, monitoring mechanisms, and – in particular – with objectives for the future. If the latter information is largely missing, companies must defend themselves against suspicions of merely paying lip service.

A significant driver of progress is the Global Reporting Initiative. As the GRI's popularity grew, the contents of its guidelines have had a particularly notable impact

on two of the criteria we assessed: on the one hand, making materiality one of the key reporting principles since the GRI G3 Guidelines, meant that companies who adhered to GRI reporting guidelines would typically score high in this dimension. On the other hand, also the increase in the publication of performance indicators over time was significantly enhanced by the fact that such indicators are at the very heart of the Global Reporting Initiative.

The steady increase in information on the strategy deployed for handling different issues can be linked to the rising popularity of management systems that help companies embed dealing with issues in their daily routines. In particular, the increasing prominence of environmental management systems like ISO 14001, or management systems for occupational health and safety like OHSAS 18000 has had a positive impact on this dimension.

Average % comprehensiveness per criterion by year



As one company put it, quantitative goal setting would be against the interests of profit-oriented shareholders. Another company said that long-term objectives were particularly unrealistic because changes in the management would most probably overthrow them anyway.

The reluctance to publish objectives also hampers the reporting of clear, measurable achievements. How can a reader for example know whether a certain decrease in CO2 emissions is a real achievement if the company has not published any clear statement about their ambitions previously? Even more disputed is the question whether a company also publishes non-achievements.

In our view, a company, which admits that they have failed to achieve goals they had set for themselves, comes across as being sincere. What is more, the failure to achieve a goal also suggests that a company has been setting ambitious goals for themselves. By contrast, companies who permanently achieve all of their targets, sometimes far ahead of time, beg the question whether they only focus on 'low-hanging fruits'. However, as some company representatives admitted, the question whether they should admit 'failure' was an ongoing point of contention among representatives from different departments, and in some cases it touched on the very foundation of their overall corporate culture.

Quality – Progress over time

In terms of quality, we could also observe an increase over time. The progress was not straightforward in all cases, but at the end of these ten years, the overall quality of sustainability reporting is higher than at the beginning.

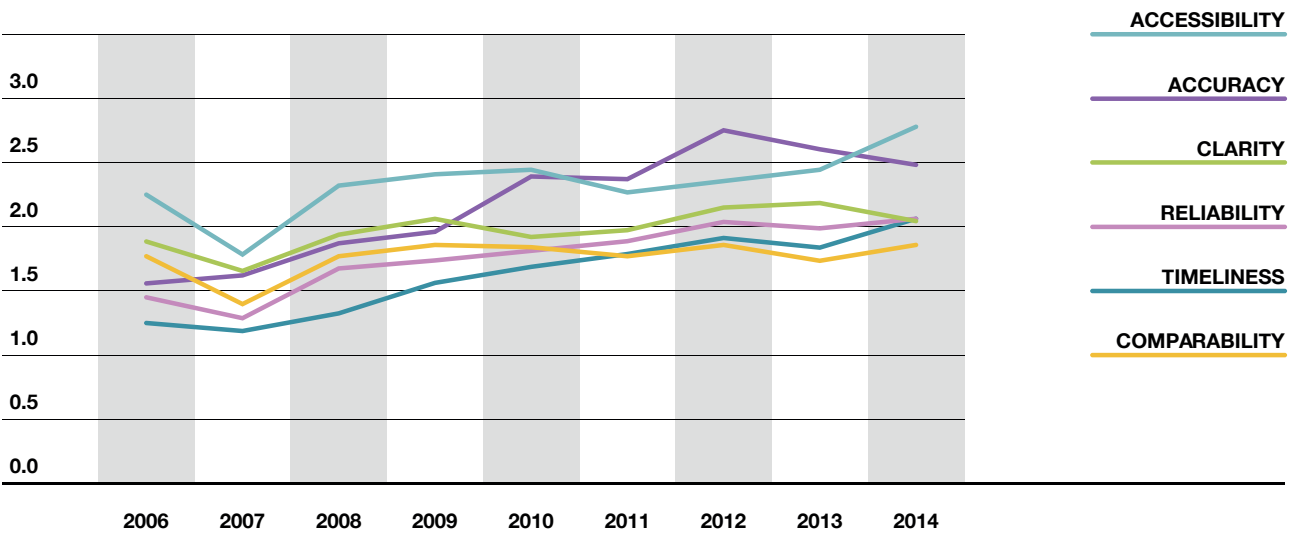
It is particularly delightful to see that timeliness has improved significantly. This indicates that for the majority of companies, the publication of an annual sustainability report – either as an integrated part of their annual report, or then more or less simultaneously with the annual report – has become a standard feature. The information published has also gained in clarity. Companies clearly master the art of storytelling when it comes to sustainability. Only in very rare cases would we be overwhelmed by technical jargon and acronyms.

Not surprisingly, the comparability of information over time improved as companies developed their own history of sustainability reporting. Many compa-

nies would outline how the data published had been measured and thus underline the accuracy of their publications. Also reliability has improved over time. Yet, even though companies are keen to describe their reporting process and internal verification measures, many claim that external assurance is too costly or that it would mean a doubling of efforts that were already part of other certifications (e.g. ISO certifications).

Finally, the accessibility of information varies significantly across companies. In some cases, the sheer amount of relevant information involves a significant degree of redundancy, is hard to retrieve and difficult to handle in an efficient manner. In other cases, the sustainability sections of corporate websites are maintained poorly, and certain policy documents are in urgent need of revision. Overall, however, we were able to find what we needed within a reasonable amount of time.

Average quality of analyzed sustainability reports by year in points
(max. 3 points)



Learnings and outlook

As stated above, companies claim to have learned a lot from our assessments and dialogues. We are happy to say that the learning was mutual. The continuous exchange with high-profile representatives of leading companies from different industries across the globe provided us with invaluable insights on different levels: First of all, it was an effective means for keeping up to date with overall trends in corporate sustainability. Secondly, we were able to recognize and understand distinctive patterns of different industries and geographical or cultural areas. Thirdly, the dialogues allowed us to get an in-depth understanding of the rationale behind a company's sustainability reporting. And last but not least, it allowed us to reflect on the strengths and weaknesses of our own approach.

Here is what we have learned about our assessment:

→ Continuity is key

A 'boutique service' of the kind we offered, i.e. a carefully prepared personal engagement dialogue, works best if there is continuity among representatives. The opportunity to resume the personal exchange from previous years proved to be key to getting a contextualized understanding of developments over time. At the same time, this endeavor was sometimes undermined by the inevitable staff turnover on both sides.

→ Cultural differences matter

As the portfolio of companies increasingly also included players from emerging markets, cultural differences became manifest. In particular in Asia, comprising Chi-

na, India, Russia, South Korea and Hong Kong, it turned out to be extremely important to have an established personal relation to an official representative of a company before starting any interaction. When we did not have such a relation, companies would often refuse to have a virtual briefing or did not react to our invitation at all. At the same time, in those cases where a personal meeting could be arranged, we succeeded in building the level of trust required to share and discuss the findings of the GuiléReportingAssessment.

→ Resources are required

With the broadening of the corporate sustainability movement in general and with the proliferation of sustainability ratings in particular, companies find themselves flooded with requests for specific information on their sustainability programs. This means that Fondation Guilé was just one among many players who would contact the head of sustainability and ask for a meeting. As a consequence, the organization of the dialogues became increasingly difficult. As stated above, in some cases companies would simply not react to our calls. In other cases, it was almost impossible to find a date that suited everyone involved. Moreover, the amount of information published by companies has increased massively over time. Even though most companies try to keep their sustainability reports as lean as possible, new regulatory requirements (most recently the UK Modern Slavery Act) often mean that there are more and more documents for us to assess. All of this means that our approach has become more and more resource-intensive and in the

end it has achieved a level, which is hard to sustain.

→ New reporting frameworks emerge

While the UN Global Compact was a pioneering exercise in its early years, its practical relevance as guidance for corporate sustainability reporting has decreased over time. New frameworks are calling the tune: the Global Reporting Initiative has been increasingly popular for many years now, the UN Guiding Principles for Business and Human Rights aim to establish a new reporting standard, and more recently the Sustainable Development Goals of the UN have emerged as yet another important source of orientation for sustainability reporting. We still remain convinced of the significance of the UN Global Compact as a very straightforward framework, which succeeds in addressing the fundamental principles that any responsible company needs to keep in mind. However, it is fair to say, that a reporting assessment that is predominantly based on the Global Compact, has run its course.

→ What happens next?

During the past ten years, corporate sustainability reporting has matured considerably as we could witness from close-by. There is still ample room and need for improvement, but the increasing integration of sustainability information into annual reports, its formalization on the basis of well-established reporting frameworks, as well as the active demand for it on behalf of investors, mean that it is here to stay.



Dr. Dorothea Baur, founder and owner of Baur Consulting AG, is an expert with many years of international and interdisciplinary experience in CSR and sustainability management.

Dorothea Baur studied business administration and international relations in Zurich (CH), Leuven (BE) and St. Gallen (CH) before earning her PhD on NGO-business partnerships at the University of St. Gallen. After that she was active in teaching and research at other leading European business schools (e.g. ESADE Barcelona and Nottingham University Business School).

On behalf of companies and foundations Dorothea Baur has been involved in various projects on CSR reporting, Socially Responsible Investment, Social Enterprises and Sustainable Development.

In 2015 she published «The Corporate Social Responsibility Story of Chiquita», a comprehensive practitioner-oriented assessment of the social and environmental challenges of one of the world's biggest banana traders.

As a member of the Guilé Engagement Team she conducts engagement dialogs with publicly owned companies about the quality of their CSR or sustainability reporting.

Dr. Dorothea Baur continues to lecture at different universities and is a member of the board of Ethos Académie.

About Fondation Guilé

Fondation Guilé was created by Charles and Bernadette Burrus, a Swiss family of industrial entrepreneurs (6th generation) who have played a pioneering role in Corporate Social Responsibility in Switzerland.

As a not-for-profit Swiss foundation recognised as a public-interest organisation, Fondation Guilé is guided by respect for human dignity and to promote sustainable development, in particular within companies.

Fondation Guilé
Lausanne office
Rue de Bourg 30
CH - 1003 Lausanne

+41 (0)21 351 23 23
contact@guile.org
www.guile.org