

2019 Research Report

An analysis of the sustainability reports
of 1000 companies pursuant to the
EU Non-Financial Reporting Directive



Project coordinated by



Disclaimer

A majority of sustainability-related disclosures require predominantly a qualitative assessment which is inherently subjective. Furthermore, despite the project's rigorous review mechanism, the complexity of the research implies inevitable errors and oversights. The scale of the research ensures that such errors do not significantly affect the aggregated data, but we do not recommend the use of assessment of individual companies to inform the decision-making of any stakeholders other than the companies themselves. The research has not been designed for this purpose.

Frank Bold and Sustentia take responsibility for any error or inaccuracy in the research and presentation of results. The organisations forming part of the Alliance for Corporate Transparency have engaged in the project on a pro-bono basis contributing to the design of the research methodology and overall strategy.

The assessment criteria employed in this research do not intend to represent a definitive or final model of best practices or legislation. They were designed to provide a general overview of how companies in specific sectors reported on some of the most important environmental and social issues.

The Alliance for Corporate Transparency Research Report 2019: An analysis of the sustainability reports of 1000 companies pursuant to the EU Non-Financial Reporting Directive

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Foreword

Results of the Alliance for Corporate Transparency analysis of implementation of the EU Non-Financial Reporting Directive

By Richard Howitt

MEP with responsibility for parliamentary negotiation of the Non-Financial Reporting Directive in 2014.

Chief Executive Officer, International Integrated Reporting Council (2016-2019)



The European Union's Non-Financial Reporting Directive (NFR Directive) was described at the time it was passed, as the world's foremost legislation on corporate transparency.

For the second year since its implementation, the Alliance for Corporate Transparency has undertaken the most comprehensive analysis of how companies are actually reporting, with this year's research covering 1,000 European companies. Its publication is also very timely, as it comes at the start of the process whereby the European Commission will substantially update the Directive and initiate the development of the European Non-Financial Reporting Standard.

COMPANIES ARE REPORTING POLICY NOT OUTCOMES

The starting point for all those who warned about the practicality of the Directive's requirements, is that the reporting is indeed happening. Non-Financial Reporting is taking place in 19 of every 20 companies assessed.

However, results show that the Directive's firm intent to link 'policies, risks and results' together in the reporting, is falling far short. Of course, it is gratifying that over 80 per cent of company non-financial reports describe policies in the areas identified. But this was never meant to be a Directive for 'policy works' - and the absence of 'impact' in the reporting demands urgent attention both in companies in the next reporting cycle and in the revision itself.

On climate change, 82 percent of companies have policies, but only 35 percent have targets and even fewer - 28 percent - report on their outcome.

To take a sectoral example, despite the controversies about data privacy and cyber security, 84 percent of ICT companies report data protection policies, but only 8 per cent describe outcomes in terms of meeting policy targets. Even where there are targets, this does not mean they are meaningful.

The major extractives company who sets its objective as "The wellbeing of our people, the community and the environment is considered in everything that we do," exposes 'warm words' rather than concrete targets, which are espoused in too much of today's reporting.

Further evidence that it is right for the European Commission to begin the process of revising the legislation now, comes in the comparison between our 2018 and 2019 results. The problem of a failure to address concrete issues, targets and principal risks, remains largely unchanged between both of our research cycles.

Moreover, of 105 companies in the Energy, ICT and Health Care sectors analysed in both years, there was actually a reduction in the number of companies reporting specific issues and targets on climate change, a similar decrease in the number of business partners covered by human rights risk statements and a marked increase in companies who chose to give no information at all about the general structure and risks of their supply chain", (from 51 to 70 companies).

The option simply to give more time for companies to comply, may actually produce the opposite outcome.

I congratulate the Alliance for the thorough and detailed analysis in the pages which follow, but let me pick out some key findings - for simplicity - through the focus of 'ESG': Environment, Social and Governance.

ENVIRONMENT

Perhaps the biggest test of whether the Directive is able to embrace current challenges, is surely in relation to the step-change within the financial community, in seeing climate change as a financial stability issue, and one which is being driven by Central Banks.

The leadership already given by the ambitions of Europe's Green Deal, the European Commission's sustainable finance action plan, the EU taxonomy for sustainable activities and in the already updated NFR Directive voluntary guidelines to reflect the recommendations of the Task Force for Climate-related Financial Disclosure (TCFD), must now be reflected in revisions to the Directive itself.

Here, our results show the marked gap between what companies say about climate change and support for the TCFD, and their actual reporting practice.

In addition to most companies' failure to report on targets on climate change, even in the energy sector where climate-related reporting is understandably farthest advanced, the vast majority of companies fail to have specific risk mitigation strategies. Overall, less than 32 percent of all companies report on such a strategy, while only 23% address specific climate risks.

Risks and metrics are both intrinsic to the TCFD recommendations.

SOCIETY

On social issues, companies are seen in the research as too often conflating social goals with treatment of employees, with 99 percent of companies covering this in their reporting.

In the human rights field, highest attention by companies assessed is given to combating child and forced labour, mirroring the fact that labour issues are typically already addressed in company practice. However, fewer than 4 percent describe a specific policy to address impact on indigenous and local communities, and less than 6 percent report action to support local farmers and suppliers.

Five companies in the one thousand, provide reporting on actions to support human rights defenders. No financial company provides a list of communities potentially affected by the company's lending. This is not to say that every company is facing risks in these areas, but many undeniably do.

Overall, 57 percent of companies do report on human rights risks, but measurement of actions to manage those risks are only provided by less than 4 percent - another example of the failure to report outcomes.

It is heartening to see that nearly one-in-four companies have introduced human rights due diligence processes, specified in the Directive and deriving from the UN Guiding Principles on Business and Human Rights.

However, clear findings of lack of specificity in the reporting of these processes, justify the impetus towards mandatory due diligence. We have already seen this taking place in France and the Netherlands, and it seems likely to be part of the future agenda for the European Union itself, following the excellent initiative of Finland's EU Presidency last year. The urgency to do so, is further evidenced in the finding that only 7 percent of companies express a commitment to remedy affected workers or communities, despite the Pillar III obligations of the UN Guiding Principles to do so.

GOVERNANCE

The "G" of "ESG" is so often the one missed off the list.

Our research suggests that just 14 percent of companies report their Boards discussing specific issues in their non-financial report, and only 15 per cent report a link between sustainability objectives and executive remuneration. Indeed, in all the debates, a continuous refrain from all sides is that NFR Directive must not become 'reporting for reporting's sake', but that the results of the reporting must genuinely impact the company's business model, strategy and performance.

This year's research shows French leadership with 84 percent of companies covering the core of non-financial information within the company's mainstream Annual Report, but only a minority of companies doing so across Germany, Austria, the Mediterranean countries and Eastern Europe.

ALIGNMENT WITH INTERNATIONAL CONVENTIONS

Our research finds that too many companies espouse the Paris Accord or the Sustainable Development Goals, but still fail to set specific targets in line with them, and measure their progress accordingly.

Of those who set climate targets, only 14 percent align to Paris goals, for example.

Most of all, given the high level of business debate around the Sustainable Development Goals, it is remarkable that with exception of Austria, Belgium, Denmark, Spain, and Sweden, only a minority of companies made any reference to the SDGs in their reports across the rest of the European Union. Former member the United Kingdom came second lowest among the 'old' Member States, at only 34 percent of their companies doing so.

SUPPLY CHAIN

Of course, the Directive always asked companies not simply to focus on their direct operations, but on their supply and subcontracting chains too.

Yet over three-in-four of companies do not provide information about supply chain transparency in their reports, with less than 1 per cent publicly listing their suppliers, even in high-risk sectors. The notable exception is the apparel sector in which 36 per cent of assessed companies provide at least a general description of the location of their supply chains, and an additional almost 14 per cent disclose the list of the actual suppliers.

However, the failure to adequately address the supply chain is seen even in an area where arguably the reporting is at its best, the now relatively advanced reporting of Greenhouse Gas Emissions (GHG).

Here, more than two-thirds of companies provide specific key performance indicators for direct emissions (scope 1). However, this drops to little more than half when emissions from energy use are taken into account (scope 2), and just over one-third when applied to the company's value chain (scope 3).

CLARITY

Our research shows the frustrations of complexity, for example 22 percent of companies provide Key Performance Indicators in summarised statements, but 68 per cent provide them scattered across the narrative, and over 10 per cent don't provide any at all.

Financial reports would never be presented in this way.

Our analysis also shows that as many companies are using national as well as international frameworks to report their findings, which demonstrates that we are a long way from achieving clarity on this too.

PUBLIC BENCHMARKING

Although this project does not seek to 'rank' companies, the Alliance is publishing individual company findings on our public database, to coincide with the formal launch of this analysis. These individualised findings have been shared with all companies that provided contact details in their report, with a hope to provide them with useful feedback.

This is the Alliance's own contribution to advancing public accountability of companies in their reporting, complementary to benchmarking exercises, including those of the World Benchmarking Alliance on the SDGs.

The fact that companies will be subject to widespread scrutiny of their non-financial performance moving in to the future, is another irrefutable trend.

IMPLICATIONS FOR REVISION OF THE DIRECTIVE

I know that as Rapporteur at the time, our first attempt at this legislation was deliberately 'light touch', principles-based and enabling of a wide range of different frameworks to be able to comply.

This was reasonable at a time when a majority of Europe's large businesses, were being asked to undertake non-financial reporting for the first time. But six years later, now we have firm evidence of companies doing so, it is right to strengthen the legislation - not to go fully to the other extreme either - but to ensure the original intentions of the legislation are better realised, at a time this are needed more than ever.

These research findings suggest some clear ways forward. One simple finding would be to require companies to define targets and to report annually on progress against them.

Interestingly, our analysis shows a correlation between companies where targets are set and where audits take place, which suggests the introduction of both can be mutually reinforcing. Where targets are set, these must also be more specifically aligned to international conventions.

Most of all, as a former member of the European Commission's SDG Platform, leading to the landmark Sustainable Europe 2030 paper, the research findings which demonstrate a dramatic shortfall in European companies addressing the SDGs, must be a key theme in revision of the Directive.

Within the scope: On climate change, there must be a commitment to science-based targets aligned to Paris goals. On social issues, there is a clear need to strengthen reporting on impact on people and outcomes of companies' actions, to complement moves towards mandatory due diligence on human rights. On governance, it may now be time to require the integration of financial and non-financial information in the company's mainstream report, as strongly recommended by the TCFD and many investors.

Of course, it is crucial that we avoid returning to the old, divisive 'regulation versus voluntarism' positions, between companies and other stakeholders. We hope that the findings of this research building on last year's results, can help provide a platform for an evidence-based discussion between different stakeholders, which can both foster consensus in revision of the Directive, and secure a significant step forward in its application.

One area where it should be easiest to build consensus for change, is in providing information which is both concise and accessible - where there is a massive common interest between report preparers and users. The need to move towards a concise summary statement, genuinely incorporating the key results, is a clear finding from our analysis. As a majority of the companies already undertake sustainability reports, it also illustrates that revision of the Directive does not have to represent greater cost or burden to business, but an opportunity for companies to optimise and streamline their reporting processes.

THE STANDARDISATION DEBATE

Perhaps the greatest clamour for streamlining coming from companies and investors, is in the demand for better ESG standardisation.

As Europe potentially seeks to take a lead in these debates, following Commission Vice-President Dombrovskis' recent announcement, the biggest danger to avoid must be to standardise only what is easiest to report, rather than what is genuinely most material to the company and its sector.

There must be an open debate between which key indicators should be enshrined in the legislation and which should be left to a future standard-setter, where my own emphasis would be on the latter. Nevertheless, what is beyond dispute, is that far greater specificity is required, if the reporting is to achieve genuinely standardised and comparable information.

CONCLUSION

Our analysis also opens up a fresh area of debate on future revision of the Directive - the question of 'sustainability context'.

The aim of the Directive was never simply to measure or even to compare companies on arbitrary performance metrics, but to incentivise corporate behaviours which would help make a measurable, aggregated impact on fundamental European - and society's - environmental and social goals.

This is surely also a logical extension of the European Commission's 'double materiality' concept, as civil society, business leaders and financial market institutions recognise that planetary and other resource constraints, dependencies and the need to ensure respect for human rights are the true context in which to measure business behaviour.

Indeed the issue as we go forward is not really whether companies are moving fast enough to respond to the requirements of this or any other piece of legislation.

The true challenge is whether fundamental environmental and societal change in our world is so rapid, that the legislation itself is failing to enable business, markets and society to adapt, respond and to meet those changes. The fact that the UN International Panel on Climate Change predicts that we have only a decade left to avert a disastrous climate change speaks for itself.

I hope you will find the research findings illuminating and thank all colleagues in the Alliance for your tireless work to produce these results.

Brussels 17 February 2020



Executive Summary



This report presents research findings of the Alliance for Corporate Transparency project.

The Alliance for Corporate Transparency project was initiated by Frank Bold and brings together leading civil society organisations and experts with the aim of analysing the corporate disclosure on sustainability issues by the 1000 largest companies operating in the EU and providing evidence-based recommendations for legislative changes.

The project is framed within the EU Non-Financial Reporting Directive, which came into effect in 2018 and requires large companies and financial corporations to disclose information necessary for understanding their impacts on society and environment, as well as sustainability-related financial risks. The Directive requires companies to provide information on their business model, policies and due diligence processes, principal risks, and key performance indicators relating, at a minimum, to environmental matters, employee and social matters, respect for human rights, and anti-corruption and bribery matters.

The project applied leading reporting frameworks and standards to this structure, and designed a research methodology allowing to assess quality of corporate disclosures against the principle requirements of the Directive (for further details about the methodology, please refer to [page 25](#)).

Following an initial research wave in 2018 focused on the disclosure of 105 companies from three sectors (ICT, Healthcare and Energy), in 2019 Frank Bold together with the project's technical partner Sustentia updated the research methodology - based on the 2018 experience and through the integration of new standards such as the European Commission Guidelines for Reporting of Climate-Related Information - and assessed the reports of 1000 companies from main industrial sectors and EU countries.

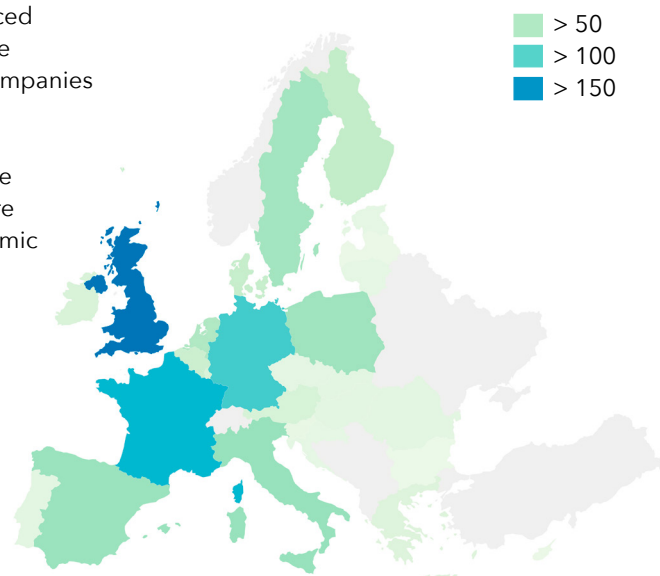
The main conclusion of this research is that while there is a minority of companies providing comprehensive and reliable sustainability-related information, at large quality and comparability of companies' sustainability reporting is not sufficient to understand their impacts, risks, or even their plans.

All research data is available to the public in an open database at: www.allianceforcorporatetransparency.org/database

COMPANIES INCLUDED IN THE RESEARCH

The project has sought to achieve a balanced representation of all sectors included in the assessment and within these sectors, of companies from all European regions and of all sizes.

The regions referred to in this report for the purpose of cross-regional comparison were defined on the basis of cultural and economic proximity, and include the following:



Sectors	Regions	Benelux	Eastern Europe	France	Germany & Austria	Southern Europe	Nordic	UK & Ireland	Total
	Apparel & Textiles		7	14	13	15	22	18	21
Consumer goods		7	6	6	10	8	12	17	66
Energy & Resource Extraction		7	30	11	16	27	6	36	133
Financials		17	25	15	15	23	16	16	127
Food & Beverages		14	16	17	6	11	14	19	97
Health Care		7	9	10	11	11	10	15	73
Hospitality & Recreation		4	6	6	3	8	5	9	41
Infrastructure		8	15	11	9	10	11	11	75
Resource Transformation		10	10	10	18	15	19	15	97
Technology & Communications		10	9	13	10	15	9	9	75
Transportation		11	15	15	16	15	14	20	106
Total		102	155	127	129	165	134	188	1000

SUMMARY OF KEY FINDINGS

Accessibility and presentation of information

The form and structure of the presentation of key information is uneven among companies. By default, non-financial information should be provided in a company's mainstream annual report, but the NFR Directive allows Member States to soften this requirement. This results in a split practice with nearly 60% of companies integrating key non-financial information in their annual reports and 40% prioritizing a separate report.

Similarly, the NFR Directive specifies that companies should provide key performance indicators, but it does not clarify in what form. In practice, only 21.9% of companies provide their KPIs in summarised statements. The absence among four fifths of all companies of such a summary significantly undermines the practical usability of their reports.

The NFR Directive also requires that companies specify which international or national frameworks they have relied upon. The most frequently cited reporting frameworks included GRI, UNGC, SDGs, OECD Guidelines and sectoral due diligence guidances, CDP, and ILO Standards. No other individual frameworks were referred to by more than 10% of companies, with only UN Guiding Principles on Business and Human Rights Reporting Framework coming close to this threshold.

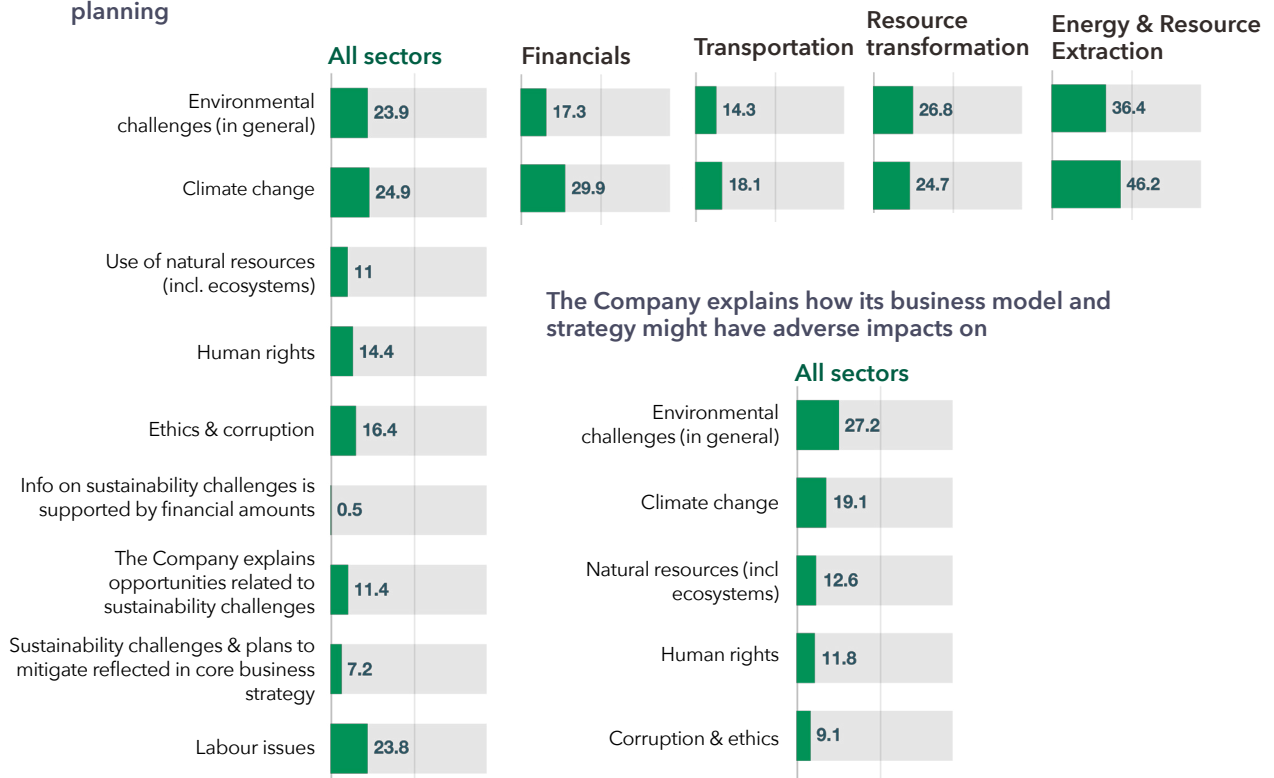
Business model and governance-related disclosures

The NFR Directive requires companies to briefly describe their business model to assist in the understanding of a company's development, performance, position and impact of activities with respect to sustainability matters. In this regard, the research examined the scope of a company's presentation of sustainability-related strategic risks to its business model and of the impacts of the business model on key sustainability matters.

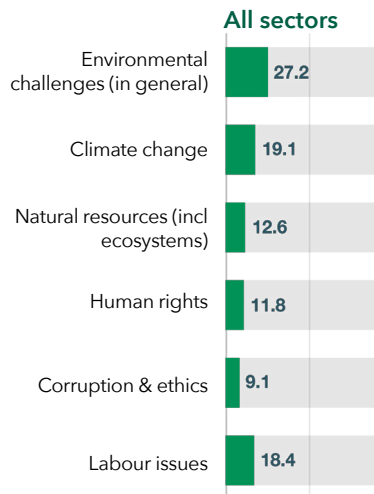
The materiality of a sustainability issue for any company depends on the company's sector and operational context. Therefore, the purpose of a cross-sectoral overview is merely to map which issues companies consider from such a strategic perspective. An interesting figure is the number of companies providing information on at least one strategic sustainability-related risk, which is 45.9%. This can be contrasted with the number of companies which include information on how these risks are reflected in their core business strategies, 7.2%.

Sector-specific overviews, instead, offer insights into the level of strategic awareness among companies of sustainability risks and impacts which are clearly associated with their sector. The diagram below presents findings for sectors that are highly exposed to climate-related risks (Energy & Resource Extraction, Finance, Resource Transformation, Transportation), and thus for which it would be reasonable to expect results to be close to 100%.

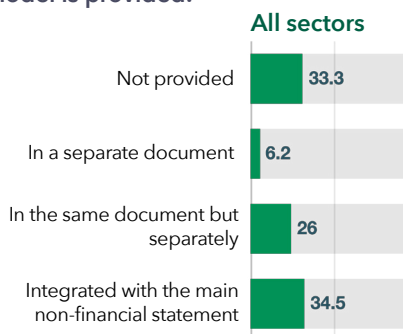
The Company describes specific risks that may affect its business model, strategy and financial planning



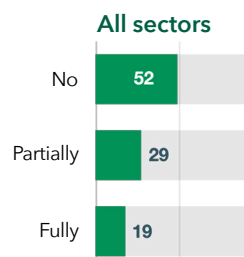
The Company explains how its business model and strategy might have adverse impacts on



The information on business model is provided:



Key issues in the description of policies and risks in the main non-financial statement correspond with the overview of sustainability issues in the business model description



In addition, our research analysed the extent to which companies report strategic information on the integration of sustainability in their governance. The NFR Directive does not explicitly require such disclosures to be made, but they are recommended in a majority of reporting frameworks.

The results of this inquiry can be grouped in two categories. The first category includes formal criteria. Declaration of social purpose, the Board's mandate and supportive procedural governance arrangements are described by 40-50% of companies, and by nearly 30% of companies as regards the engagement of workforce representatives. The second category includes matters that have more immediate impact on the Board's accountability for sustainability performance, including compensation, independent assessment, and transparency concerning decisions, reported by about 14% of companies.

The latter result roughly corresponds to the number of companies disclosing specific and comprehensive thematic information.

DISCLOSURES OF POLICIES, RISKS AND OUTCOMES

In addition to a brief business model description, the NFR Directive requires disclosure of information related to, at a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, including:

- a description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented;
- the outcome of those policies;
- the principal risks related to those matters [...] and how the undertaking manages those risks ;
- non-financial key performance indicators relevant to the particular business

For the four broad sustainability areas outlined in the Directive, our research methodology identified concrete sustainability issues reflected in leading international standards. The research methodology applied a materiality matrix to connect these issues to specific industrial sectors. Certain issues, such as climate change, employee matters, or human rights general criteria are relevant to all companies. However, many of the other issues are not equally relevant to all companies even within a single sector, either because the materiality of the issue depends on individual circumstances (for example, not all companies are linked to high risk areas for civil and political rights) or because of the diversity of sub-sectors included in the main sector.

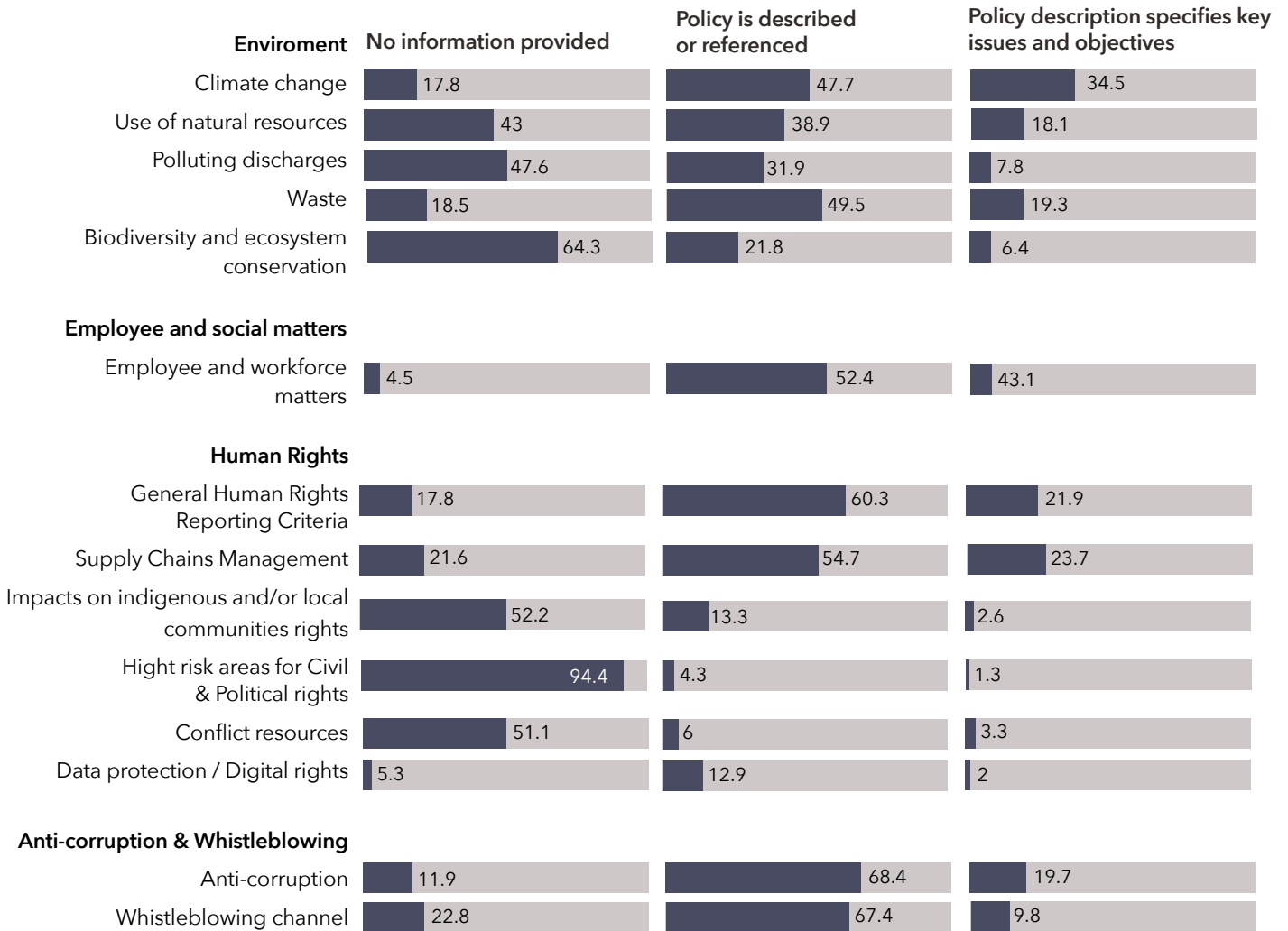
For each separate issue, the research assessed whether and in what detail companies from concerned sectors reported on policies, their outcomes and risks. The results of this analysis are visualised below.

The research further examined company reports against non-financial key performance indicators commonly associated with given issues, as well as on additional qualitative criteria derived from leading standards. Thematic results (that is, categorised per broad sustainability area outlined in the Directive) are presented in the commentary below. Full results are presented in the main body of this report and in the online presentation.

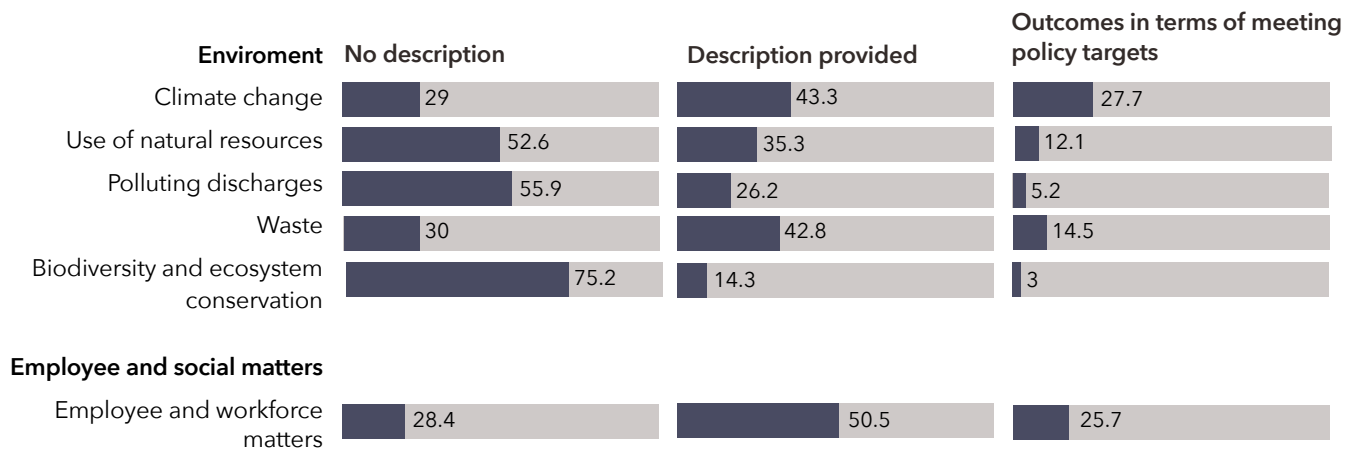
The results point at heterogeneous reporting practices with respect to different sustainability issues. Nevertheless, it is possible to make one overarching observation.

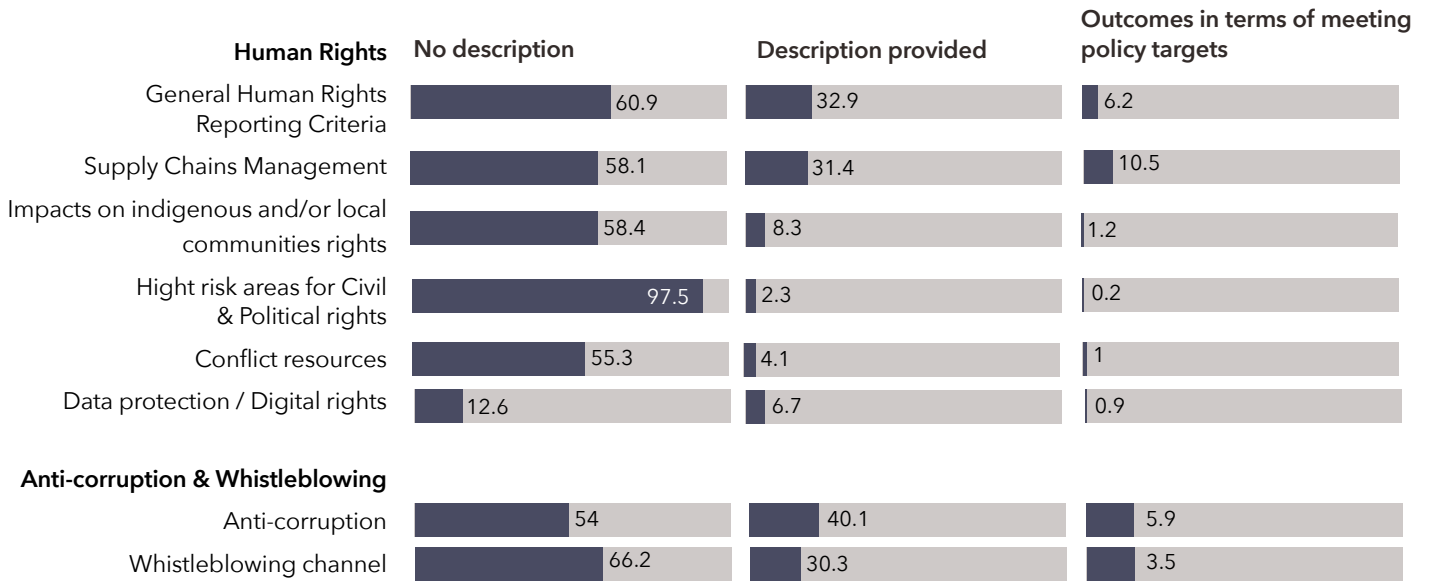
Data on universally or nearly universally applicable topics, namely Climate Change, Employee and Social matters, Human Rights, and Anti-corruption, show that only a minority of companies provide information specific enough to understand company policies. This minority is stronger with regard to Climate Change and Employee matter disclosures (34.5% and 43.1%) than in Human Rights (21.9%)

POLICIES AND PROCEDURES

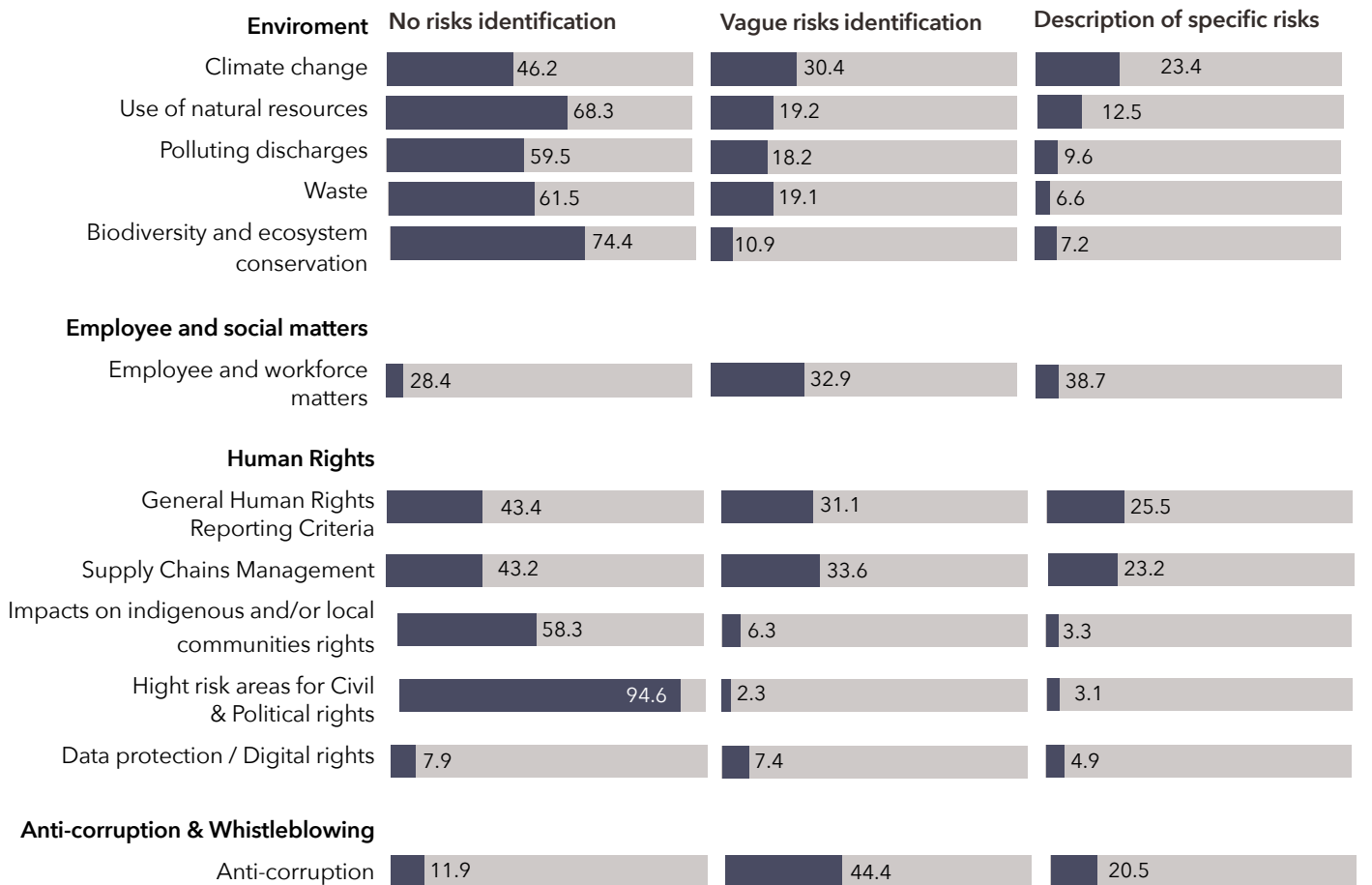


OUTCOMES





RISKS MANAGEMENT



and Anti-corruption (19.7%). These numbers drop, especially for Climate Change, in the analysis of quality of disclosure of risks as well as policy outcomes in terms of targets set by the company.

This suggests firstly that while many companies, albeit still a minority, disclose fairly detailed policies, significantly fewer businesses provide information which is necessary to understand their situation and future development. As shown by the analysis of detailed qualitative criteria provided in the main body of the report, the actual number of meaningful disclosures is even lower.

Secondly, it is worth noting that for each category the number of companies reporting on individual sustainability issues is significantly higher than that of companies providing specific information on risks and implementations of their policies. This implies that the topic is either not material, and thus should ideally not be included in the disclosure of such companies, or that it is indeed material, but companies fail to provide material information.

Thirdly, the results imply poor connectivity between the disclosures of individual categories of information. The detailed analysis provided in the main body of this report confirms such a problem, and further points at weaknesses in how companies report on the integration of non-financial information with their overall strategies.

QUALITATIVE CRITERIA AND KEY PERFORMANCE INDICATORS

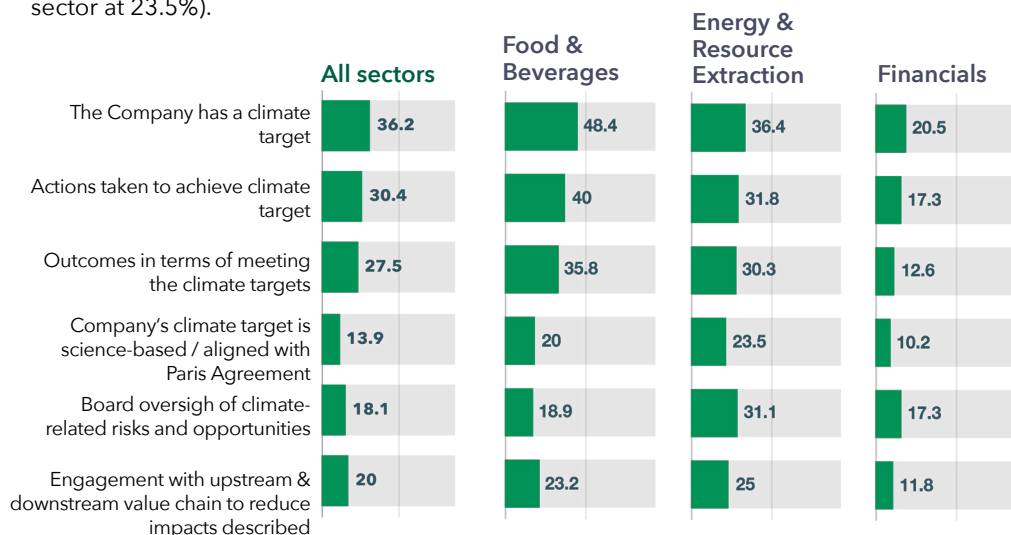
For each issue and category of information, the research methodology provided additional qualitative assessment criteria and key performance indicators commonly associated with such issues and derived from the leading reporting standards. Below, we provide a commentary on some of the key findings for the most important thematic areas.

CLIMATE CHANGE

Targets

In addition to the examination of the specificity of company climate change policies, we assessed whether company reports describe concrete targets related to climate change mitigation. We took into account only targets linked to the primary impacts companies can effectively mitigate.

Interestingly, only 36.4% of companies in Energy & Resource Extraction report on climate-related targets. Companies from the Financial sector are those with the least amount of disclosed climate-related targets (20.5%), which is worrying, given the sector's important role in contributing to the low-carbon transition. With regards to information on science-based targets, numbers recorded are even lower. From a cross-sectoral perspective, only 13.9% of companies disclose relevant data. Even in high scoring sectors, less than 30% of companies report relevant data (Energy & Resource Extraction sector at 23.5%).

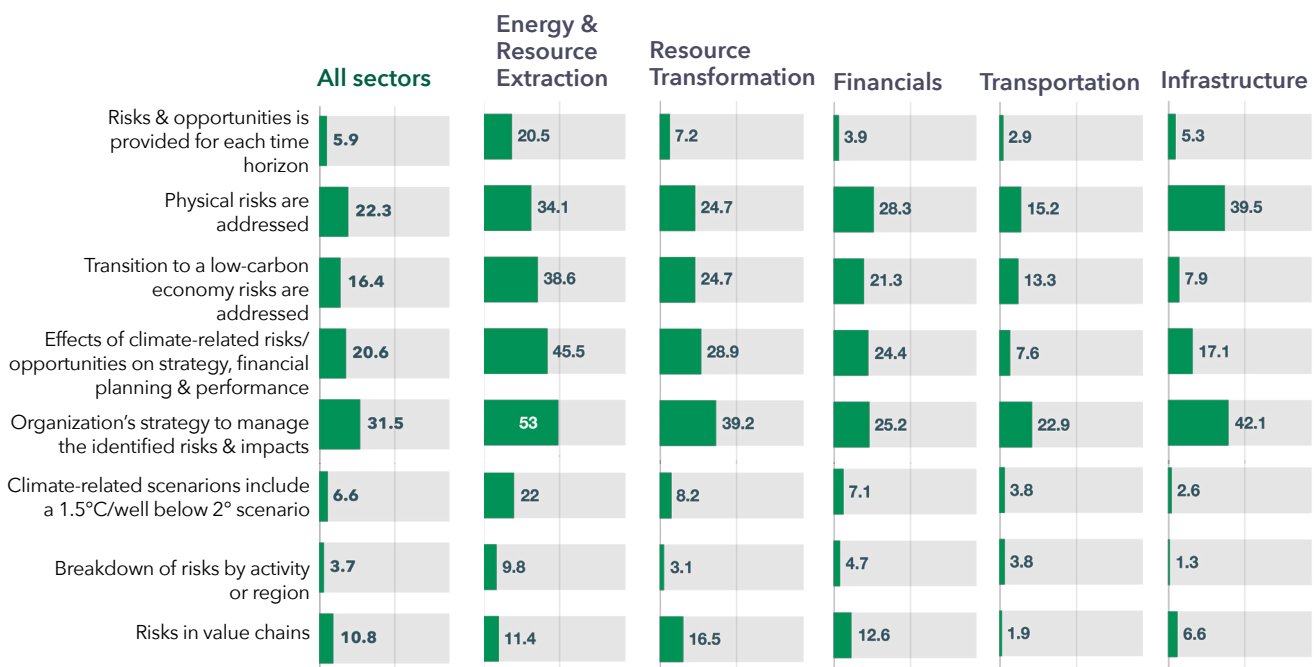


Risks

We examined the extent to which companies from the most exposed sectors report information corresponding to specific TCFD criteria. These sectors are Energy & Resource Extraction, Financials, Infrastructure, Resource Transformation and Transportation.

Our results reflect a general lack of maturity especially for disclosure on climate-related scenarios used to inform company strategies (6.6%). In this respect, sector differences are striking. While 22% of companies in the Energy sector report on climate-related scenarios aligned with 1.5°C or well below 2°C, just over 2% in the Infrastructure provide sufficient information (2.6%).

With regards to the Finance sector, in addition to data in the overview below, very few organisations are specific about the exposure of their lending, investment and underwriting activities to sectors contributing to climate change (13.4%) or provide an estimation of the exposure of assets (financial, non-financial, under management) or the value of collaterals to climate-related risks (3.1%).



Key Performance Indicators

With regards to specific metrics, a relatively good image is obtained when taking into account the disclosure of highly polluting sectors. When looking at companies in the Energy & Resource Extraction, Infrastructure, Resource Transformation and Transportation sectors, Scope 1 and Scope 2 GHG emissions are disclosed by 76.6% (87.1% in the Energy & Resource Extraction) and 60.7% respectively.

Lower values are observed in the case of Scope 3 emissions, where an average of 35% of all companies disclose such type of data. Even in high-impact sectors such as Apparel & Textiles and Food & Beverages a majority of companies do not provide information on Scope 3 emissions (62.7% and 71.6% respectively). Of those that do, only a small fraction report on emission targets.

GHG intensity indicators were reported by 29.8%, 13.4% and 5% for Scope 1, 2 and 3 respectively.

OTHER ENVIRONMENTAL ISSUES

The results for the assessment of disclosures on the Use of Natural Resources, Polluting Discharges, Waste, and Biodiversity show similar patterns. Full details are provided in the main body of the report. For the purpose of this summary, we will only highlight key differences and specific results.

The significant difference between the percentage of companies addressing individual environmental topics is worth noting. At one extreme, only 33.6% companies cover biodiversity and ecosystem conservation in their reports, while at the other 78.1% of companies refer to waste in their reports.

These differences disappear in the examination of disclosure of risks. Specific risks are identified by 12.5% of companies for the Use of Natural Resources, 9.6% for Polluting Discharges, 7.2% for Biodiversity and Ecosystem Conservation, and only 6.6% for Waste.

This appears to confirm that policy disclosures tend to be often unrelated to the consideration of the materiality of the topic, at least from the reporting company's perspective.

In all areas, there is a significant gap between reporting on policies and disclosing outcomes. For example, for Use of Natural Resources, high-risk industries such as the Apparel & Textiles and the Food & Beverages report having a policy in place in 71.8% and 64.2% respectively, but only around 20% of companies in both sectors report on outcomes in relation to meeting policy targets.

The data on disclosure of performance indicators show similarly uneven practice.

For example, the number of companies that provide quantitative information on polluting discharges roughly corresponds to the number of them disclosing a policy, but the discharges due to transportation are reported on far less often than other types of discharges.

Very few companies report on their use of land, including in the Food & Beverages sector, where only around 20% of companies disclose this data.

A better image was provided by the assessment of data on the use of water. Almost 50% disclose aggregated KPIs in this regard. The biggest problem is that very few companies disclose KPIs in the context of risks to local water stress (10.2%) or report on water consumption in water scarce and borderline areas (4.8%). In the absence of this information, the data on use of water is of dubious value.

RESPECT FOR HUMAN RIGHTS

Corporate disclosure on human rights is often narrative and case-specific. Methodologies that allow to report on human rights in quantitative terms are not common, which in broad terms can be explained by the nature of the matter, namely, that quantifying human rights issues and impacts is at best challenging.

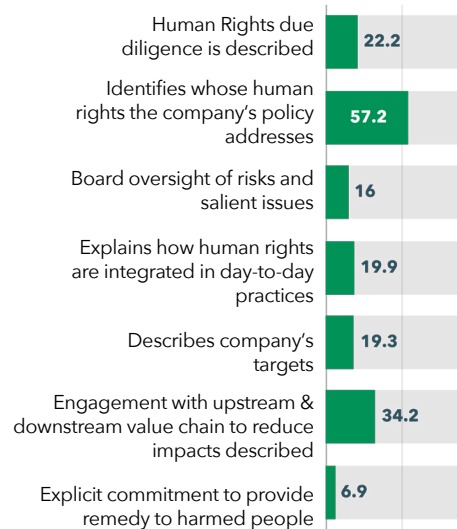
The methodology we adopted to assess human rights related disclosures focused on general criteria derived from the UN Guiding Principles on Business and Human Rights Reporting Framework, concerning the identification of salient human rights issues by companies and their management.

In addition, the research provides additional insights into specific human rights issues including High Risk Areas for Civil and Political Rights, Impact on Indigenous Peoples' rights and on Communities, Conflict Resources, and Data Protection and Digital Rights. These results are provided in the main research report.

Policies and processes

The high percentage of companies reporting on human rights policies (over 80%) is in contrast with a much lower share describing policy outcomes (less than 40%, and only 6.2% with respect to policy targets).

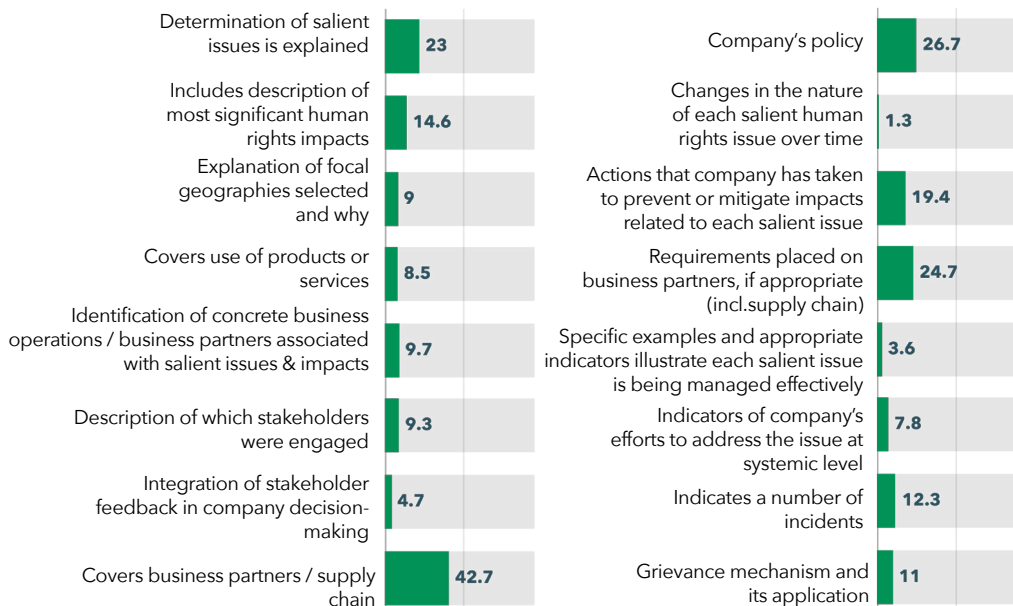
An important finding concerns disclosure on Human Rights Due Diligence; 22.2% of companies report on due diligence processes and only 6.9% refer to their commitment to provide remedy for harmed people, both representing key elements of corporate responsibility to respect human rights as outlined in the UN Guiding Principles on Business and Human Rights.



Risks

The most important element of human rights disclosure is reporting on risks, or - in business and human rights terminology - salient human rights issues.

A key finding of our research is the gap identified between company disclosure of human rights risks (56.6% report on risks, with 25.5% of statements on risks being specific) and reporting on what companies do about such risks. Only 26.7% of companies disclose information on policies designed to address salient risks. Numbers decrease further when considering how companies disclose actions taken to address salient risks (19.4%), and reach very low levels when it comes to corporate disclosure of examples or indicators that illustrate management of issues (3.6%). On top of that, very few companies report on actual adverse human rights impacts (14.6%), and virtually none describe changes in the nature of human rights issues over time (1.3%).



HUMAN RIGHTS IN SUPPLY CHAINS

Compared to general results, companies from sectors facing heightened risks in their supply chains tend to provide more specific information. 38.2% of Apparel & Textiles and 30.5% of Food & Beverages companies disclosed specific risk descriptions. However, other Consumption goods companies were specific about risk descriptions in only 8.8% cases. This may be due to the lower incidence of risks as well as the fact that this sector is not exposed to the same level of scrutiny as the Apparel & Textiles and Food & Beverages sectors.

Overall, 28.5% of companies provide data on audited suppliers, with high-risk sectors scoring above average (50.9% and 32.6% in the case of Apparel & Textiles and Food & Beverages, Consumption at 29.4%). The numbers drop significantly for the disclosure of the results of audits (19.5%) and of follow-up actions (14.2%). Something most companies do not do is to report on auditing limitations (2.6% on average).

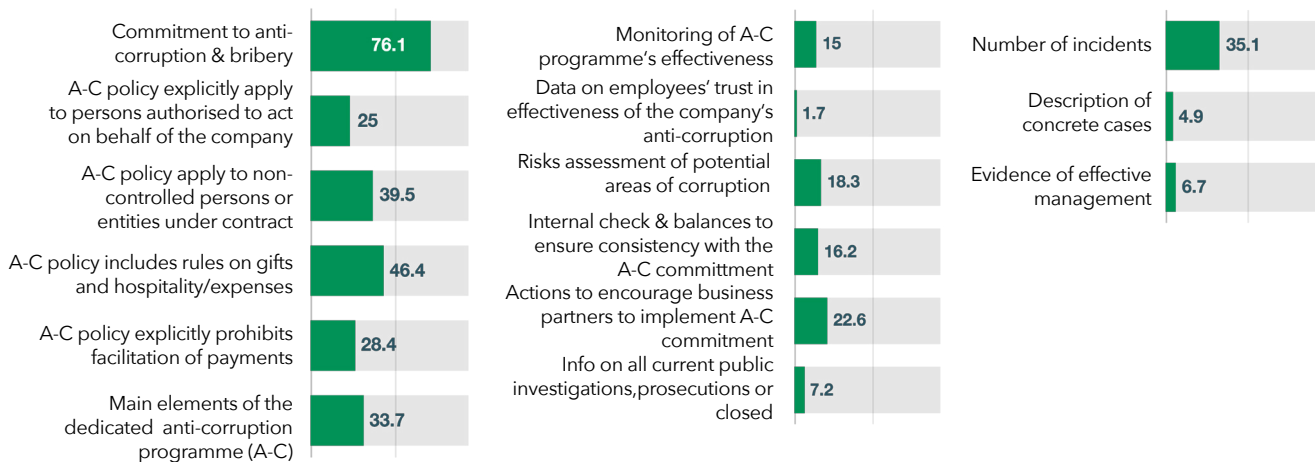
Cross-sectorally speaking, only 24.5% disclose steps taken to monitor supply chain conditions besides auditing. Numbers fall drastically when looking at information on corporate engagement with workers and communities in mapping and/ or addressing supply chain risks (5.3%). The highest result is reached in the Apparel & Textiles industry, at 11.8%, which suggests that the practice is viewed as an increasingly essential element of human rights due diligence.

Similarly, 13.6% of companies in the Apparel & Textiles sector disclose supplier lists, key information that can allow external review of the effectiveness of a company's supply chain due diligence. This again indicates an emerging practice in the sector.

ANTI-CORRUPTION AND BRIBERY MATTERS

In total, a majority of companies describe anti-corruption policies in their reports (88.1%) but only 19.7% disclose key issues and objectives. When looking into specific aspects addressed by companies in their policies we noticed that while a relatively high percentage express commitment to anti-corruption and bribery (76.1%), only a few are specific about who their policies apply to; only 39.5% refer to the application of policies to non-controlled persons or entities under contract, and even fewer companies (25%) include people authorised to act on behalf of the company. Only 33.7% of companies describe main elements of their anti-corruption programmes, that is, processes through which they implement policies in practice.

A result worth noting is that less than 1 in 5 companies report on how they assess risks of potential areas of corruption (18.3%), which is striking compared to the great majority of companies addressing anti-corruption as a material issue.



POSITIVE IMPACTS BY PRODUCTS AND SERVICES AND SOURCES OF OPPORTUNITY

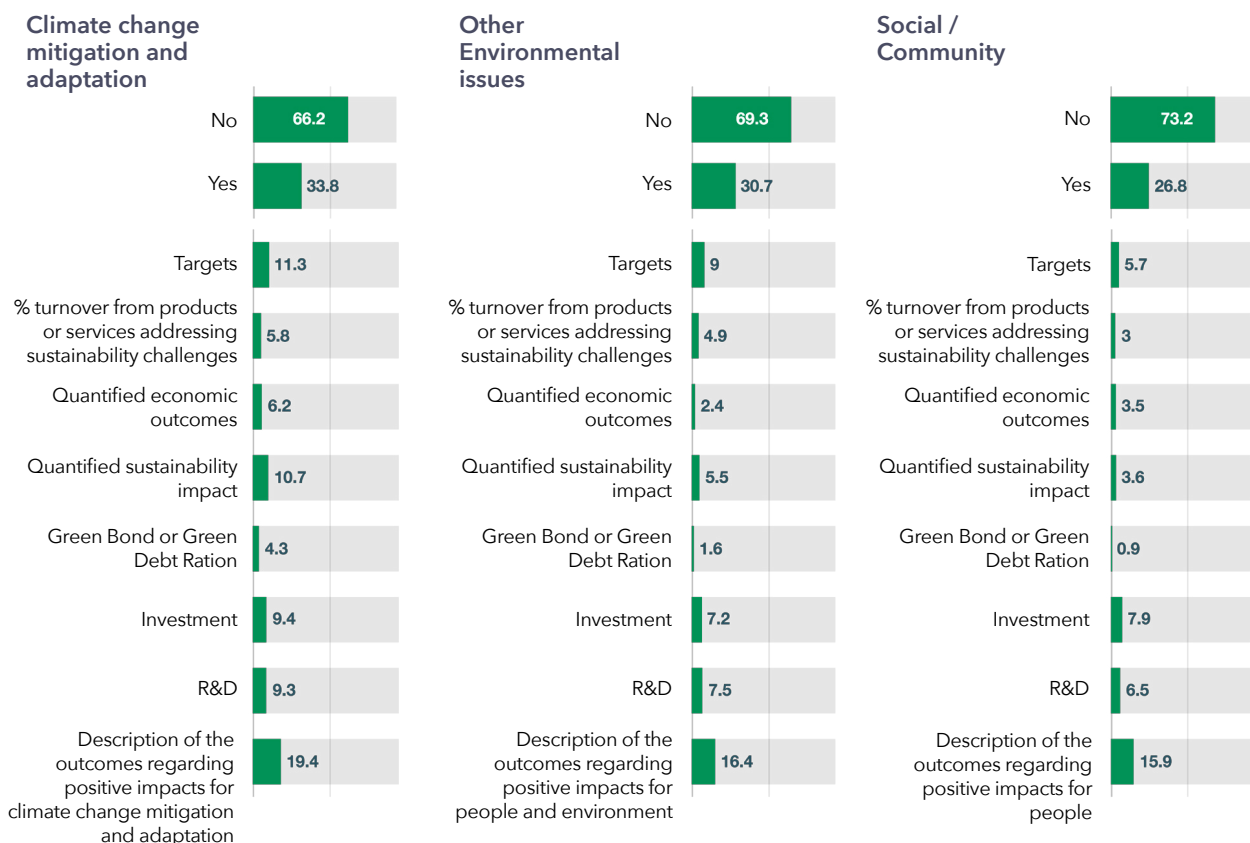
Our research has also provided insights into corporate reporting on initiatives and strategies around the sustainable activities companies are engaged in, looking into whether the information they provide is specific.

Please note that when using the expression positive impact we refer to sustainable activities as understood in the European Commission's strategy on Sustainable Taxonomy. This means that we focus on profitable business activities, products and services that are designed to have specific positive impact on sustainability. Examples include renewable energy systems, transition to ecological transportation, green buildings or sustainability certified products.

Whether focusing on climate change, other environmental issues or social matters, our research shows that a minority of companies report on strategies or initiatives around products or services that focus on sustainable development opportunities.

We identified an obvious gap between the amount of companies reporting on strategies and initiatives (33.8%, 30.7% and 26.8% for climate change, other environmental issues and social/community matters respectively) and those disclosing relevant and decision-useful information around such strategies.

This is the case when looking at corporate disclosure on the turnover from products or services addressing sustainability challenges (respectively 5.8%, 4.9% and 3% for climate change, other environmental issues and social/community matters), and data on investment in the described strategies (9.4%, 7.2% and 7.9% respectively). Reporting on this is key if companies are to be transparent and provide investors with information about the sustainable activities they engage in, in line with the (future) requirements of the Sustainable Taxonomy Regulation.





Introduction



WHAT THIS RESEARCH IS AND WHAT IT IS NOT

This report presents research findings of the Alliance for Corporate Transparency project.

The purpose of this research is to provide a comprehensive mapping of the content and quality of companies' sustainability disclosures pursuant to the [EU Non-Financial Reporting Directive](#) ("NFR Directive").

The research delivers aggregated results of the assessment of 1000 European large listed and financial companies broken down into main industrial sectors and EU regions. For the sake of transparency, the assessments of individual companies' disclosures are publicly available and open for scrutiny, but the research does not provide any ranking or benchmarking of companies.

A majority of sustainability-related disclosures requires a predominantly qualitative, and thus inherently subjective assessment. Furthermore, despite the project's rigorous review mechanism, the complexity of the research implies inevitable errors and oversights. The scale of the research ensures that such errors do not significantly affect the aggregated data, but we do not recommend to use the assessments of individual companies to inform the decision-making of any stakeholder other than the companies themselves. The research has not been designed for this purpose.

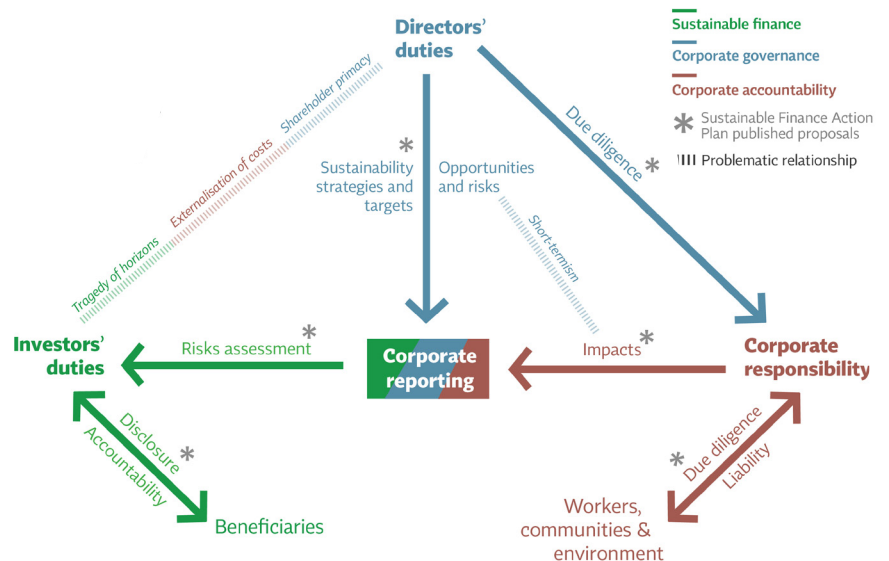
We would like to thank those companies who have kindly responded to our request for feedback and helped us to correct errors in our assessment of their reports.

ABOUT THE PROJECT

The Alliance for Corporate Transparency is a research project initiated by Frank Bold, that brings together leading civil society organisations and experts with the aim of analysing the corporate disclosure on sustainability issues by the 1000 largest companies operating in the EU and providing evidence-based recommendations for legislative changes.

The project is framed within the NFR Directive, which came into effect in 2018 and requires large companies and financial corporations to disclose information necessary for understanding their impacts on society and environment, as well as sustainability-related financial risks. The NFR Directive is a first step in a good direction but does not specify what concrete information must be disclosed.

This severely undermines the legislation's objective to increase the relevance, consistency and comparability of corporate sustainability data, which is crucial for investors to help inform their decisions as well as for civil society and public authorities to assess and monitor corporate responsibility, as illustrated in the diagram. To fill this gap, the project draws from EU law, international standards and leading reporting frameworks in order to determine what information is commonly understood to be material for each industrial sector.



The Alliance was developed in the following phases:

- 1 The Alliance was formed by leading civil society organisations working in corporate sustainability and transparency that brought specific expertise on the different areas covered by the NFR Directive.
- 2 The Alliance developed a research methodology, identifying key sustainability issues as well as reporting criteria to analyse the information disclosed by companies in different sectors. The methodology was consulted with external stakeholders and a trial run was carried out with partner companies to ensure the coherence of the methodology.
- 3 In the second half of 2018, Frank Bold together with the project’s technical partner Sustentia carried out the initial analysis of the reports of 105 European companies from three sectors (ICT, Healthcare and Energy). The results of this initial research were presented in Brussels on February 8, 2019.
- 4 In Spring 2019, the project calibrated the assessment methodology on the basis of the experience with the initial research, simplified its structure, and integrated new standards, including in particular the European Commission Guidelines for Reporting of Climate-Related Information.
- 5 Between July and November 2019, Frank Bold and Sustentia assessed reports of 1000 companies from all the main industrial sectors and EU countries.

All research data is available to the public in an open database at:

<http://www.allianceforcorporatetransparency.org/database>

Partners

Project coordinator		Technical partner	
Content partners			
			
Advisory group			
			
			
Academic support provided by			

GOVERNANCE

Frank Bold initiated and leads the overall development of the project. The project's technical partner Sustentia has been co-responsible for the elaboration of the research methodology and implementation of the research.

Content and advisory partners have provided strategic input throughout the project and contributed to the design of the research methodology and key communication activities. Project content partners have veto power on strategic decisions. These organisations have engaged in the project on a pro-bono basis. Frank Bold and Sustentia take responsibility for any error or inaccuracy in the research and presentation of results.

Test partners engaged in constructive discussions concerning the assessment criteria and the initial tests performed on their corporate reports - this collaboration has been carried out completely pro-bono. The companies that engaged as test partners are: Repsol, Novo Nordisk, Vodafone and SAP. The project has engaged a number of other external experts from business and investor organisations through multiple rounds of consultations in 2018 and 2019.

ACKNOWLEDGEMENTS

This project would not have been possible without the invaluable work done by Sustentia's team including Juanjo Cordero, Carlos Cordero, Vidal Martin, Iñigo Montero, Mar Carneiro, Ana Villalobos, and Lucia Aparicio among other researchers.

Similarly, we would like to express our deep gratitude to everyone that contributed to the project with their advice and feedback, especially the group of experts forming the Alliance: Marilyn Croser, Louise Eldridge, Eniko Horvath, Johannes Blankenbach, Mauricio Lazala, Sebastien Godinot, Julia Linares, Martin Rich, Elena Gaita, Margaret Wachenfeld, Alex Maitland, Mirjam Wolfrum, Johanna Kusch, David Cooke, Mairead Keigher, Rasmus Kløcker Larsen, Ellie Mulholand, Eleni Choidas, Joseph Wilde, Gerhard Schuil and Michael Zimonyi.

We hope to continue working closely with external stakeholders that participated in the different consultation rounds organised by the project, with special thanks to the following organisations: Principles for Responsible Investment, Global Reporting Initiative, European Trade Union Institute, FERN, ActionAid, E3G, Clean Clothes Campaign.

Furthermore, other non-profit as well as business organisations and individuals contributed to the project by providing reflections on project's methodology and descriptions of their own strategies for monitoring, managing or disclosing sustainability risks.

Project Team: Susanna Arus, Filip Gregor, Kristýna Vejvodová, Joanne Houston. For any queries, please contact Susanna Arus, Project Coordinator at susanna.arus@frankbold.org.

The project has received funding from: Friends Provident Foundation, Joseph Rowntree Charitable Trust, Sigrid Rausing Trust, Charles Leopold Mayer Foundation, Wallace Global Fund, Laudes Foundation.

Supported by:



This project is part of the European Climate Initiative (EUKI) of the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU).

based on a decision of the German Bundestag

HOW TO READ THE RESEARCH RESULTS

Assessment criteria

The research methodology was designed drawing from the leading reporting standards and frameworks and putting them in relation with the requirements introduced by the EU Non-Financial Reporting Directive and related guidance. **The research methodology is built on six elements.**

- 1 The methodology provides an assessment of the sustainability-related disclosures concerning a company's overall business model and governance.
- 2 For the four broad sustainability areas outlined in the Directive the methodology identifies concrete issues for which there exists specific-enough guidance in international standards (see below).
- 3 For each issue, the research methodology provides an assessment of whether a company provided the type of information required by the Directive, and whether such information is specific enough to allow understanding of the company's individual situation.

ENVIRONMENTAL MATTERS	SOCIAL AND EMPLOYEE MATTERS	RESPECT FOR HUMAN RIGHTS	ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS
Climate Change Use of Natural Resources Pollution Waste Biodiversity and Ecosystem Conservation	Employee and Workforce Tax Transparency	General Human Rights Disclosures with additional criteria for: - Supply Chain Management - Impacts on Indigenous Rights and Communities - High Risk Areas for Civil and Political Rights - Conflict Resources - Data Protection	Anti-corruption Policies Whistleblowing

Policies	Outcomes	Principal risks	Key performance indicators
- No information provided - Policy is described or referenced - Policy description specifies key issues and objectives	- No description - Description is provided - Outcomes [are described] in terms of meeting policy targets	- No risks [are] identified - Vague risk identification [is provided] - Description of specific risks	In case of standardised KPIs: - No information is provided - Isolated examples / qualitative description [only] - KPIs aggregated - KPIs disaggregated by country <i>In case of matters for which standardized KPIs are not available, specific qualitative questions have been provided instead</i>

4 For each issue and category of information, the research methodology provides additional qualitative assessment criteria derived from the leading reporting standards. For example, in the climate change section the methodology asks about the alignment of a company's policies with the goals of the [Paris Agreement](#), of risks description with the [Recommendations of the Task Force on Climate-Related Financial Disclosures](#), and of KPIs with the Greenhouse Gas Protocol methodology. The content and nature of these additional criteria in each section depend on the quality of existing reporting standards. For human rights, anti-corruption and for biodiversity and ecosystem conservation, the research methodology focuses primarily on qualitative criteria, which rely relatively more on subjective assessments. These additional criteria are explained, where necessary, in the respective sections of this report.

5 The research methodology has applied a materiality matrix to connect the sustainability issues, and within these issues certain categories of KPIs and specific issues, to concrete industrial sectors. General disclosures concerning climate change, employee and workforce matters, general human rights matters, and anti-corruption matters were examined in each sector. However, for example, additional criteria concerning data privacy, were applied only to companies from the Technology and Communications sector.

Still, many of the issues are not equally relevant to all companies within a single sector, either because the materiality of the issue depends on individual circumstances (for example, not all companies are linked to high risk areas for civil and political rights) or because of the diversity of sub-sectors included in the main sector. For practical reasons, the research groups companies in 11 macro-sectors, each of which includes sub-sectors representing different parts of the value chain. Some sub-sectors were considered separately from their macrosector, such as Apparel & Textiles, and are therefore fairly uniform, whereas others, such as Transportation, represent quite diverse sub-sectors, including shipping companies, manufacturers of cars, ships and airplanes, and infrastructure operators.

Reading the results of the research thus requires the reader's critical eye and application of common sense. Similarly, not all criteria and research questions are equally important. The ambition of the research has been to provide as comprehensive data on the state of corporate practice as possible, and leave its interpretation to readers.

6 The methodology includes a separate set of questions concerning corporate disclosures of positive sustainability impacts and sources of business opportunities for company products or services. This inquiry is aligned with the objectives and approach of the [EU Sustainability Taxonomy Regulation](#). The methodology examines whether such disclosures, if provided, include relevant quantitative information including absolute and relative turnover.

Standards, frameworks and guidelines that were considered in selecting key issues and assessment criteria include:

European legislation and guidance:

- EU Non-Financial Reporting Directive
- European Commission's guidelines on non-financial reporting
- EU Eco-Management and Audit Scheme (EMAS)
- Conflict minerals or supply chain transparency regulation

- Global Reporting Initiative Standards
- SASB standards
- UN Global Compact
- CDP
- World Federation of Exchanges ESG Guide & Metrics
- NASDAQ ESG Reporting Guide
- ILO Tripartite declaration
- OECD Guidelines for Multinational Enterprises and associated OECD Guidance(s) for general and sectoral due diligence
- UN Guiding Principles Reporting Framework
- Corporate Human Rights Benchmark
- Future-Fit Business Benchmark

Standards and reporting frameworks:

- FSB's Task Force on Climate-related Financial Disclosures recommendations (TCFD)
- UN Guiding Principles on Business and Human Rights (UNGP)

THE RESEARCH IMPLEMENTATION

The research was implemented by Frank Bold, organisation leading the project, and Sustentia, the project's technical partner.

Documentation: Which company resources were analysed?

The project analysed the information disclosed in the corporate annual or sustainability reports as well as any document or set of information clearly linked in these statements. The rationale behind this decision follows the principles of the [EU NFR Directive](#) and [accompanying guidance](#), in which it is stated that the information should be easily accessible (i.e. "Cross referencing and signposting should be smart and user-friendly, for instance, by applying a practical rule of maximum one "click" out of the report")

Project review mechanism

An in-house team of researchers carried out the individual company assessments. The project's lead partner and technical partner held capacity-building sessions with the analysts and initially tested the research methodology on a sample of companies. A second workshop was organised to refine the analysis and identify contentious issues. Lastly, the project set up a review mechanism designating team leaders to re-examine individual company assessments.

Feedback from companies

Companies assessed have received their individual assessment and have been invited to provide comments, with exception of a minority of companies which have not included any contact details in their reports. The project has received such feedback from 75 companies.

Visualisation of all results: www.allianceforcorporatetransparency.org/database

List of individual company assessments: <https://act.frankbold.org/report/list>



General information about companies included in the research



GENERAL INFORMATION ABOUT COMPANIES INCLUDED IN THE RESEARCH

In 2019, the Alliance for Corporate Transparency used the methodology described in the previous section to analyse the non-financial statements of 1000 companies from eleven sectors representing all main areas of economic activity.

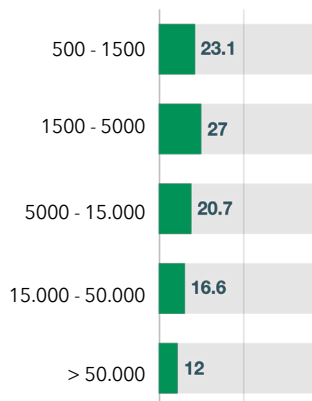
The project has sought to achieve a balanced representation of these sectors and within these sectors, of companies from all European regions and of all sizes. In some regions, in particular in Eastern Europe, domestic companies are not strongly represented in certain sectors, affecting the research selection.

Only large listed companies and financial corporations, that is, companies that fall under the scope of the NFR Directive, were included, with several exceptions in countries that apply the Directive's requirements more broadly than others. In addition, 11 not-listed companies from the Apparel & Textiles sector (out of 110) were included in order to ensure strong representation of this industry. We did not record any major difference in the quality of the reports of these not-listed companies compared to the listed ones.

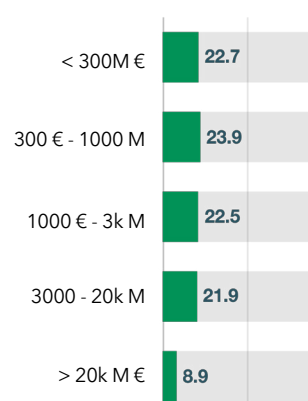
Achieving a balanced representation of financial companies was complicated given the strong concentration in this industry. Out of 127 financial companies included in the research, 10% are controlled by parent companies, which are obliged to produce non-financial statements. Several of these subsidiary companies provided only partial non-financial information and opted to refer to their parent companies' consolidated reports. In these cases, the research took into account information provided in consolidated reports as long as it was applicable to subsidiary operations.

SIZE OF COMPANIES

Employees



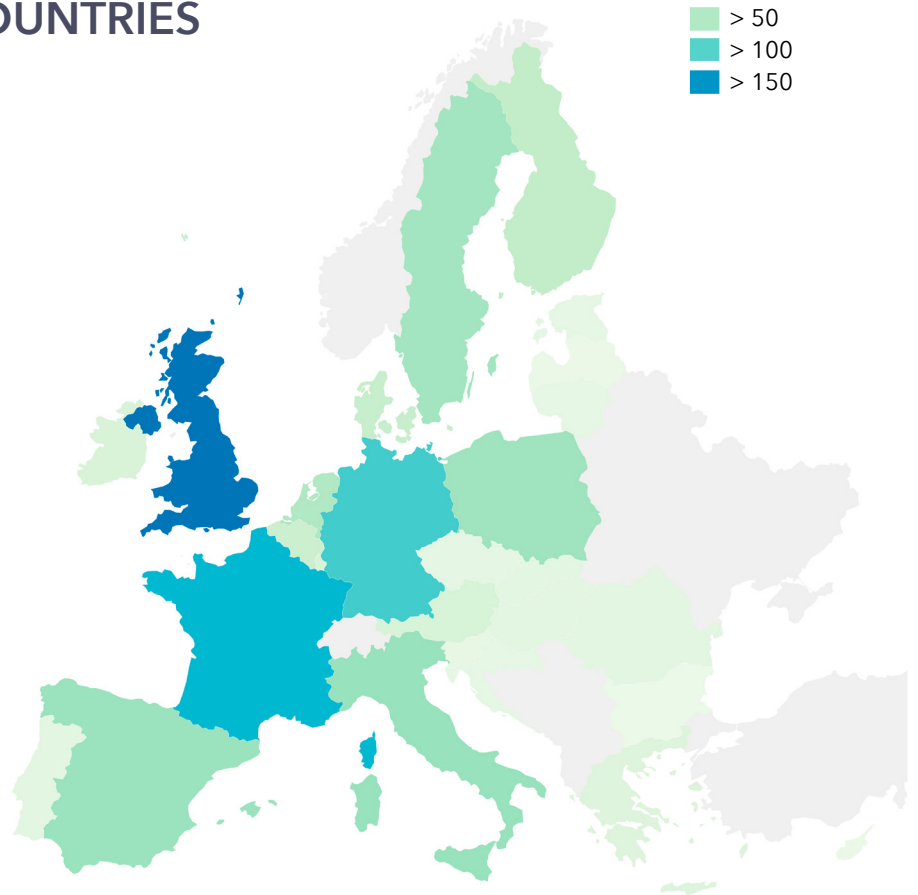
Revenue range



BALANCE OF COUNTRIES

The research includes companies from all EU Member States, as provided below.

United Kingdom	168
France	127
Germany	108
Italy	70
Spain	67
Poland	64
Sweden	61
Netherlands	52
Finland	39
Denmark	34
Belgium	30
Austria	21
Luxembourg	20
Ireland	20
Greece	16
Romania	11
Portugal	11
Hungary	11
Slovakia	10
Czech Republic	10
Lithuania	9
Estonia	9
Croatia	9
Slovenia	8
Latvia	5
Cyprus	5
Bulgaria	4
Malta	1



The regions referred to in this report for the purpose of cross-regional comparison were defined on the basis of cultural and economic proximity, and include the following:

UK & Ireland	188
Nordic	134
Southern Europe	170
Germany & Austria	129
France	127
Eastern Europe	150
Benelux	102

DEFINITION AND COMPOSITION OF SECTORS

Sectors	Regions							
	Benelux	Eastern Europe	France	Germany & Austria	Southern Europe	Nordic	UK & Ireland	Total
Apparel & Textiles	7	14	13	15	22	18	21	110
Consumer goods	7	6	6	10	8	12	17	65
Energy & Resource Extraction	7	30	11	16	27	6	36	133
Financials	17	25	15	15	23	16	16	127
Food & Beverages	14	16	17	6	11	14	19	97
Health Care	7	9	10	11	11	10	15	73
Hospitality & Recreation	4	6	6	3	8	5	9	41
Infrastructure	8	15	11	9	10	11	11	75
Resource Transformation	10	10	10	18	15	19	15	97
Technology & Communications	10	9	13	10	15	9	9	75
Transportation	11	15	15	16	15	14	20	106
Total	102	155	127	129	165	134	188	1000

SUB-SECTORS

110	Apparel & Textiles	20	Infrastructure
110	Apparel & Textiles	32	Construction
65	Consumption	10	Infrastructure
36	Consumer goods producers	97	Real Estate
33	Consumer goods retailers	29	Utilities
133	Energy & Resource Extraction	11	Resource Transformation
15	Alternative Energy	58	Chemicals
6	Coal	75	Construction materials
49	Electric utilities	9	Industrials
29	Metals & Mining	36	Technology & Communications
61	Oil & Gas	34	Internet Media & Services
127	Financials	106	Technology
16	Banking & Investment Banking	12	Telecommunications
45	Ethical Banking	27	Transportation
97	Insurance	40	Air Transportation
82	Food & Beverages	14	Facilities
16	Food & Beverages producers		Land Transportation
73	Food & Beverages retailers		Manufacturers
47	Health Care		Marine Transportation
16	Biotechnology & Pharmaceuticals		
10	Health Care Providers		
41	Medical Technology		
23	Hospitality & Recreation		
13	Hotels and other infrastructures		
6	Restaurants		
75	Travel agencies and services		
46			

* The sum of companies included in sub-sectors is different than the total number of companies per sector, because many companies operate in several sub-sectors within their primary sector as well as in other major sectors.



Presentation of non-financial information



PRESENTATION OF NON-FINANCIAL INFORMATION

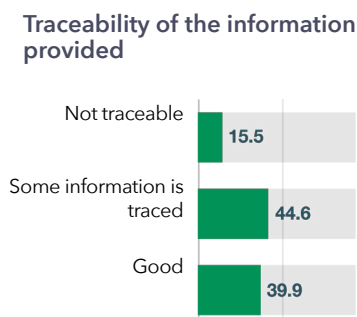
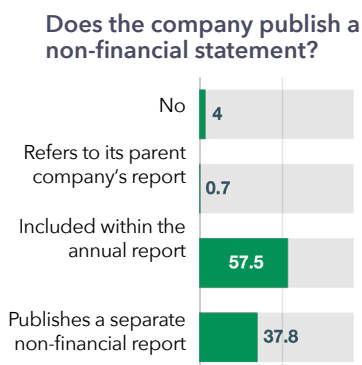
The presentation, labelling and content of non-financial information varies significantly across companies. For the purpose of this research, any information on social and environmental issues presented in the annual report or in a clearly designated separate report was taken into account, irrespective of whether it was formally identified by the company as a non-financial statement.

This reflects the requirements of the NFR Directive which provides an option for non-financial statements to be included in the annual report or in a stand-alone report (depending on Member States' decisions), and it requires companies to specify which reporting frameworks they have relied on. The additional overviews below reflect the experience with common problems around accessibility of data. Questions concerning traceability of information and clarity of structure are of course based on subjective assessment, which may vary among individual researchers.

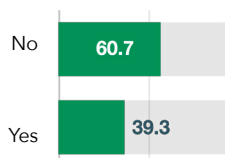
RESULTS

One objective figure that we would like to highlight is that only 21.9% of companies provide summarised overviews of their KPIs. The absence among four fifths of all companies of such a summary significantly undermines the practical usability of their reports.

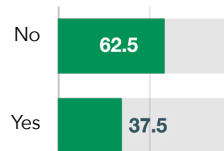
The data below is provided in an aggregated form. Disaggregation by sector and country is available in the online presentation: www.allianceforcorporatetransparency.org/database



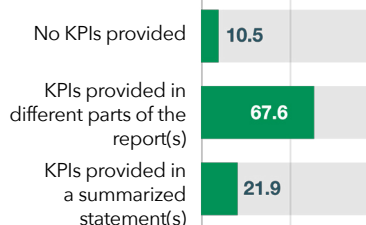
The company includes links to other documents in order to offer broader information



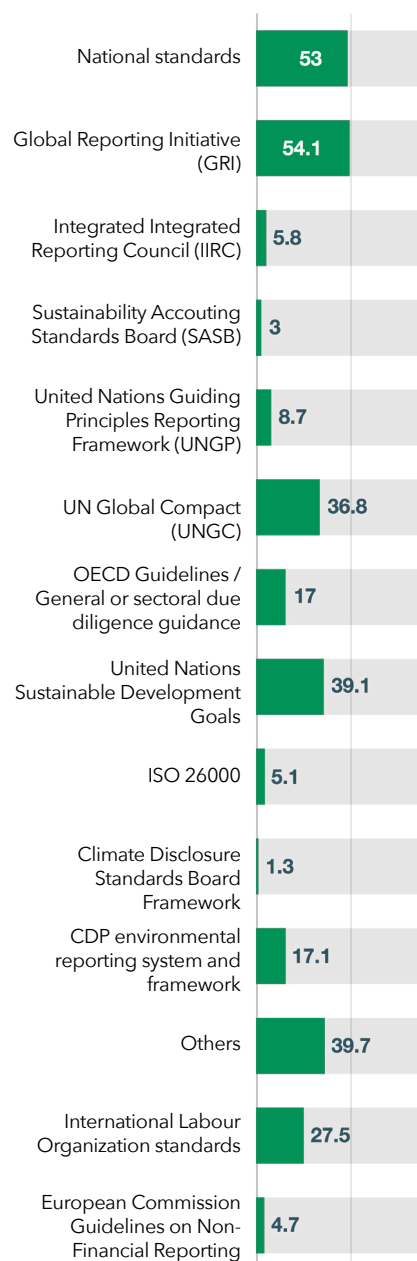
Information on policies, outcomes, risks, and KPIs are provided in a clear structure



Presentation of KPIs



Non-financial statement specifies that it relies on:





Strategic perspective





BUSINESS MODEL DESCRIPTION

The NFR Directive requires companies to include in their disclosures a brief description of their business model. The Directive does not offer any further specification, but it is clear from the context that the information provided should assist in the understanding of a company's development, performance, position and impact of its activity with respect to sustainability matters.

The European Commission's non-binding Guidelines offer several recommendations to companies on which business model-related information to disclose. The findings of the Alliance's initial research in 2018 of 105 companies showed that between 68% and 99% of companies included this recommended information. These results were in stark contrast with the remaining results, suggesting that these recommendations are too generic to offer any meaningful insights into corporate practice. Therefore, they have not been included in this research.

The assessment methodology used in 2019, instead, examined the scope of a company's presentation of sustainability-related strategic risks to its business model and of the impacts of the business model on key sustainability matters.

Such information was taken into account if two conditions were met. Firstly, the information had to offer specific insight into the position of the reporting company, as opposed to boilerplate disclosures listing generic risks and impacts pertinent to the sector. Secondly, the information had to concern strategic, rather than operational or technical levels.

OVERALL RESULTS

In this section, we present the results of the assessment of business model disclosures, from both cross-sectoral as well as sector-specific perspectives. The cross-sectoral perspective is useful to map the issues companies consider from a strategic perspective. However, the materiality of a sustainability issue for an individual company highly depends on the company's sector and operational context. The sector-specific overviews, on the other hand, offer insights into the level of strategic awareness among companies of sustainability risks and impacts which are clearly associated with their sector.

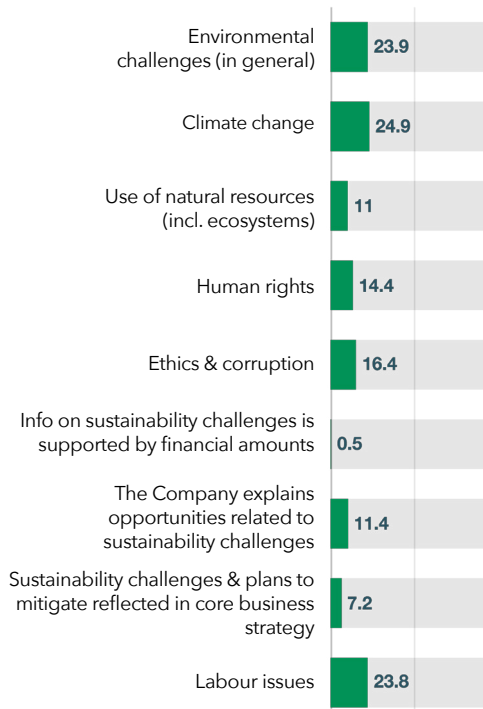
The overall results point at the fact that such strategic disclosures are not common. The comparison with thematic results presented in the subsequent chapters further indicates that there is a significant number of companies which provide information on their policies, risks, outcomes, and KPIs, but not strategic, business model-related information.

CROSS-SECTORAL RESULTS

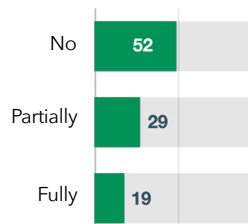
An interesting figure not shown in the graphs below is the number of companies which provide information on at least one strategic sustainability-related risk, which is 45.9%. This can be contrasted with the number of companies which include information on how these risks are reflected in their core business strategies, 7.2%

It is also worth pointing out that almost no company provides financial estimates concerning strategic sustainability risks. This may indicate that at a strategic level such quantification is not available even to companies themselves.

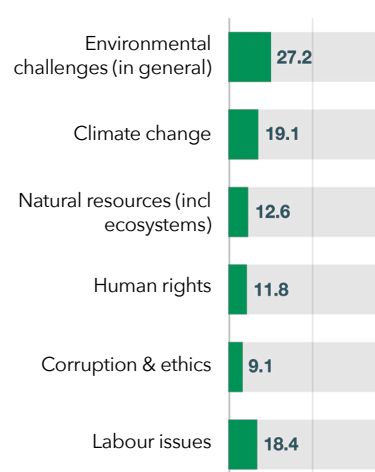
The Company describes specific risks that may affect its business model, strategy and financial planning



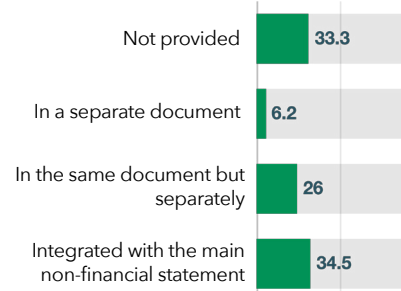
Key issues in the description of policies and risks in the main non-financial statement correspond with the overview of sustainability issues in the business model description



The Company explains how its business model and strategy might have adverse impacts on



The information on business model is provided:



SECTOR-SPECIFIC RESULTS

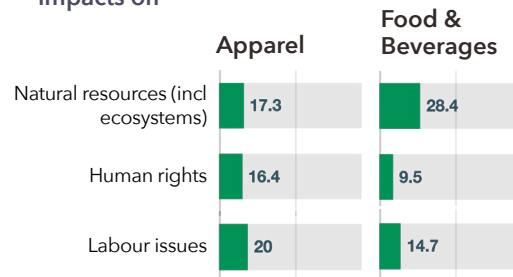
This graph shows sectors that are highly exposed to climate-related risks, and thus for which reporting on these risks from a business-model perspective can be reasonably expected to be close to 100%. The gap between the expectation and reality is most staggering in the case of the Financials sector.

The Company describes specific risks that may affect its business model, strategy and financial planning



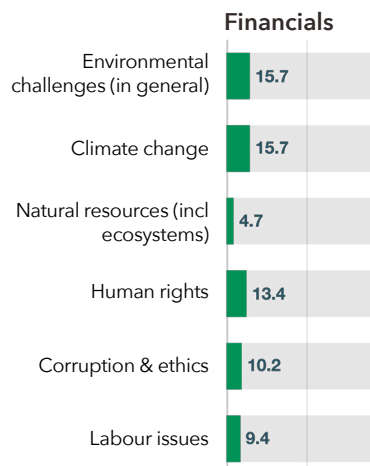
Nearly all Apparel & Textiles companies and a majority of Food & Beverages companies included in the research depend on outsourced production located in regions with systemic human rights and natural resources abuse, including in particular labour conditions and deforestation. Yet, merely 10-30% of these companies report on these issues from a business-model perspective.

The Company explains how its business model and strategy might have adverse impacts on



Financial companies are connected through their investment or lending activities with all types of sustainability impacts. This diagram shows the extent to which they consider the related risks and impacts strategically important for their business models.

A detailed breakdown by sector and region is available in the online presentation: www.allianceforcorporatetransparency.org/database



GOVERNANCE

The NFR Directive does not explicitly require any specific governance-related disclosures. However, such disclosures are recommended in a majority of reporting frameworks.

This section presents results of the assessment of reporting on the integration of sustainability in corporate governance from a general, rather than thematic perspective.

The list of criteria below represents a combination of generally applicable recommendations derived from reporting frameworks, and issues stemming from the debate on the reform of corporate governance towards a more sustainable model. Specific questions on the oversight of Boards of particular sustainability issues are examined in the thematic presentations of the subsequent chapters.

OVERALL RESULTS

The results can be grouped in two categories. The first category includes formal criteria. Declaration of social purpose, the Board's mandate and supportive procedural governance arrangements are described by 40-50% of companies, and engagement of workforce representatives is disclosed by nearly 30% of businesses.

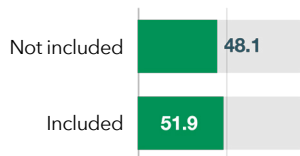
The second category includes matters that have more immediate impact on the Board's accountability for sustainability performance, including compensation, independent assessment, and transparency concerning decisions, reported by about 14% of companies.

The latter result roughly corresponds to the number of companies disclosing specific and comprehensive thematic information, as will be shown in the following chapters.

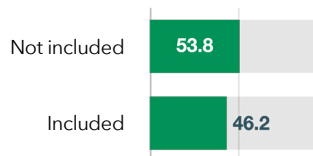
This may indicate a pattern in reporting practices. Approximately 50% of companies do not generally disclose useful information. Another 30% have and report on well developed sustainability policies, but they don't provide evidence necessary to consider their real impact. The remaining 20% provide information that allows such understanding.

A detailed breakdown by sector and region is available in the online presentation: www.allianceforcorporatetransparency.org/database

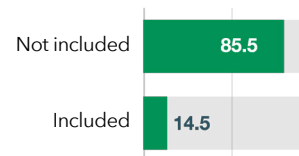
Explanation of company's purpose with respect to sustainability and society



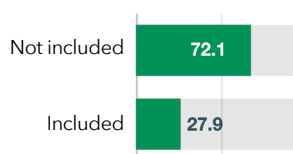
Indication of how sustainability is integrated in the Board's and senior management operations and mandate



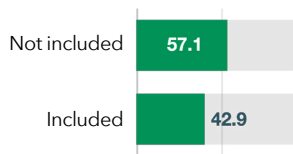
Description of how executive compensation is affected by their performance against ESG criteria



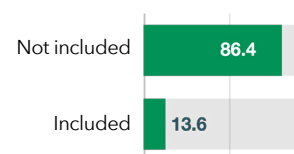
Information on formal process of board engagement with workforce representatives



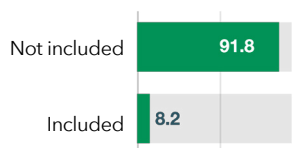
Description of corporate governance arrangements to support sustainability



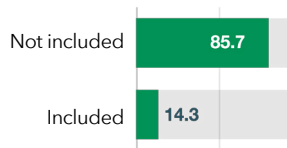
Independent assessment of company's sustainability strategy and performance



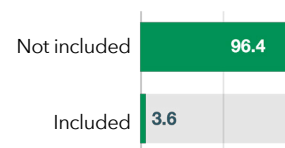
Indication of integration of Science Based Targets or similar concept in company's strategy



Sustainability matters addressed by the Board and decisions



Indication of whether the non-financial reporting was put to the vote at the AGM





Environment



CLIMATE CHANGE

The methodology we adopted to assess corporate climate-related disclosure was developed by taking into account established reporting standards, frameworks and principles including GRI, CDP and CDSB, as well as the requirements of the EU Non-Financial Reporting Directive and the [European Commission's non-binding guidelines on climate-related reporting](#). The latter were released in June 2019 to provide companies with recommendations on how to better report the impact of their activities on climate, while also ensuring meaningful disclosure concerning climate change impact on business. Such guidelines integrate the recommendations of the Financial Stability Board's Task-Force on Climate-related Financial Disclosures (TCFD), whose focus is on the financial materiality of climate change (namely, the impact of climate on business).

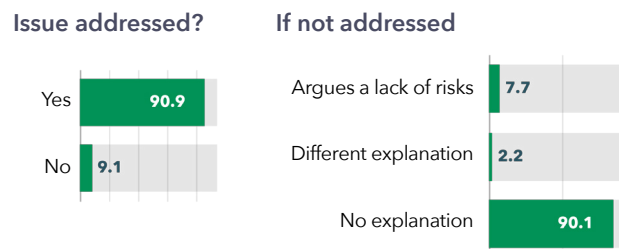
In addition to such a perspective, the European Commission's guidelines provide support on how to disclose climate-related information which is non-financially material (impact of business activities on climate). The assessment criteria developed by the Alliance are thus defined by and consistent with international standards, the European legislative framework and the TCFD recommendations.

OVERALL RESULTS

In this section, we present our results of the assessment of climate-related disclosure, from both cross-sectoral as well as sector-specific perspectives. Particular attention is paid on providing insights into highly polluting and high-risk sectors.

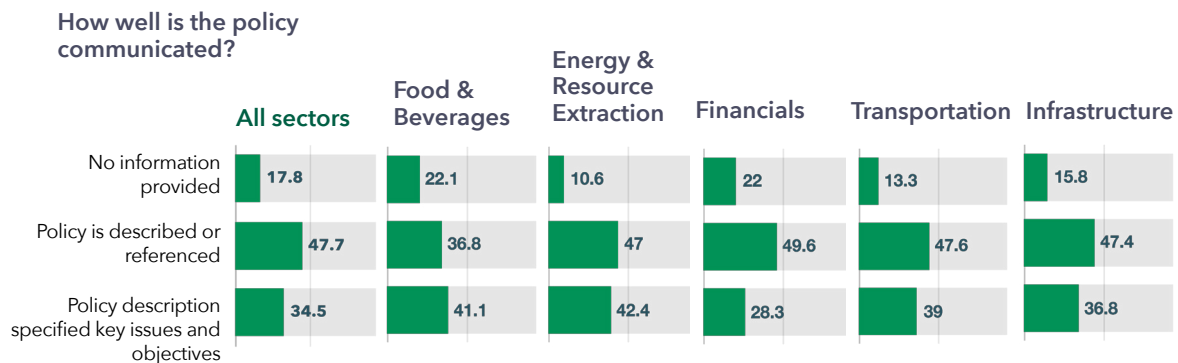
POLICIES & OUTCOMES

From a cross-sectoral perspective, our assessment shows that a great majority of companies address climate change in their disclosure (90.9%). Only a minority of remaining businesses, however, explain that they don't face risks in this area (7.7%).



On top of that, we identified a strong 82.2% providing information on commitment or policies. This occurred with no major differences across sectors, with high risks sectors (Energy & Resource Extraction, Food & Beverages, Transportation) performing well in this sense.

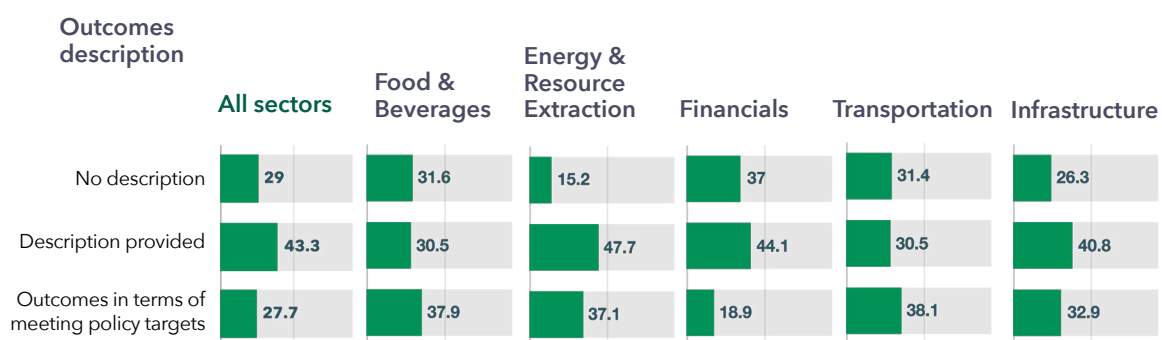
When shifting focus from general to more specific criteria, patterns change. From a cross-sectoral perspective, only 34.5% of companies report detailed policies describing concrete issues and objectives, which is however important to ensure insights into long-term corporate plans. Values are slightly higher when considering high risk sectors as shown below.



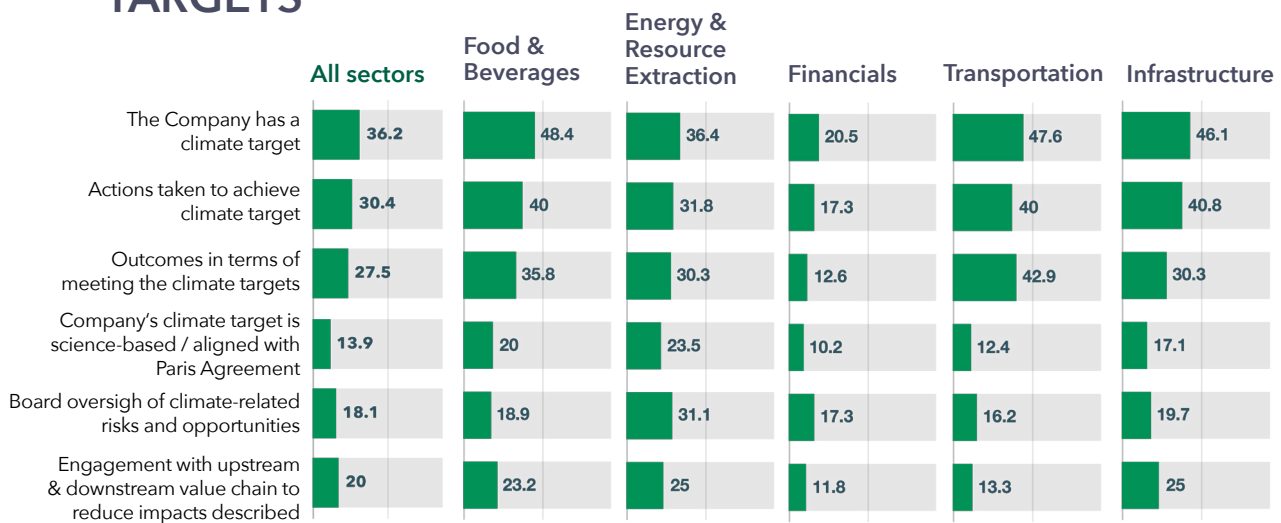
71% disclose information on policy outcomes, with most sectors gravitating around a 70% average. It is worth noting that the Energy & Resource Extraction sector scores the highest, at 84.8%, which is fairly positive given the magnitude of its impact on climate.

These relatively promising results, however, do not reflect the depth of corporate disclosure, which in fact appears weakened when considering more specific criteria. For example, only 27.7% of companies refer to policy outcomes in relation to specific targets outlined in their policies. This gap naturally corresponds to a similar gap between the number of companies disclosing concrete issues and objectives in the description of their policies and those that don't.

An important element to highlight is that cross-sectoral disparities are high in this sense. On the one hand, for certain sectors, around 40% of companies report outcomes in terms of meeting policy targets (Energy & Resource Extraction, Food & Beverages and Transportation). On the other hand, for sectors such as Apparel & Textiles, Financials and Hospitality & Recreation values lie below 20% (14.5%, 19.3% and 7.1% respectively). A detailed breakdown of data by sector is available [here](#).



TARGETS

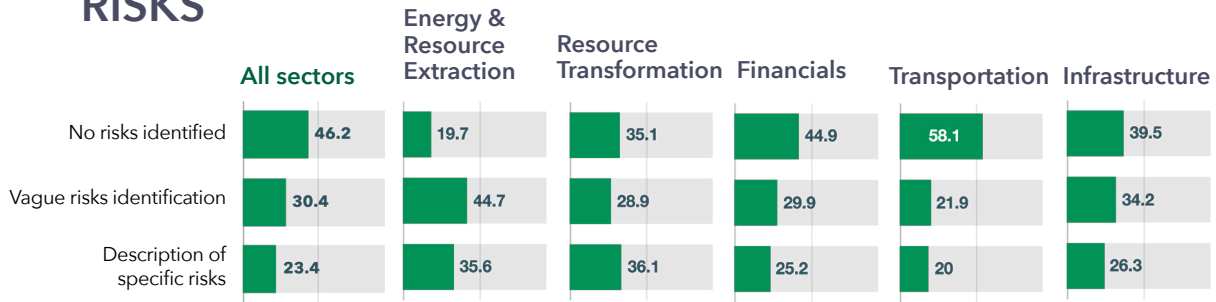


In addition to the examination of the specificity of company policies, we assessed whether company reports describe targets related to climate change mitigation. Policy descriptions often include concrete objectives, but these objectives are often expressed in terms of implementing particular activities rather than general targets linked to impacts. Vice versa, some companies do report on climate-related targets, but they don't disclose details of their policies on how to achieve them. Thus, although there is a significant overlap between the list of companies which report detailed policies describing concrete issues and objectives and those disclosing climate-related targets, these two lists are not identical.

We took into account only targets linked to the primary impacts of companies that they can effectively mitigate. Examples include absolute targets for reductions of GHG emissions Scope 1 for direct emitters such as electricity producers and transportation companies, GHG emissions Scope 2 for manufacturers, targets related to transformation of company product portfolios for fossil fuel producers and carmakers, and financial investment targets for financial companies. We didn't take into account targets concerning impacts of secondary importance, such as Scope 2 emissions for banks or emissions generated in the course of mining or raffination of fossil fuels.

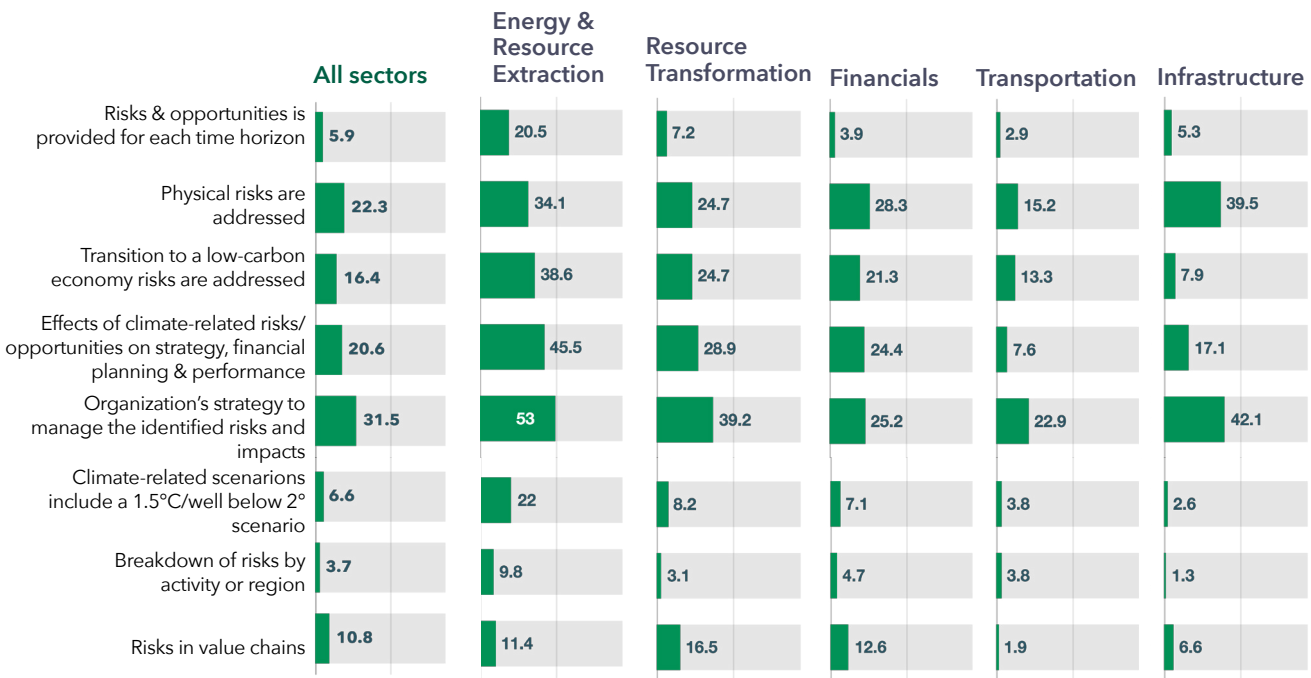
36.2% of all companies report on climate-related targets, the best-ranking high-risk sector being Food & Beverages (48.4%). It should be noted that, based on materiality, our assessment looked at whether companies in this sector reported on Scope 1 and 2 but not Scope 3 emission targets, making it relatively easy for the industry to perform well. Interestingly, only 36.4% of companies in Energy & Resource Extraction report on climate-related targets. Companies from the Financials sector are those with the least amount of disclosed climate-related targets (20.5%), which is worrying given the sector's important role in contributing to the low-carbon transition. With regards to information on science-based targets, numbers recorded are even lower. From a cross-sectoral perspective, only 13.9% of companies disclose relevant data. Even in high scoring sectors, less than 30% of companies report relevant data (Energy & Resource Extraction sector at 23.5%, followed by Food & Beverages at 20%).

RISKS



With regards to risks, similar patterns are observed when moving from general to more specific considerations. While 53.8% of companies provide some kind of statement on climate-related risks, only 23.4% of all assessed companies describe specific risks. The highest percentage of companies doing so was observed for Resource Transformation (36.1%), followed by Energy & Resource Extraction (35.6%).

The above results imply that 46.2% of all companies don't provide any information on climate-related risks. A striking result concerns Transportation; 58.1% of companies did not report on climate-related risks, despite their high exposure to the matter. With increasing expectations around the contribution of the Financials sector to the low-carbon transition, it's worth mentioning that almost half of the companies in the sector did not identify climate-related risks (44.9%).



We also examined the extent to which companies report on specific TCFD criteria. Results are presented in the graphs above. Please note that the aggregated data considerations we include in this subsection of the report and relating to such criteria refer to the sectors most exposed to climate risks: Energy & Resource Extraction, Infrastructure, Resource Transformation and Transportation (whereas data presented in the graph under "All sectors" covers all companies for which these criteria were assessed). We also add specific considerations for the Finance sector.

With regards to disclosure on business strategies aimed at managing climate-related risks, our results reflect a lack of maturity even among high-risk sectors (39.3%). This was also the case for disclosure on climate-related scenarios aligned with 1.5°C or well below 2°C scenarios (on average 9.1% in high-risk sectors). Just over 20% of companies report on this in the Energy sector, and only 2.6% do so in the Infrastructure sector.

With regards to the Financials sector, it is worth noting that there is a gap between the percentage of companies reporting on risks (55.1%) and those that are specific about such risks. Only a relatively low percentage of companies report on strategies developed to manage risks and impacts (25.2%). Even fewer organisations are specific about the exposure of their lending, investment and underwriting activities to sectors contributing to climate change (13.4%) or provide an estimation of the exposure of assets (financial, non-financial, under management) or the value of collaterals to climate-related risks (3.1%).

Financials	
Exposure to sectors contributing to climate change	13.4
Estimation of the exposure of assets/value of collaterals to climate-related risks	3.1
How risk management processes, (incl. internal stress testing) consider climate-related risks	10.2

The underperformance of companies in terms of reporting on risk identification and management is worth considering - specifically in highly polluting sectors - given the urgency of redirecting capital flows towards sustainable investments, in line with the Sustainable Finance Action Plan.

GHG EMISSIONS

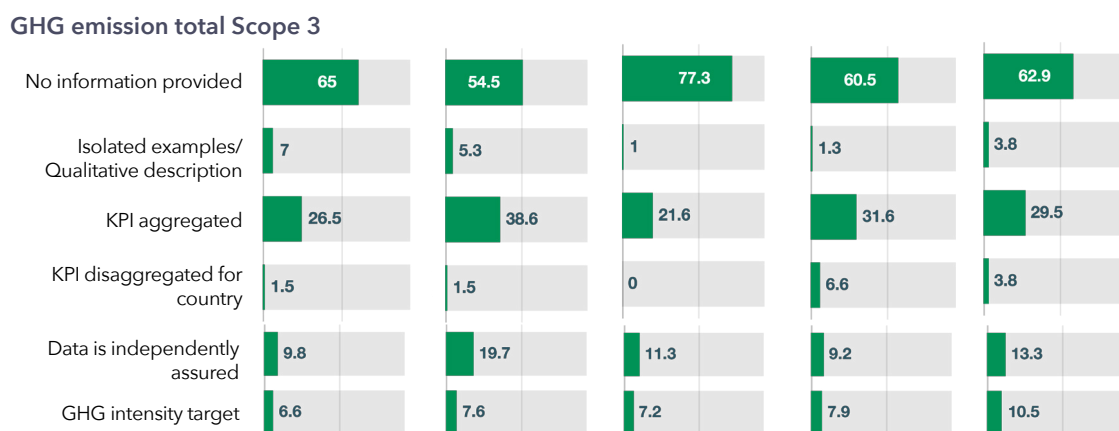
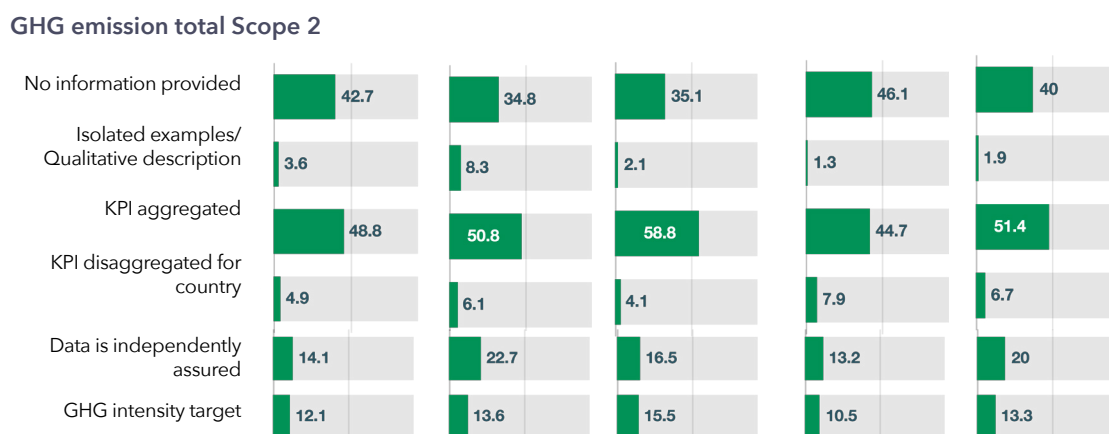
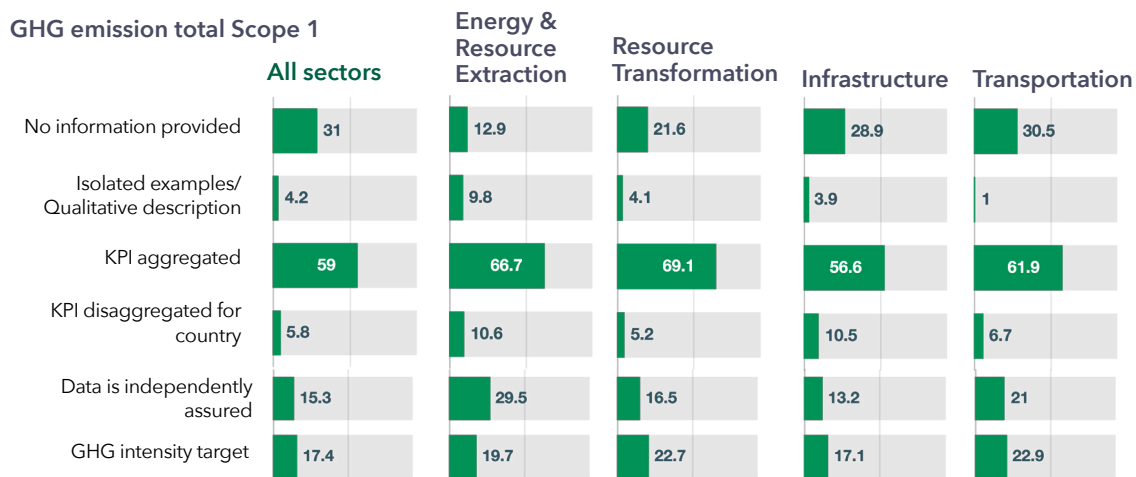
Please note that in this section we include graphs that summarise data on Scope 1 and Scope 2 emissions for all sectors, but that unless otherwise stated, our aggregated data considerations refer to the sectors with greatest impact: Energy & Resource Extraction, Infrastructure, Resource Transformation and Transportation.

Data concerning Scope 3 emissions is presented by default for all sectors. The Financials sector is not included in the overview. Instead, data on special indicators suggested in the European Commission Guidelines for this sector is provided in a dedicated subsection at the end of the chapter.

With regards to specific metrics, a relatively good image is obtained when taking into account the disclosure of highly polluting sectors. Scope 1 and Scope 2 GHG emissions are disclosed by 76.6% and 61% respectively.

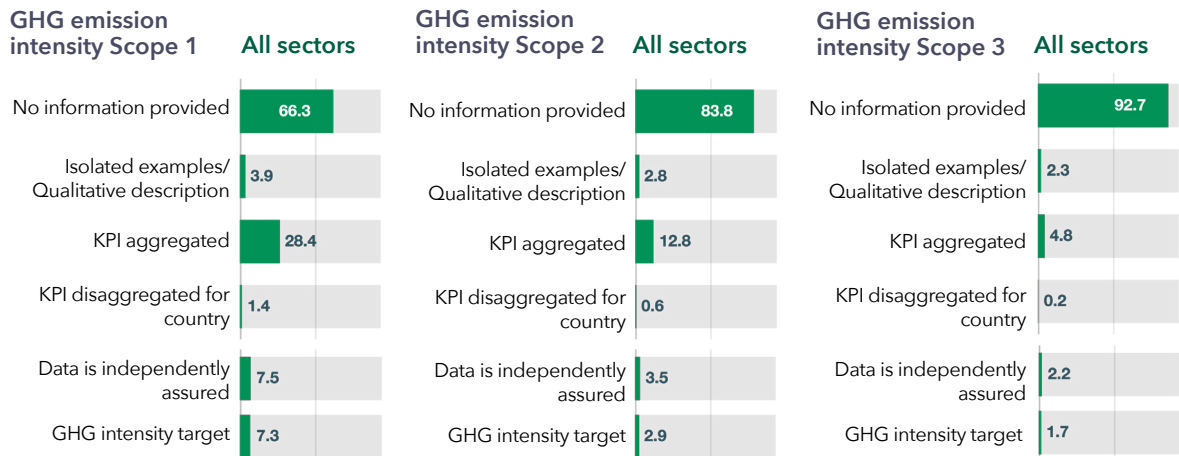
Significantly lower figures are identified when focusing on country-by-country reporting of KPIs, where averages of approximately 8% and 6% are met for Scopes 1 and 2 respectively. A positive finding is that a significant majority of companies from the Energy & Resource Extraction sector report on Scope 1 emissions, 87.1%. However, only 10.6% do so through the disaggregation of data at country level. For the Transportation sector, improvements are needed to ensure companies meet the quality of disclosure of counterparties in the Energy sector, given that less than 70% provided data on Scope 1 emissions.

A result that should come as no surprise, and arguably explained by high levels of confusion around data collection methodologies, is that relatively low values are observed in the case of Scope 3 emissions, where an average of 35% of all companies disclose such type of data. Even in high-impact sectors such as Apparel & Textiles and Food & Beverages a majority of companies do not provide information on Scope 3 emissions (62.7% and 71.6% respectively). Of those that do, only a small fraction report on emission targets.

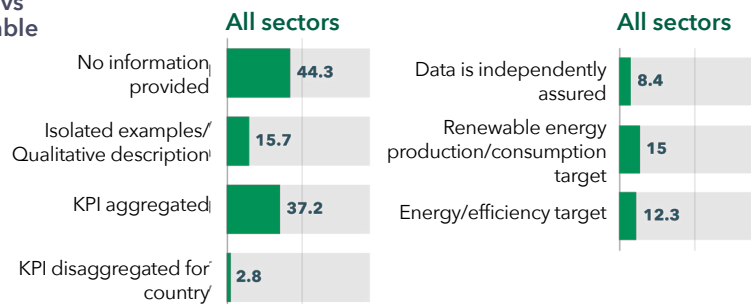


A vast majority of companies didn't report on GHG emission-related targets. For Scope 1, where numbers are higher compared to Scope 2, only around 20% of companies from highly polluting sectors did so (Resource Transformation and Transportation both almost 23%, Energy & Resource Extraction 19.7%, Infrastructure 17.1%). An interesting result is the correlation between target setting and the independent assurance of data for Scope 1 GHG emissions (approximately 21% of companies from highly polluting sectors in both cases), as well as for Scope 2 emissions.

Our research also assessed corporate reporting on the intensity of GHG emissions. Consideration of all sectors points at noticeable gaps between the percentage of companies reporting GHG emissions and those reporting on the intensity of such emissions. This is the case for all Scopes 1, 2 and 3. For those that do report on emission intensity, it is worth noting that there appears to be a correlation between the percentage of companies disclosing targets on emissions intensity and those for which such data is independently assured (see graphics on the next page).



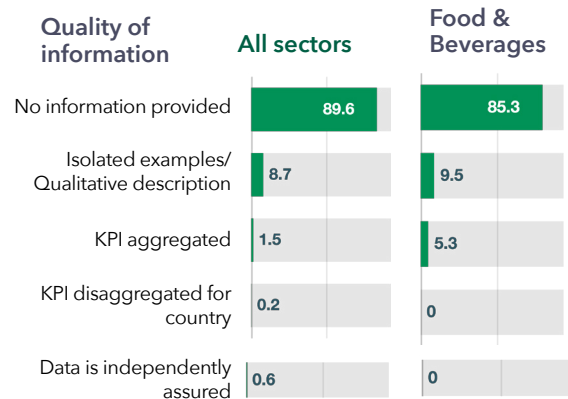
Renewable vs non-renewable energy



A detailed breakdown by sector is available in the [online presentation](#).

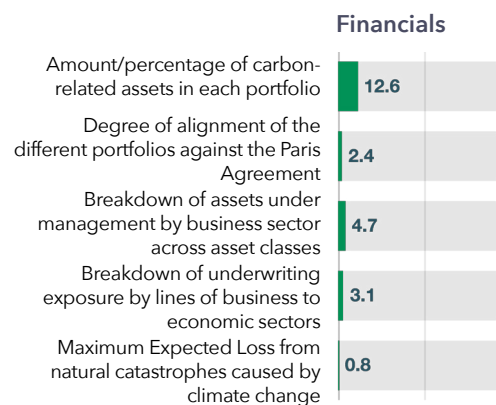
DEFORESTATION

Only a limited amount of companies disclose information about deforestation, and virtually none provide independently assured data. Worth noticing is the low performance of the Food & Beverages sector. Aggregated KPIs are provided by only 5.3% of companies, with figures improving slightly when considering vague and more isolated examples (9.5%).



CLIMATE CHANGE INDICATORS (FINANCIAL SECTOR)

The main impact of the financial sector is linked to financial activities. Information on financial companies' Scope 1 and Scope 2 emissions is not really material from either financial or environmental perspectives. Scope 3 emissions should capture impacts in the whole value chain, but the methodologies for the calculation of impacts linked to financial investments are not well developed, and very few financial companies included in the research have attempted to provide such data. Therefore, we examined the disclosure of financial companies on the basis of the indicators suggested in the European Commission Guidelines on Reporting on Climate-Related Information, which outline perhaps more meaningful metrics for assessing financial companies' impacts and risk exposure.



USE OF NATURAL RESOURCES

This section outlines the results and key findings of the Alliance’s assessment of corporate disclosure on the use of natural resources, namely use of land, water and raw materials as well as nitrogen and phosphorus.

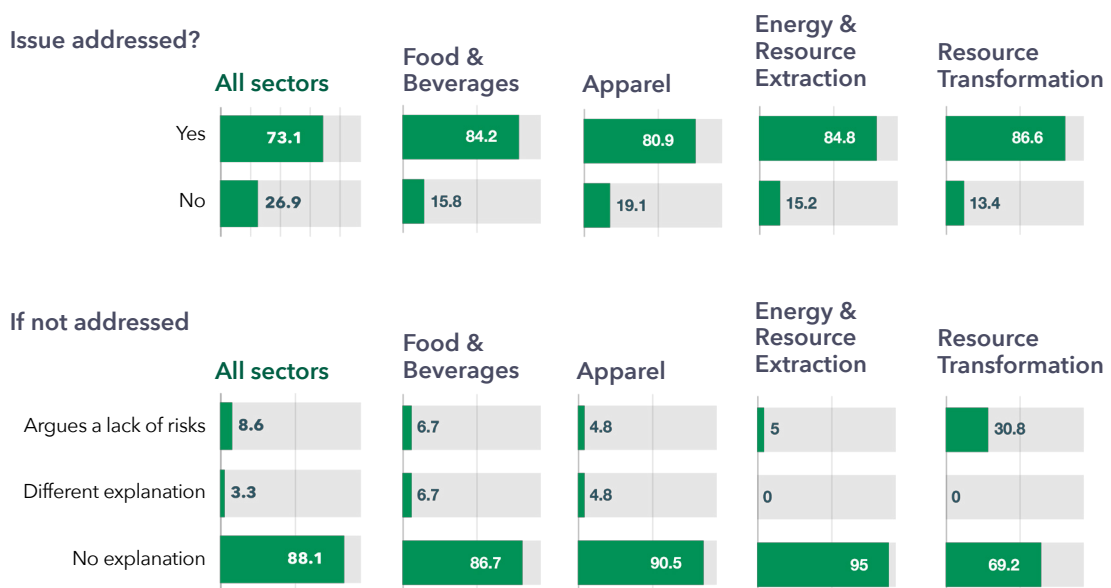
The materiality of these issues does not apply equally to all sectors. Land use was for example not examined for Consumption, Health Care, Technology & Communications and Transportation, whereas water use wasn’t viewed as a priority for the Technology & Communications sector. Similarly, disclosure on the use of raw materials was not assessed for Food & Beverages, Health Care, Hospitality & Recreation. Reporting on nitrogen and phosphorus was taken into account only for Apparel & Textiles, Food & Beverages and Financials. [Please check the materiality matrix provided in the Annex for further details](#)

We provide information from an aggregated perspective, and focus on given sectors when relevant. This is the case for Apparel & Textiles, Food & Beverages, Resource Transformation and Energy & Resource Extraction.

POLICIES & OUTCOMES

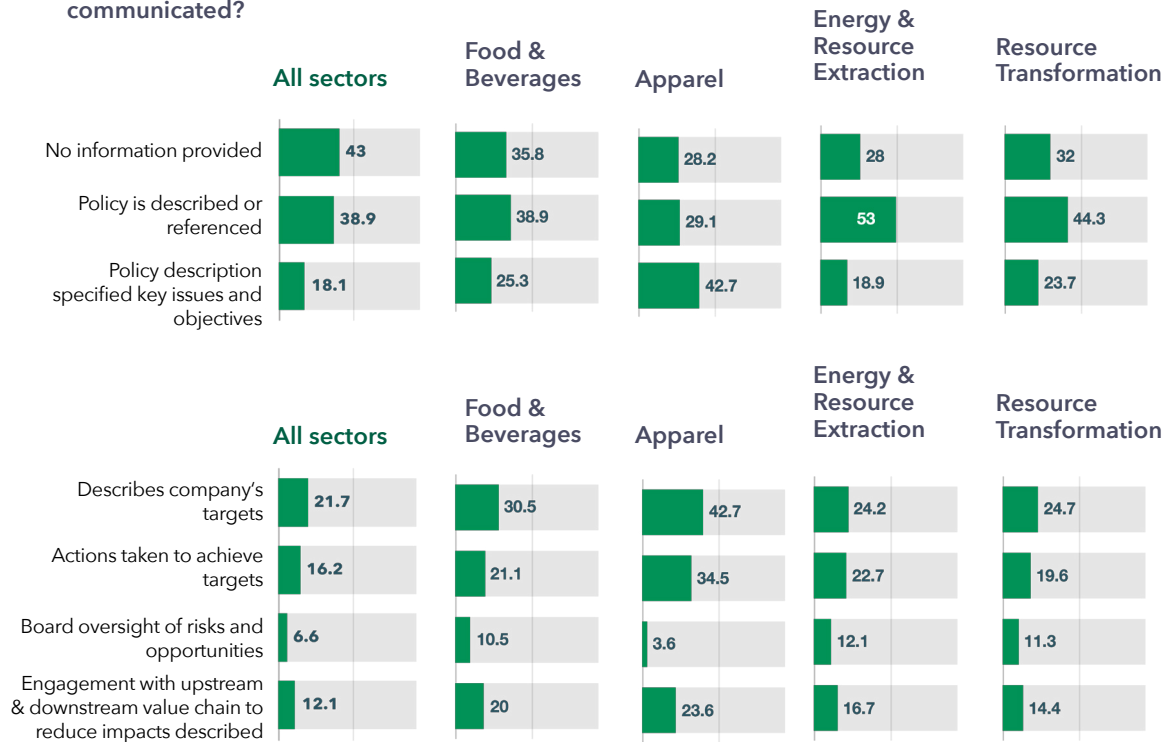
73.1% of companies address natural resource use in their reports, with high percentages referring to such an aspect in the Food & Beverages (84.2%), Apparel & Textiles (80.9%), Resource Extraction and Resource Transformation sectors (approximately 85% in both cases).

It is worth noting that only a small percentage of companies provide an explanation when not covering the issue. This is relevant for high-risk sectors such as Food & Beverages and Apparel & Textiles (respectively 13.4% and 9.6%).



Our results suggest that only a minor selection of companies cover key issues and objectives in their policies (18.1%). Most companies are either vague about policies in place (38.9%), or don't report on these at all (43%). Even in high-risk sectors, a relatively high percentage of companies do not report on policies; this is the case for approximately 30% of companies in the Apparel & Textiles, Food & Beverages, Resource Extraction and Resource Transformation sectors.

How well is the policy communicated?

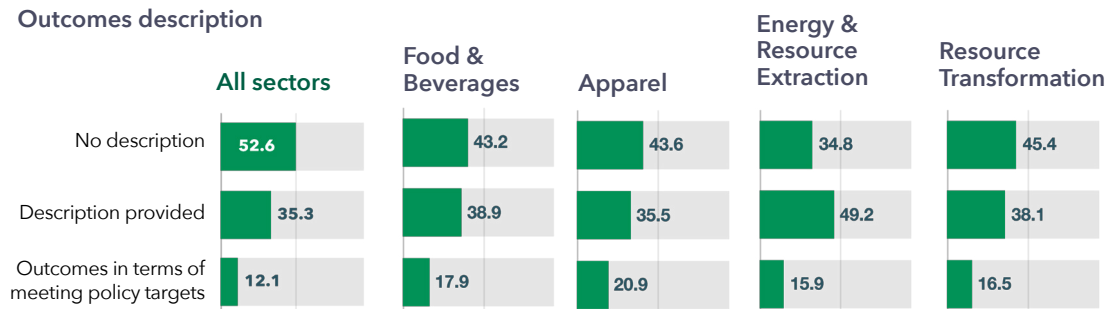


Our assessment of policy outcomes shows that an overwhelming majority of companies do not disclose information on specific targets. 52.6% do not report on outcomes and 35.3% provide only a general description thereof. A limited 12.1% disclose outcomes in relation to meeting targets, with both the Apparel & Textiles and the Food & Beverages sectors scoring slightly above average.

It is worth noting that, despite performing better than others, in both industries only around 20% of companies disclose information on outcomes in relation to policy targets. This is striking since the majority of companies in both sectors report having a policy in place (71.8% Apparel & Textiles and 64.2% Food & Beverages).

Above cross-sectoral average, yet lower than the percentage observed in the case of Apparel & Textiles and Food & Beverages, only 15.9% and 16.5% of companies in the Resource Extraction and Resource Transformation sectors report on meeting specific policy outcomes.

Outcomes description

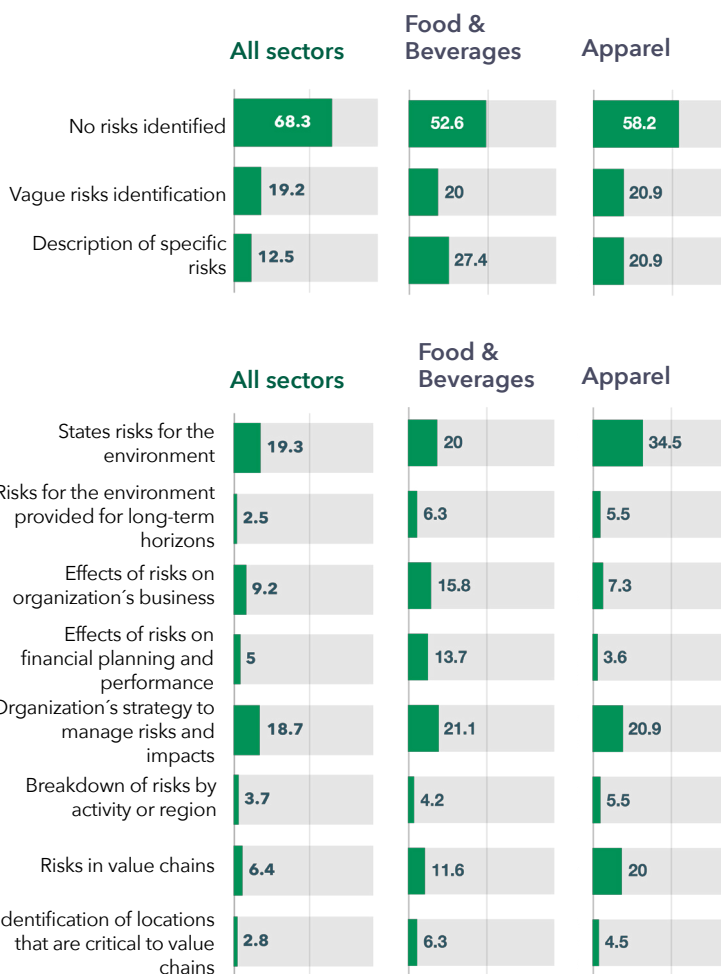


RISKS

Our research recorded that almost 70% of companies do not identify risks relating to the use of natural resources, and that only a minority of those reporting on risks are specific in their disclosure (12.5%). Even when focusing on high-risk sectors, relatively low numbers provide specific descriptions of risks, 27.4% for the Food & Beverages and 20.9% for the Apparel & Textiles sectors.

Values decrease when looking into the reporting of specific criteria. On average, only 2.5% report on long-term environmental risks (5.5% for Apparel & Textiles and 6.3% for Food & Beverages), 5% report on the effects of risks on financial performance and planning (3.6% for Apparel & Textiles and 13.7% for Food & Beverages), and only 6.4% provide details on risks related to their value chains (20% for Apparel & Textiles and 11.6% for Food & Beverages).

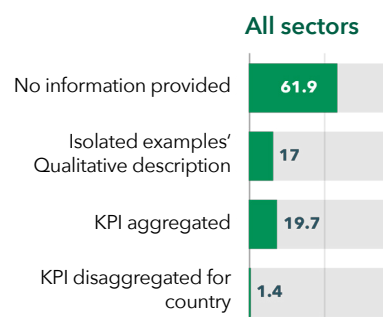
These results confirm that companies are less transparent when reporting on details than when disclosing general policies.



SPECIFIC ISSUES AND IMPACTS

Use of raw materials

Around 40% of companies report on the use of raw materials. Interestingly, as few as 1.4% report KPIs disaggregated by country. This means that only a small fraction of companies disclose information which can help readers to understand how impact is managed at local level.

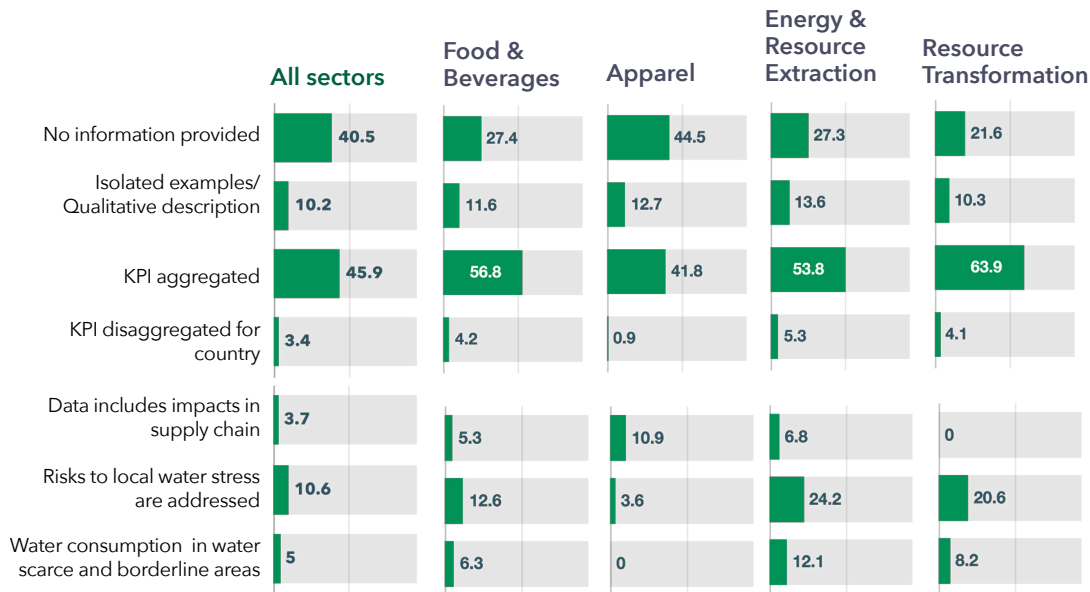


Use of water

A better image was provided by the assessment of data on the use of water (please refer to the following page for graphs). While it is true that a relatively high percentage of companies do not provide information in this sense (40.5%), almost 50% disclose aggregated KPIs (45.9%). Once again, however, only 3.4% do so by disaggregating data at country level.

A relatively good sign is that a majority of companies in the Food & Beverages sector report on the use of water (more than 70%). However, only a small minority are specific about how they use water. For example, only 5.3% report on impacts in the supply chain and even fewer disaggregate KPIs by country (4.2%).

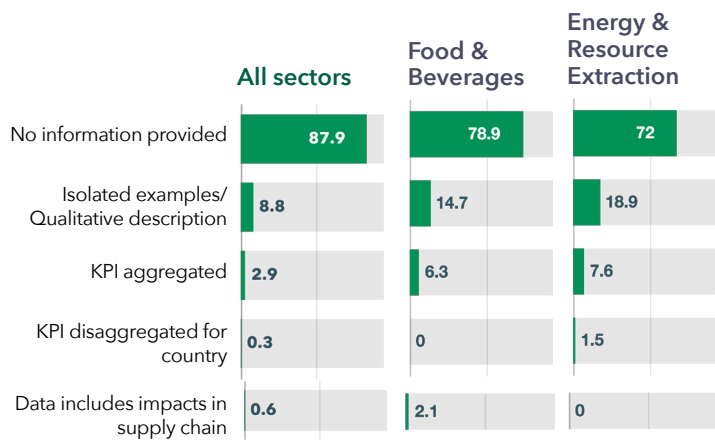
The biggest problem is that very few companies put these KPIs in the context of risks to local water stress (10.6%) or report on water consumption in water scarce and borderline areas (5%). In the absence of this information, data on the use of water is of dubious value.



Use of land

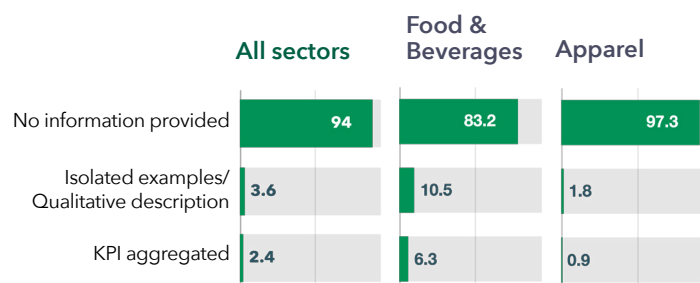
Disclosure around the use of land suggests that companies tend not to view this as a material issue.

In the Food & Beverages sector, only around 20% of companies report on their use of land. It is worth noting that most of them are vague about this and that only 2.1% include reference to supply chain impacts.



Nitrogen and phosphorus

Corporate reporting on nitrogen and phosphorus was assessed because the cycle of both elements in nature are among those being affected by humankind beyond planetary boundaries. As results show, the awareness of the issue is extremely low.



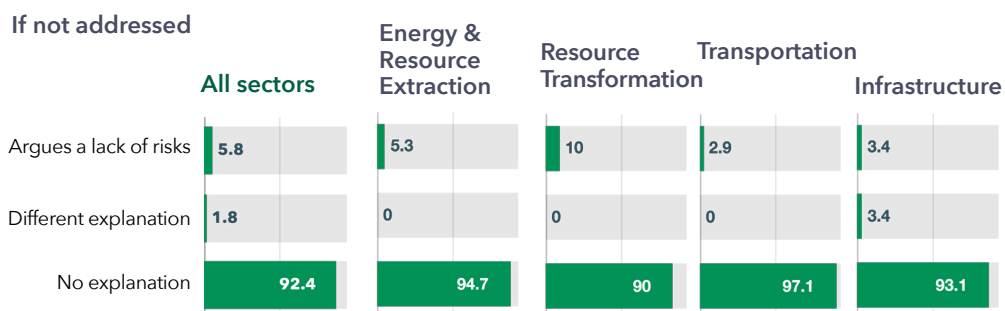
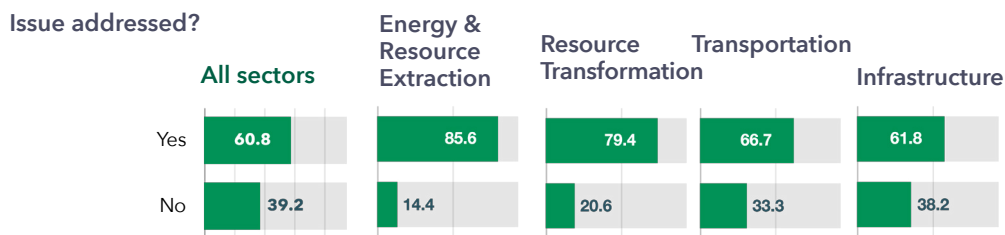
POLLUTING DISCHARGES

In the following paragraphs, we summarise the results of our assessment of company disclosure on pollution. Given the extent of their impact, we provide insights into a number of high-risk sectors, namely Energy & Resource Extraction, Resource Transformation, Transportation and Infrastructure.

When referring to highly-polluting sectors in this section, we intend all sectors mentioned above, jointly.

POLICIES

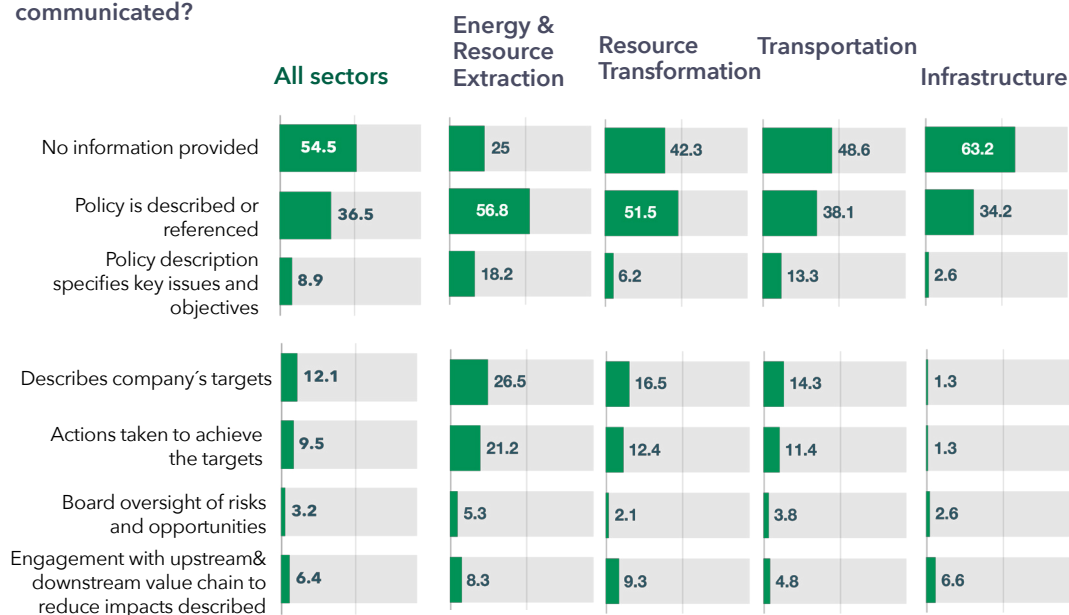
Disclosure on pollution suggests that a high amount of companies do not view polluting discharges as a material issue. In case of highly-polluting sectors, it is worth noting that the amount of companies providing an explanation for not disclosing information on polluting discharges never lies above 10%.



An important gap is given by the difference between the amount of companies covering the matter in their reports (60.8%) and those that are specific about targets and actions taken to achieve policy objectives (from a cross-sectoral perspective, an average of 12.1% and 9.5% respectively).

The highest percentage of companies among highly-polluting sectors being specific about targets and actions taken to achieve policy objectives is observed in the Energy and Resource Extraction sector (26.5% and 21.1%). This nonetheless remains a relatively low value compared to the much higher percentage of companies reporting on pollution-related policies (75%).

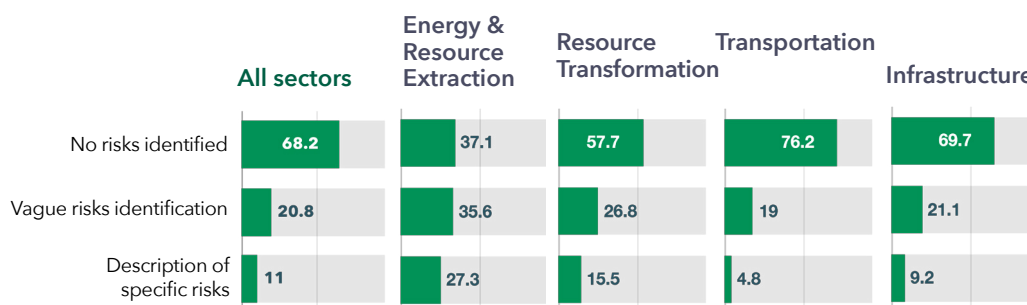
How well is the policy communicated?



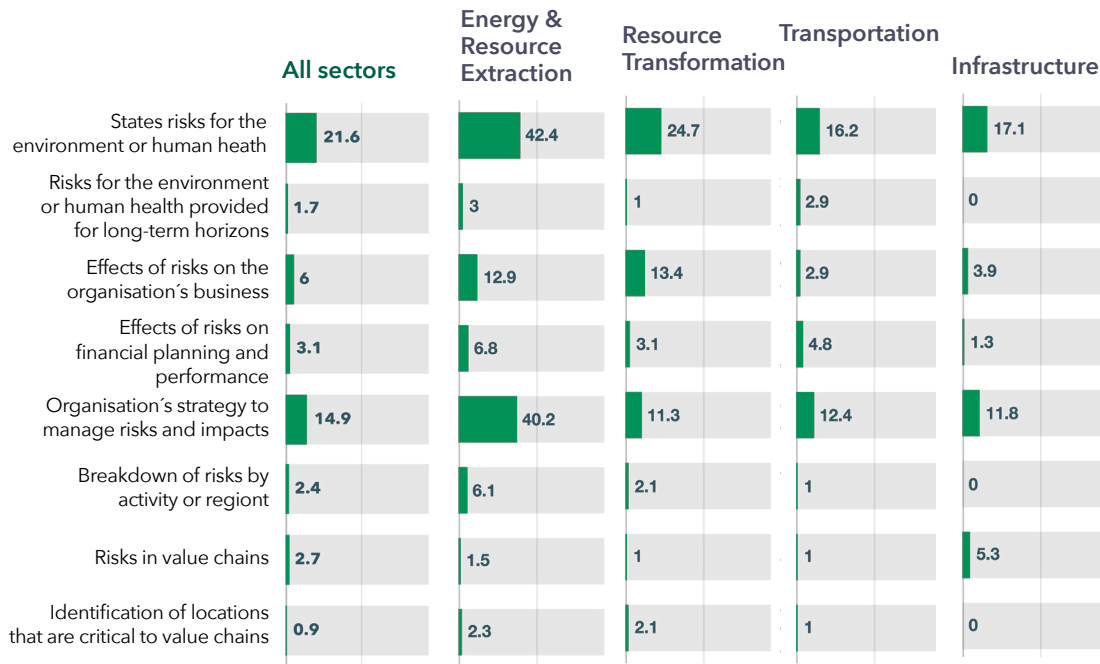
RISKS

The existence of weaknesses in how companies report on pollution was confirmed by the specificity of statements on financially material risks. While over 30% of companies report on risks in total, only 11% of companies provide specific descriptions.

The two highly-polluting industries that deviate the most from the cross-sectoral average are the Energy & Resource Extraction and Transportation sectors, albeit in opposite directions. In the former case, 27.3% of companies provide a specific description of risks, while on the other hand, less than 5% do so, which points at sectoral differences despite the relevance of the matter in both cases.

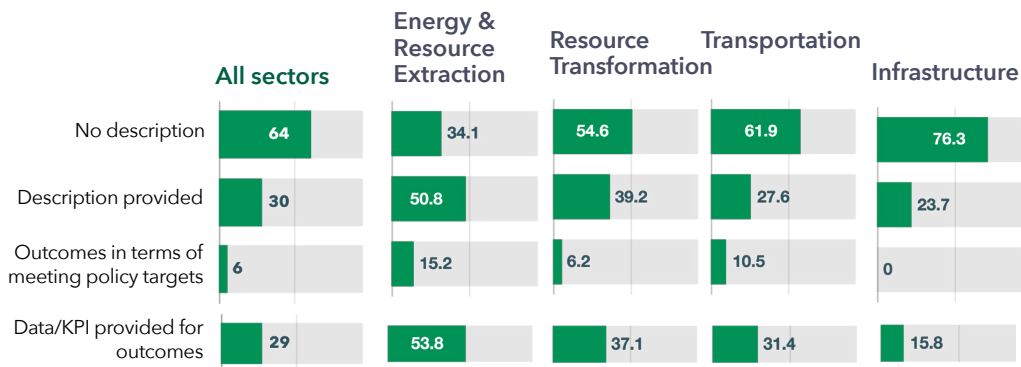


Among others, a striking result is given by the limited percentage of companies disclosing organisational strategies for the management of risks and impacts (14.9%). Weak reporting on this type of aspect is one of the elements that can hamper the ease and speed of investor decision-making in favour of sustainable investments. Bringing up the cross-sectoral average is again the Energy & Resource Extraction sector (40.2%), against the low percentages of all other highly-polluting industries (Resource Transformation, Transportation and Infrastructure, all between 11% - 13%).



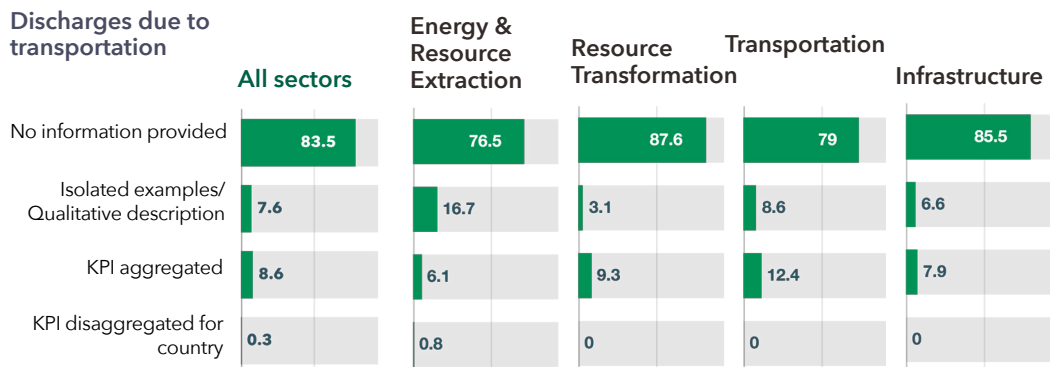
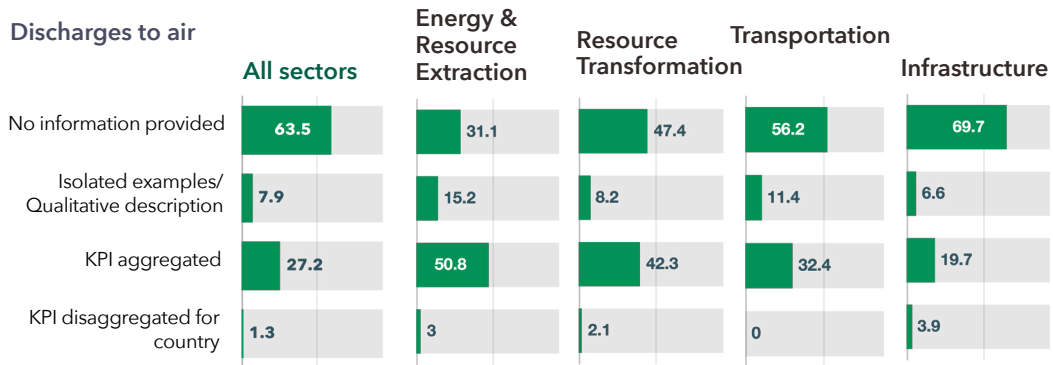
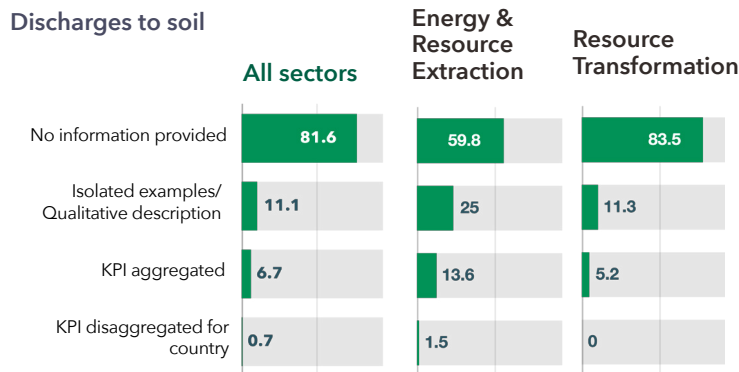
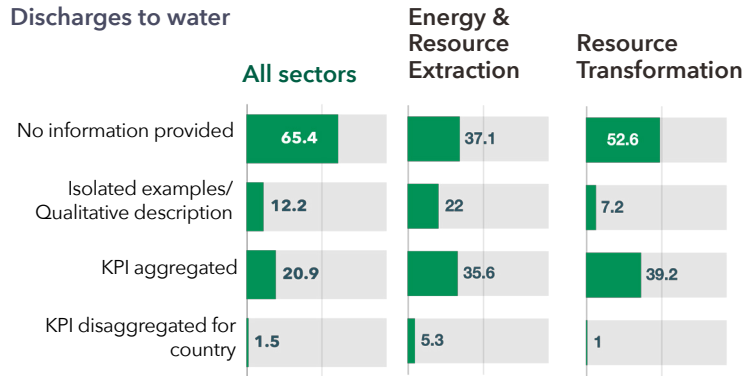
OUTCOMES

Our research shows that 36% of companies reported on policy outcomes, with a limited 6% doing so with respect to policy targets (vs. 45.5% of companies reporting on policies).



SPECIFIC ISSUES

The number of companies that provide quantitative information on polluting discharges roughly corresponds to the number of them disclosing a policy. Discharges due to transportation are reported on less often than other types of discharges. Even in the Transportation sector only 12.4% of companies provide some quantitative information in this regard. It is worth noting that all companies are linked to such discharges proportionally to the complexity of their value chain.



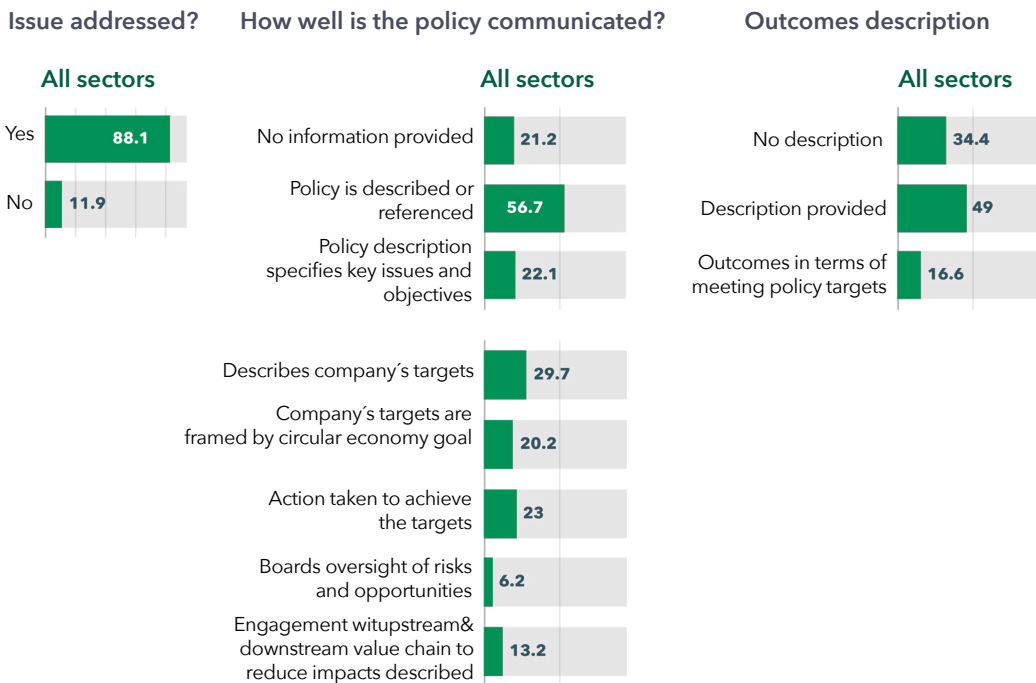
WASTE

In this section, we outline the results of the assessment of how companies report on waste. General information on policies, risks and outcomes has been examined for all sectors except for Finance.

POLICIES

Our assessment of how companies report on waste suggests that a vast majority of businesses, almost 90%, refer to waste in their reports, pointing at what could be viewed as widespread recognition of the issue’s materiality. Alternatively, it may indicate that the issue is highly regulated in the EU, which would put its materiality into question. The latter interpretation is supported by the low percentage of companies that report on Board oversight of risks (6.2%) and on risks.

The findings presented in the graphs below show disparities between the general coverage of the issue and the depth of corporate disclosure of specific matters, with only a quarter of companies being specific about policy issues and objectives, as well as targets and actions to achieve them.

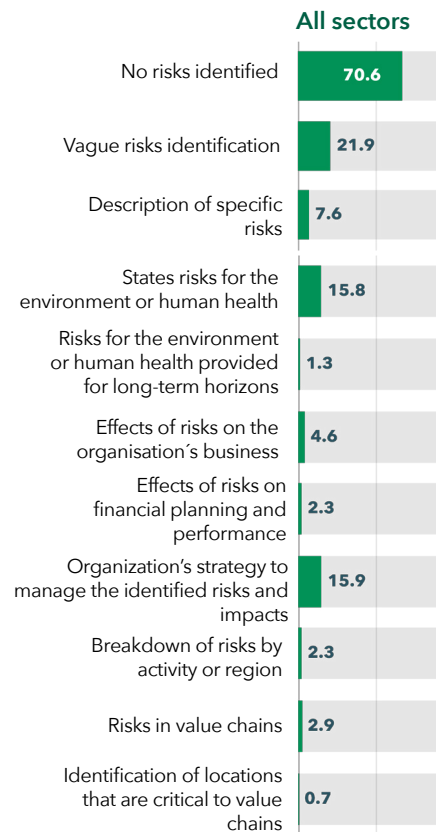


RISKS

Disclosure of information on financially material risks follows a different pattern compared to coverage of the issue and policies related to waste. Only 29.4% identify waste-related risks (whether vague or specific), despite the higher percentage of companies addressing the matter and disclosing policies. This suggests that most companies do not view waste as affecting their financial performance.

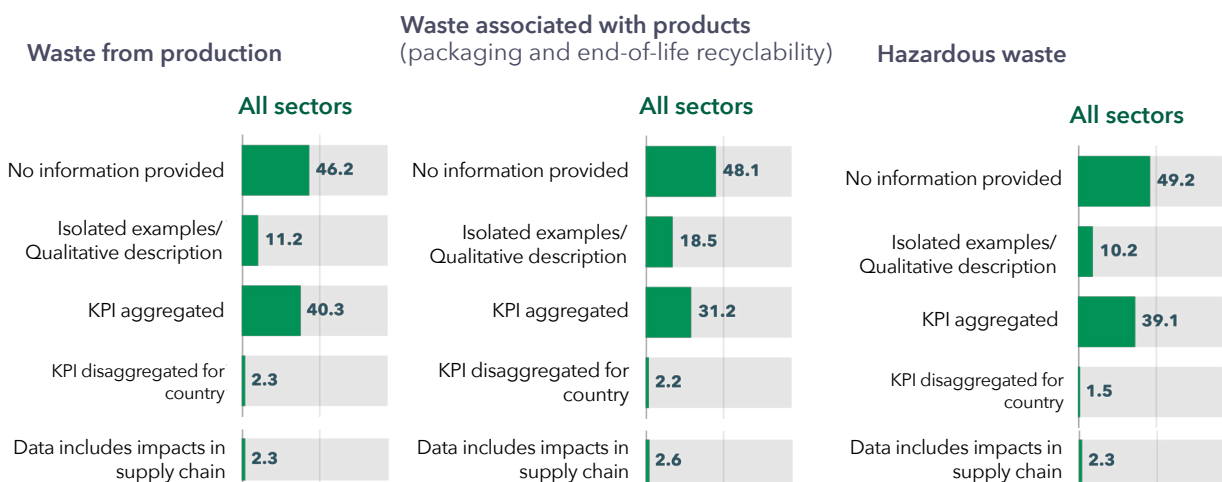
A closer look at how companies report on risks points at gaps between general and specific disclosures. While almost 30% report on risks, fewer companies are detailed about a number of specific matters. For example:

- % companies disclosing details on their strategy to manage risks and impact (15.9%)
- % reporting on risks in value chains (2.9%)
- % disclosing effects of risks on financial planning and performance (2.3%)



SPECIFIC ISSUES & IMPACTS

Looking into specific waste-related issues does not lead to surprising results. A very limited amount of companies disclose country-specific KPIs, approximately 2% in all the following cases: waste from production, waste associated with products (e.g. packaging) and also hazardous waste. For the same aspects, between approximately 30% and 40% of companies disclose aggregated KPIs.



BIODIVERSITY AND ECOSYSTEM CONSERVATION

In the section at hand, we outline key findings and results of our assessment of corporate reporting on biodiversity and ecosystem conservation. In addition to cross-sectoral data, space is given to a specific selection of high-risk sectors, namely Apparel & Textiles, Food & Beverages, Hospitality & Recreation, Infrastructure as well as Energy & Resource Extraction. Attention is also placed on providing insights into the reporting practices of the Financial sector.

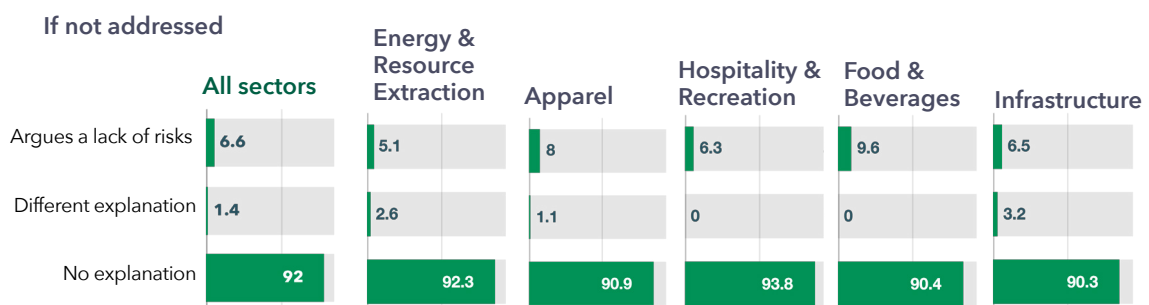
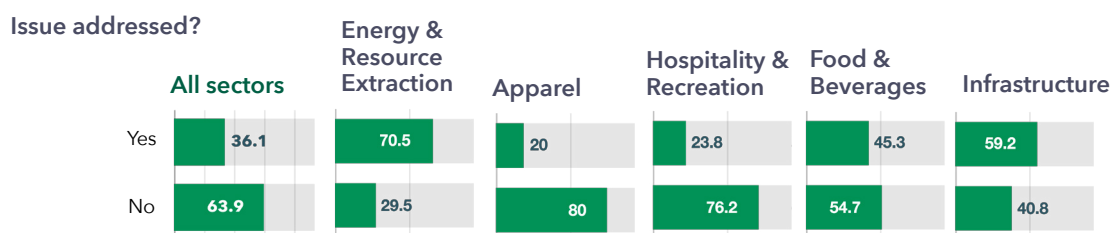
Biodiversity and ecosystem conservation differs from other environmental issues in that it is difficult to determine universally applicable key performance indicators. Therefore, we have examined if companies in specific sectors disclose their policies and any qualitative or quantitative information on outcomes concerning the salient biodiversity issues associated with their sectors.

These issues may include impacts on surrounding ecosystems, typical for example in mining operations. The most problematic impacts on biodiversity are those linked to agricultural commodities, such as cotton, palm oil and soy, whose production causes systemic biodiversity challenges with far reaching local as well as global implications.

POLICIES

Most companies do not cover biodiversity and ecosystem conservation in their reports (63.9%). This suggests that most companies do not view biodiversity and ecosystem conservation as a particularly material issue for their business.

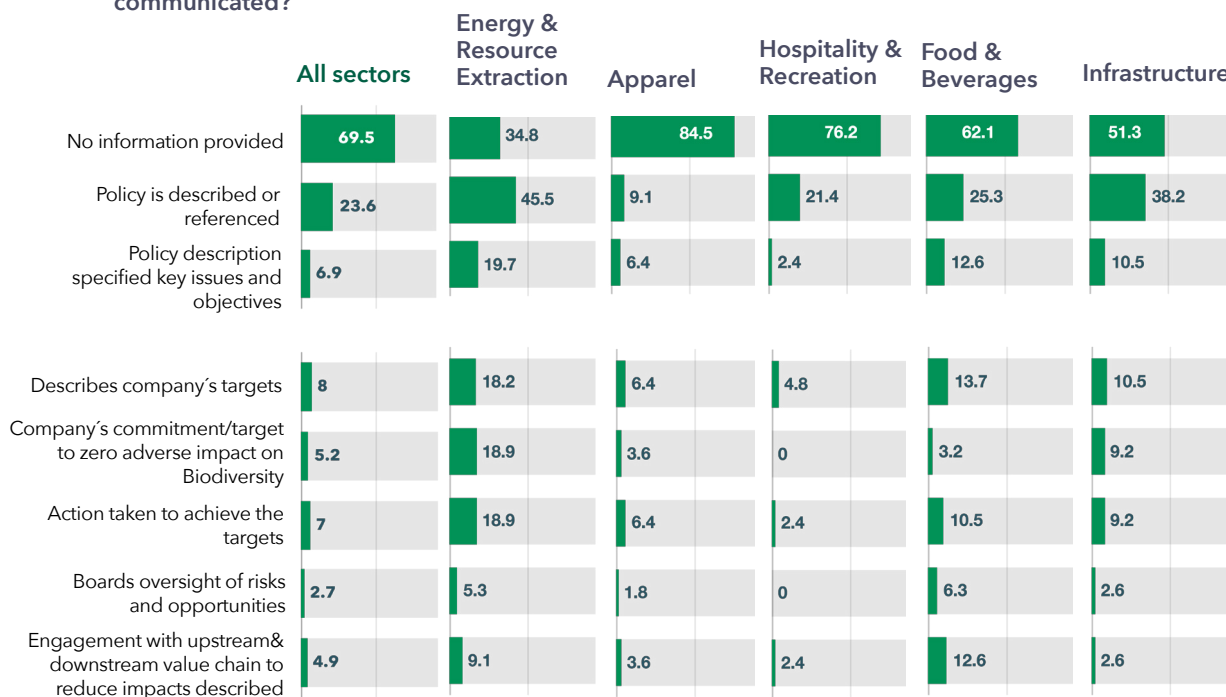
Consideration of specific sectors leads to different results. In certain high-risk sectors, the majority of companies do in fact refer to biodiversity and ecosystem conservation. This is the case in the Energy & Resource Extraction and Infrastructure sectors (70.5% and 59.2% respectively). Yet, there are high-risk sectors in which the percentage of companies not referring to the matter is strikingly high; 80% in Apparel & Textiles, 76.2% in Hospitality & Recreation, 54.7% in Food & Beverages.



The extent to which companies provide information on biodiversity-related policies appears to correlate with the relatively low percentage of companies referring, or better, not referring to biodiversity.

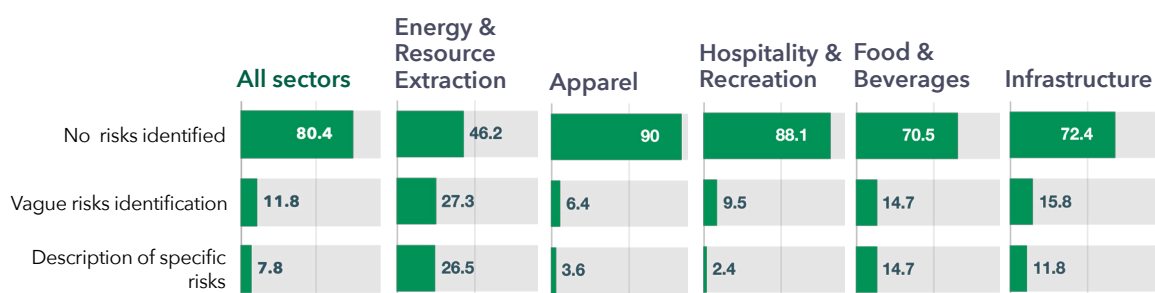
Energy & Resource Extraction is the sector marked by the highest levels of corporate disclosure on specific criteria, with 19.7% disclosing policy targets and actions taken to achieve them. Despite performing better than other high-risk sectors (only 6.4% of companies in the Apparel & Textiles industry report on targets and related actions), the gap between such values and the percentage of companies reporting on policies (65.2%) is worth noting.

How well is the policy communicated?

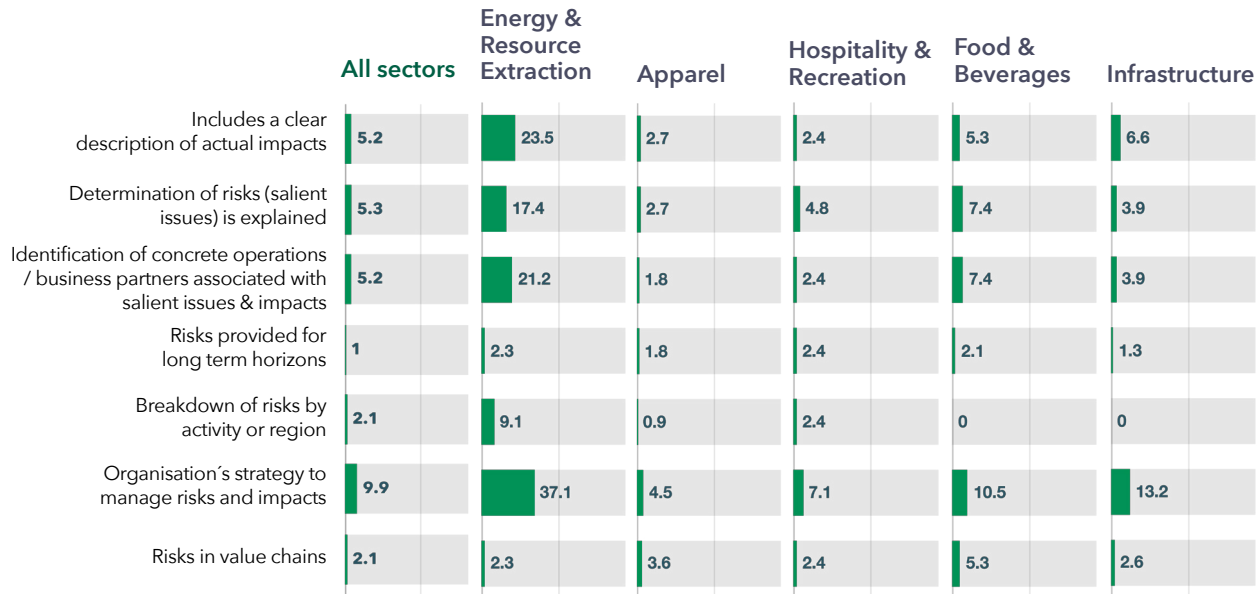


RISKS

53.8% of companies in the Energy sector describe biodiversity-related risks. Approximately half of these companies (26.5%) do so in a specific manner. When focusing on high-risk sectors, the Energy & Resource Extraction industry is the best performing one in this sense. Strikingly low results were observed for sectors such as Hospitality & Recreation (2.4%) and Apparel & Textiles (3.6%), despite the expected impact of these industries on the sustainability of surrounding ecosystems. Overall, cross-sectorally speaking, around 80% of companies do not identify risks, and very few of those that do are specific in their disclosure (7.8%).

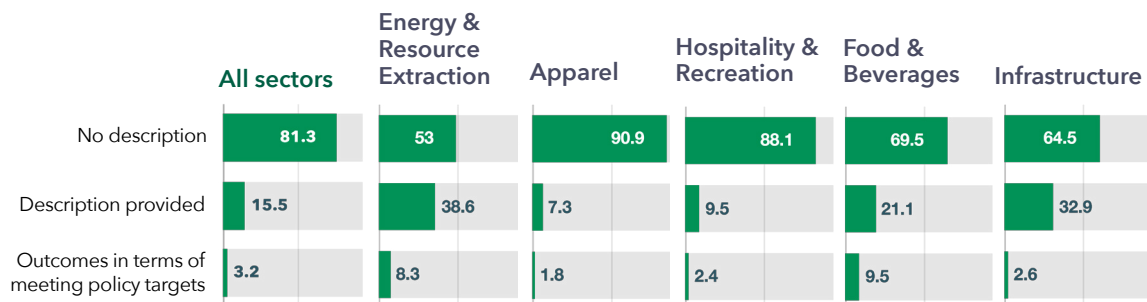


Overall, while approximately 20% of companies identify some sort of biodiversity-related risk (either vague or specific), only 9.9% disclose their organisation’s strategy aimed at managing related risks. In line with results related to other ESG areas, this confirms that companies tend not to be specific about how they report on impact management. This is the case for all high-risk sectors, where the percentage of companies disclosing strategies appears to always be lower than that reporting on identified risks; 10.5% vs. 29.4% in the Food & Beverages sector, 13.2% vs. 48.7% in the Infrastructure industry, or similarly, 37.1% vs. 53.8% in Energy and Resource Extraction.



OUTCOMES

It comes as no surprise that disclosure on policy outcomes reflects the tendency of most companies not to provide relevant and specific details. On the one hand, 18.7% of companies describe policy outcomes in their reports. On the other hand, only 3.2% are specific about meeting policy targets.



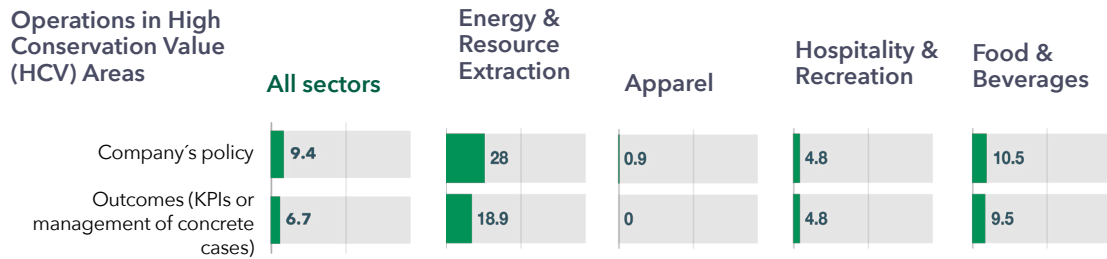
SPECIFIC ISSUES AND IMPACTS

As part of the assessment, we looked into corporate transparency on a number of specific biodiversity-related issues (please refer to the following page of the report for the visual presentation of such issues).

For each specific issue, the overall percentage of companies disclosing information is low. There is a small, yet clear difference between the percentage of companies disclosing policies and those providing details about outcomes, the latter being always lower than the former. Such a trend is observed in most high-risk sectors.

While the materiality of the below issues depends on individual business models and operational contexts, it appears problematic that, for example, only 2.7% of companies in Apparel & Textiles and 3.2% in Food & Beverages address agricultural impacts, despite the dependency of these sectors on high-risk commodities.

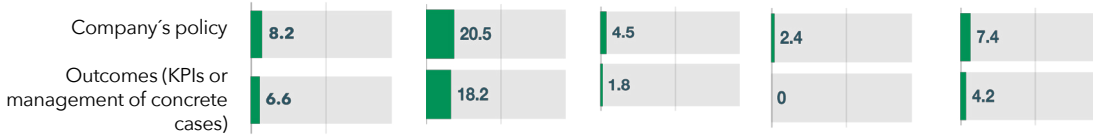
What these figures suggest is that, overall, companies do not report on biodiversity in depth, hampering the possibility for stakeholders to understand their impact on surrounding ecosystems or how they manage risks of impacts in their supply chains.



Impacts on forests (incl by logging or via pulp, paper and furniture supply chains)



Habitat, landscape or environmental functions conversion



Pesticides



Agricultural impacts



Marine (notably fisheries and aquaculture)





Employee and social matters



EMPLOYEES AND WORKFORCE

The NFR Directive explicitly refers to employee-related matters. To assess corporate disclosure on such issues, we developed our methodology by taking into account indicators suggested by international reporting frameworks - in particular GRI - as well as ILO conventions and declarations. In this section, we present the results of our examination of corporate disclosures concerning direct employees as well as workers operating under the direction or at the premises of a company. Please note that we will look into how companies report on matters concerning workers in supply chains in a different section of this report: [Human Rights in Supply Chains](#).

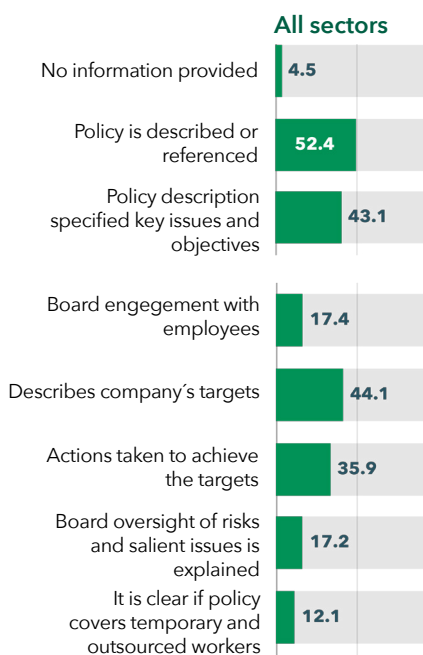
The information in this section concerns companies from all sectors equally.

POLICIES & OUTCOMES

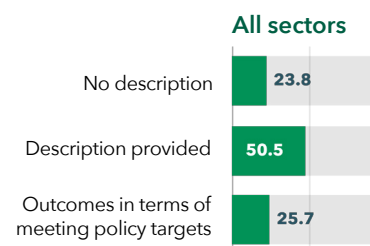
While a large majority of companies report on employee-related policies (95.5%), only 43.1% describe key issues and objectives. The gap between the percentage of companies reporting on policies and those being precise about them is confirmed by a variety of examples: 44.1% report on policy targets, and only 35.9% on the actions taken to achieve such targets. Similarly, very few companies describe policy outcomes in terms of meeting targets (25.7%).

These results suggest that while companies may appear relatively mature in terms of disclosing general employee-related information, reporting practices are weak when it comes to reporting on specific and forward-looking information.

How well is the policy communicated?

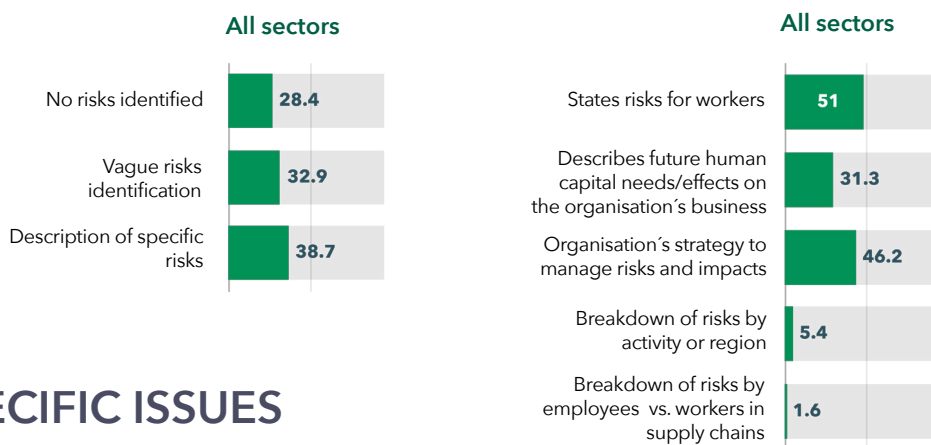


Outcomes description



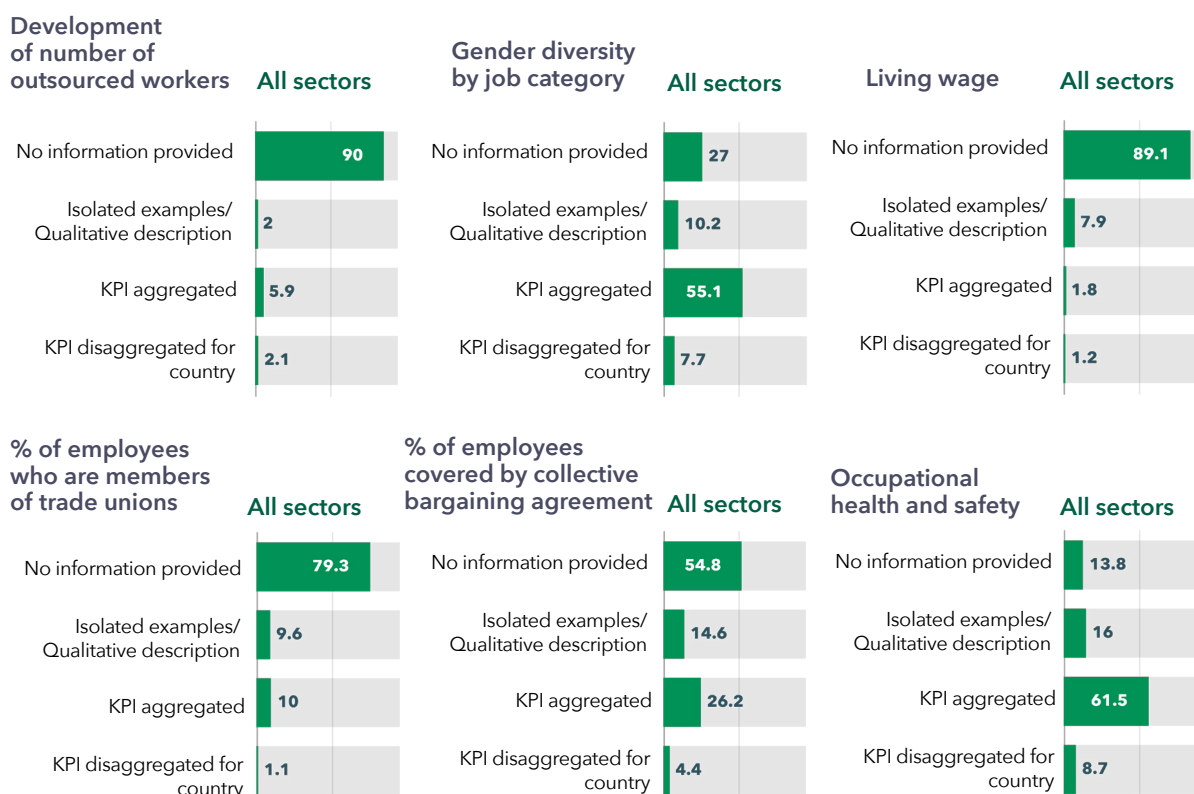
RISKS

The assessment of corporate disclosure on risks indicates that company reporting practices are heterogeneous. 71.6% of companies report on identified risks, but only 38.7% describe risks in detail. Gaps persist when focusing on specific reporting criteria. On the one hand, approximately half of all companies report on aspects such as risks for workers or organisational strategies aimed at managing risks and impacts. On the other hand, only 5.4% report on risks by activity or region, which is worth noting given the relevance of such an aspect in affecting the saliency of an issue.



SPECIFIC ISSUES & IMPACTS

Over 50% of all companies report KPIs on matters such as occupational health and safety or gender diversity per job category. However, reinforcing the finding that corporate reporting tends not to be detailed about a number of issues, only a limited percentage of companies is specific about outsourced workers, living wages, percentage of employees members of trade unions or covered by collective bargaining agreements.



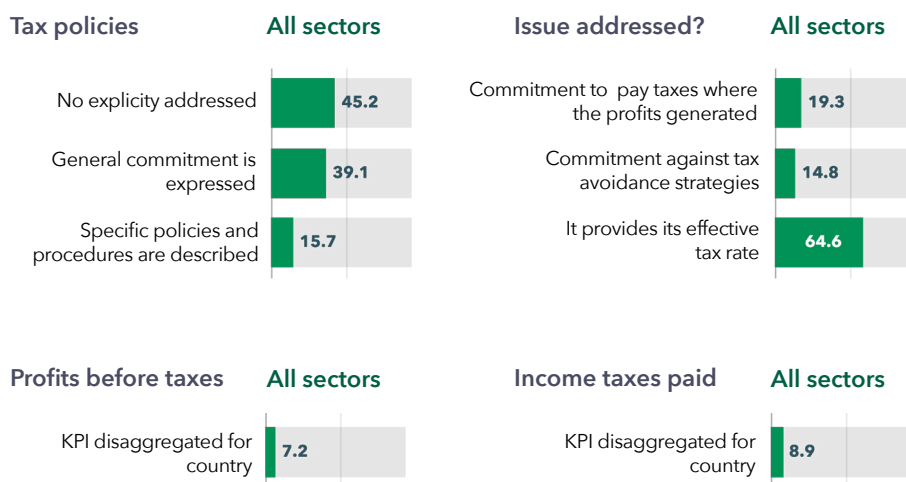
SOCIAL MATTERS

Jointly with employee-related matters, the NFR Directive also refers to social matters. However, it is difficult to identify any concrete social issue that wouldn't be classified as either a matter of respecting human rights or as employee-related matters as understood in the previous section.

Therefore, in this section we have examined one issue only, namely tax transparency. We have applied a simplified version of the methodology focusing only on the disclosure of policies and of specific KPIs.

POLICIES & OUTCOMES

The results of our assessment suggest relatively low coverage of reporting on tax-related policies and commitments from a country-by-country perspective. 54.8% of companies report on tax policies, but only 19.3% express specific commitment about paying taxes where profits are generated, and only less than 10% provide information on income taxes paid disaggregated country by country.





Human Rights



GENERAL HUMAN RIGHTS REPORTING CRITERIA

Corporate disclosure on human rights is often narrative and case-specific. Methodologies that allow to report on human rights in quantitative terms are not common, which in broad terms can be explained by the very nature of the matter, namely, that quantifying human rights issues and impacts is challenging.

The methodology we adopted to assess human rights related disclosures focused on general criteria derived from the [UN Guiding Principles on Business and Human Rights Reporting Framework](#), concerning the identification of salient human rights issues by companies and their management. These criteria naturally fit the categories of information the NFR Directive requires companies to report on, namely policies and due diligence procedures, outcomes, principal risks and KPIs.

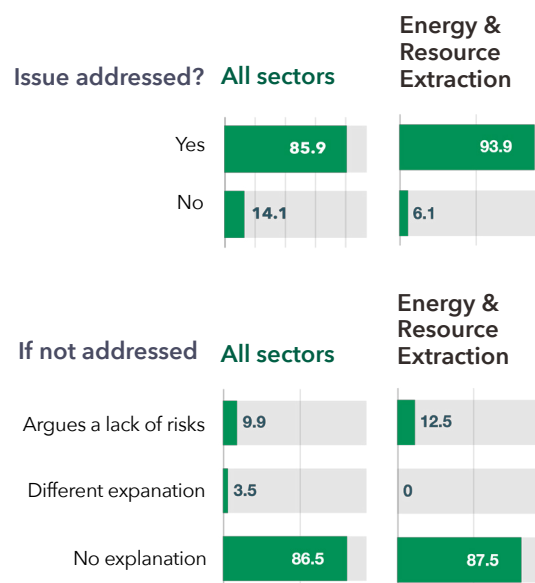
This approach leaves the choice of salient issues at the discretion of companies. Our methodology examined whether companies provide information which is specific enough to allow understanding of what their salient issues are, how companies determine them, what it is being done to address such issues, and what the outcome of a company's actions in terms of prevention or mitigation of human rights impacts is.

The results presented below are provided in an aggregated form for all industries, and separately for the Energy & Resource Extraction sector, as one of the higher-risk sectors.

In the subsequent sections, we provide additional insights into specific human rights issues, and focus on industries that are linked to these issues.

POLICIES & OUTCOMES

Our research highlights that most companies refer to and disclose policies on human rights. This can be viewed as suggesting that many businesses view human rights as material. What strikes, however, is that only a limited amount of companies provide relevant and specific details on policies (please refer to the following page of the report for corresponding graphs). An example is the low percentage of companies reporting on targets or how human rights are integrated into day-to-day practices (less than 20% in both cases).



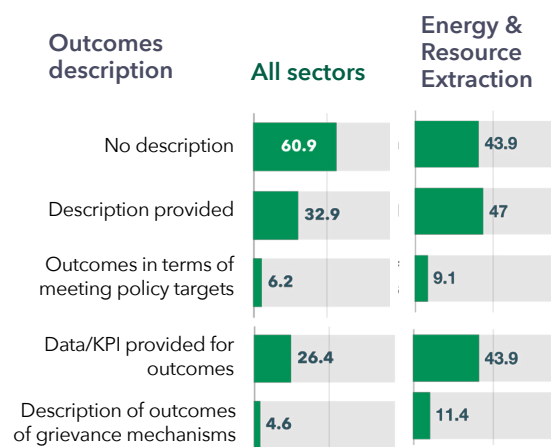
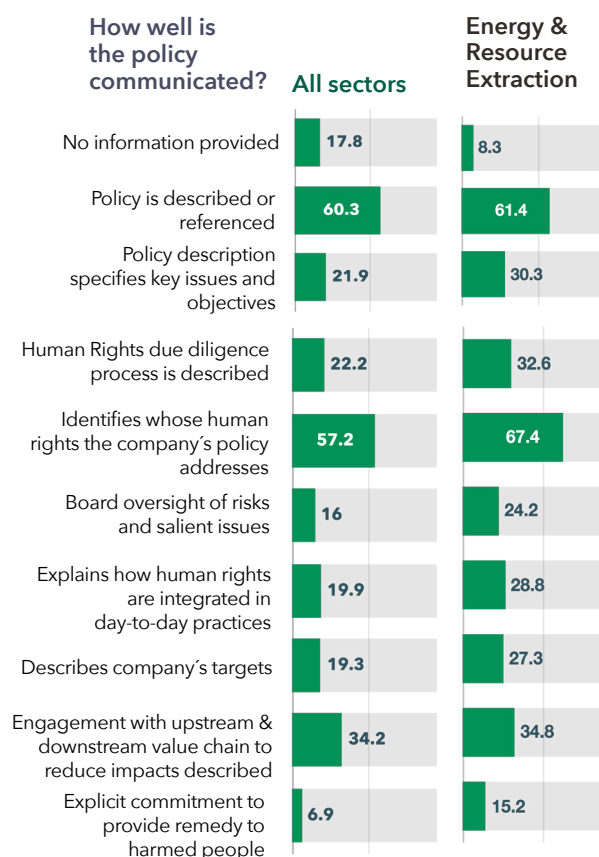
An important finding concerns disclosure on Human Rights Due Diligence; 22.2% of companies report on due diligence processes and only 6.9% refer to their commitment to provide remedy for harmed people. The Energy & Resource Extraction sector is slightly above average, with 32.6% of companies including reference to due diligence and 15.2% referring to access to remedy for harmed people. Yet, this is only a small fraction compared to the majority of companies in the sector committing to human rights through policies (91.7%).

The UN Guiding Principles on Business and Human Rights suggest human rights due diligence to be an operational means for business enterprises to respect human rights. This corresponds with the explicit requirement of the NFR Directive for disclosure of due diligence processes.

Our methodology has assessed whether a company provides at least general information on the three constituent elements of the due diligence process outlined in the UN Guiding Principles, namely to identify, prevent and mitigate impacts on human rights. We have also included a separate question concerning remedy, which - according to the UN Guiding Principles - should be provided when a company causes or contributes to adverse human rights impacts.

The high percentage of companies reporting on human rights policies (over 80%) is in contrast with a much lower share describing policy outcomes (less than 40%, and only 6.2% with respect to policy targets). The fact that only 26.4% of companies report data or KPIs is more difficult to evaluate given the lack of methodologies to quantify human rights impacts and their management.

For companies operating in the Energy & Resource Extraction sector, results are slightly above average, as suggested by the amount of businesses reporting on KPIs for policy outcomes (43.9%). Nonetheless, despite a vast majority reporting on policies (over 90%), almost 45% do not disclose outcomes.



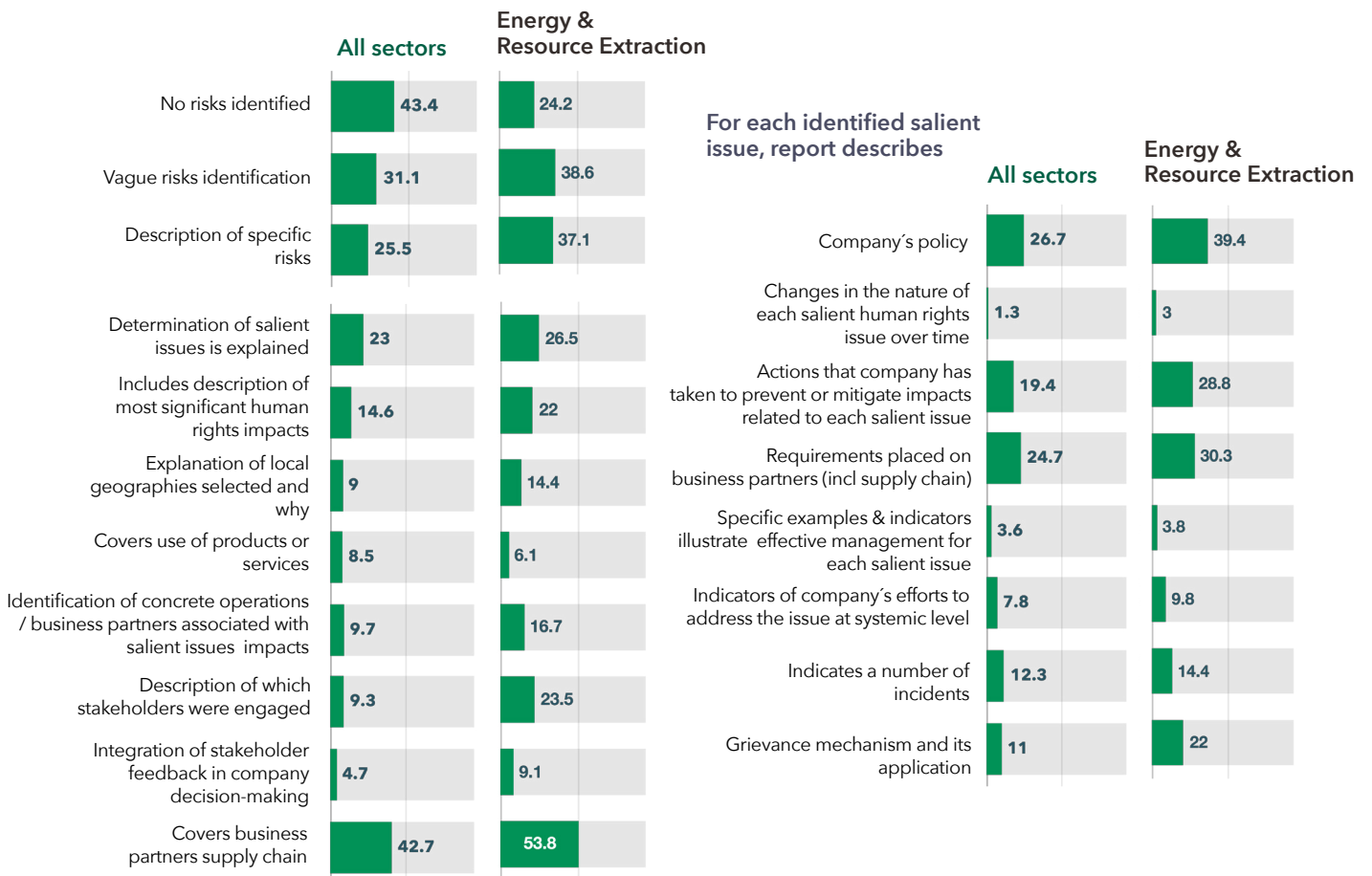
RISKS

The most important element of human rights disclosure is reporting on risks, or - in business and human rights terminology - salient human rights issues. In this section, we use both these terms in order to connect the NFR Directive with the business and human rights discourse, but please note that we always refer to 'risks of adverse human rights impacts'.

A key finding of our research is the gap identified between reporting on identified human rights risks (56.6% report on risks, with 25.5% of statements on risks being specific) and disclosure on what companies do about such risks. Only 26.7% of companies disclose information on policies designed to address identified salient risks. Numbers decrease further when considering how companies disclose actions taken to prevent or mitigate the impacts related to such risks (19.4%), and reach very low levels when it comes to corporate disclosure of examples or indicators that illustrate management of issues (3.6%). On top of that, very few companies report on actual adverse human rights impacts (14.6%), and close to 1% describe changes in the nature of human rights issues over time (1.3%).

Relevant gaps were identified also in the case of the Energy & Resource Extraction sector. On the one hand, 75.7% report on identified risks. On the other hand, less than half report on adverse human rights impacts, actions taken to prevent or mitigate the impacts related to salient issues, or examples/ indicators chosen to illustrate the management of issues (respectively 22%, 28.8%, 3.8%).

This suggests that general human rights reporting requirements are not an effective tool to ensure the disclosure of information that can help to assess a company's management of individual risks of human rights impacts, and by extension of whether its business conduct is responsible. Achieving corporate accountability requires a different approach, which would specify companies' legal responsibilities based on human rights due diligence. In this regard, reporting can have only a supportive role, where it ensures disclosure of meaningful information.



FINANCIALS SECTOR

As is the case for environmental matters, the Financials sector has a specific role in addressing human rights risks. On one hand, European banks and investors directly and indirectly provide finances to projects and corporate activities that cause or contribute to significant human rights impacts. Examples include controversial projects involving minerals exploration, deforestation and land grabbing in plantation developments, and systemic abuse of labour rights and community impacts in large construction projects.

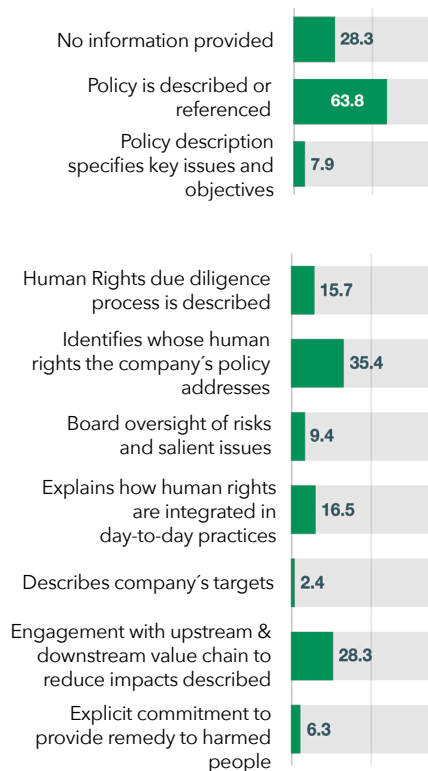
On the other hand, their position enables financial companies to support international development by directing their investment to activities which are not harmful, and pressure companies they have invested in to prevent, mitigate or remedy impacts where they occur.

The assessment of financial companies' disclosures thus requires a comparison of their human rights commitments and their application in investment and lending practices. We display results for the criteria that provide insights into this question.

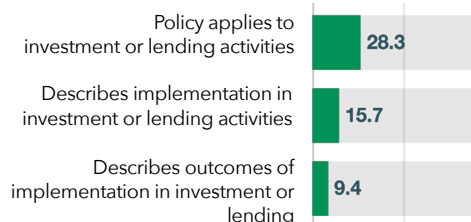
These numbers show results for human rights disclosures of financial companies, irrespective of whether they apply to their investment or lending policies. Many financial companies, for example, disclose only their human rights policies focused on suppliers. A good indicator that allows to distinguish between these two types of reporting is the specificity of disclosures. Most financial companies report on policies (71.7%), but only very few are specific about policies and their objectives (7.9%), and only 15.7% describe human rights due diligence processes.

There are evident gaps between the percentage of companies reporting on policies and those communicating how such policies relate to investment or lending activities. Only 28.3% describe how policies apply to investment or lending activities, and an even lower amount report on how such policies are implemented in practice (15.7%). There is a further drop in the number of companies describing outcomes of implementation in investment or lending activities (9.4%).

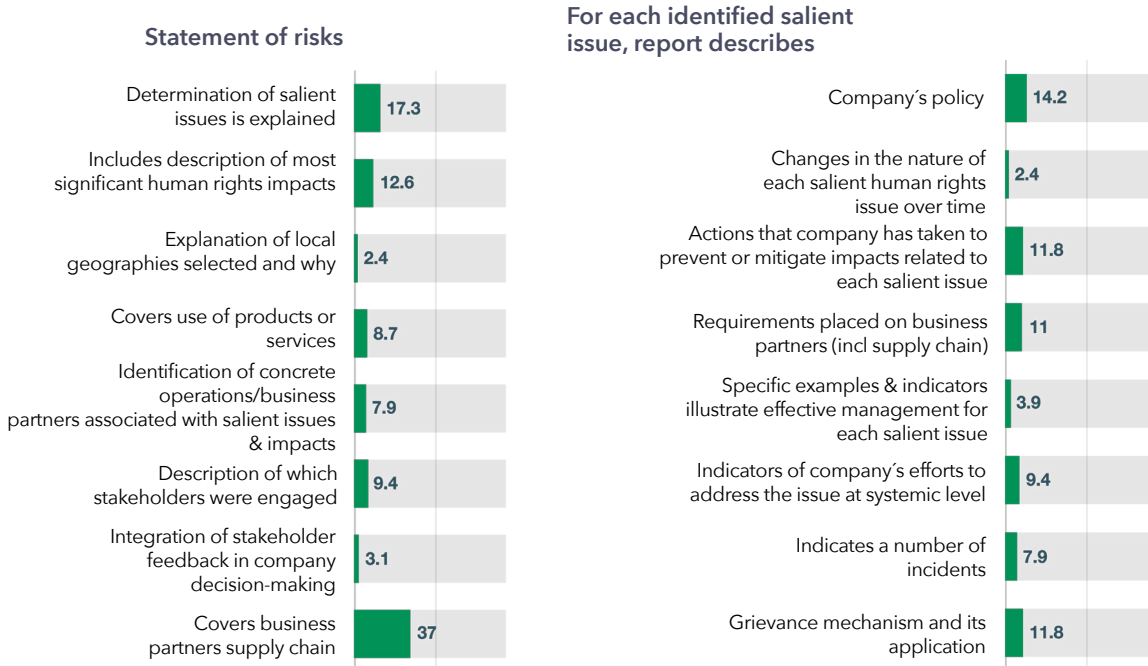
How well is the policy communicated? Financials



Financials



Our research recorded that very few financial companies are specific about the number of relevant human rights matters they have dealt with in the reporting period. Such matters include identification of concrete operations and/or business partners associated with salient issues & impacts (7.9%), actions taken to prevent or mitigate impacts related to salient issues (11.8%) or examples and indicators to illustrate how salient issues are being managed effectively (3.9%). It is also worth pointing out that only 11.8% of financial companies inform about grievance mechanisms. Such mechanisms are important in enabling financial companies to learn about human rights risks.



HUMAN RIGHTS IN SUPPLY CHAINS

In the following paragraphs, we present the results of our assessment of disclosure on supply chain management with respect to human rights. As well as considering all companies jointly, we provide insights into high-risk industries: Apparel & Textiles, Food & Beverages and (other) Consumption.

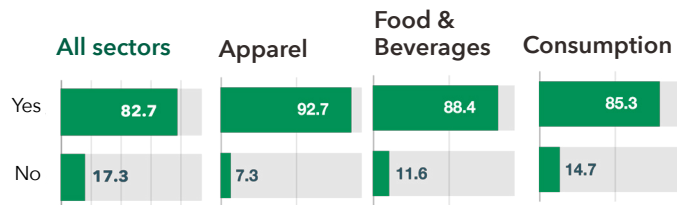
The structure of the questions follows the same pattern as in the General Human Rights Reporting Criteria section. This means that a company with a human rights policy (and analogously risk description) addressing its supply chain will be included as having relevant results in both sections. In this context, we also assess whether companies clearly identify relevant supply chain matters as a 'salient human rights' issue.

Additional general criteria are replaced by specific supply chain-related questions. We also include separate subsections on supply chain transparency and audits. The section on KPIs is integrated with a number of specific issues allowing to map the scope and focus of company policies.

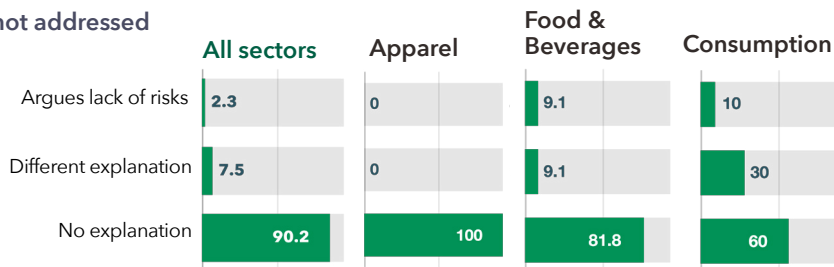
POLICIES & OUTCOMES

From a cross-sectoral perspective, while most companies cover issues relating to supply chain management (82.7%), only a small fraction highlight the saliency of the matter (26.6%). This is the case also for high-risk sectors: Apparel & Textiles - 35.5%, Food & Beverages - 27.4% and Consumption - 19.1%.

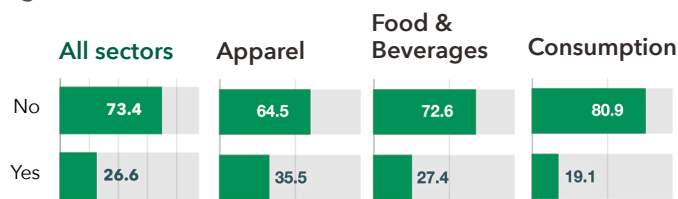
Issue addressed?



If not addressed



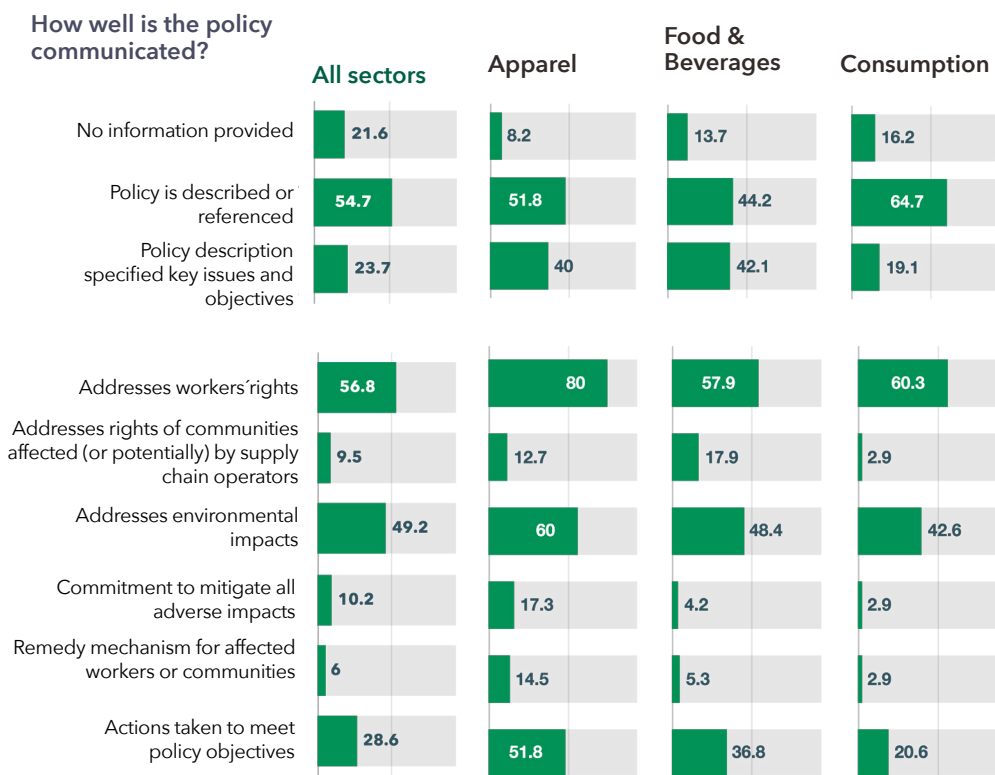
Did the company identify this as a salient human rights issue



Irrespective of the formal recognition of the saliency of the matter, a majority of companies report on supply chain policies (78.4%). Only 23.7%, however, describe specific issues and objectives. The isolation of high-risk sectors leads to similar results. Most companies in the Apparel & Textiles, Food & Beverages and Consumption sectors disclose policies, yet only a minority describe clear objectives and specific issues (40%, 42.1% and 19.1% respectively).

We also assessed the scope of supply chain policies. The result is heterogeneous. While many companies refer in their policies to worker rights and environmental impacts (respectively 56.8% and 49.2%), only 9.5% provide information about rights of communities affected or potentially affected by supply chain operations. Values decrease further when looking at information on remedy mechanisms for affected workers of communities (6%).

Similar trends were recorded for the high-risk sectors mentioned above. The explanation may be that risks of community impacts are more affected by context, but that they are also more difficult to identify. The actual prevalence of such impacts would be worth exploring in particular in the supply chains of agricultural commodities.



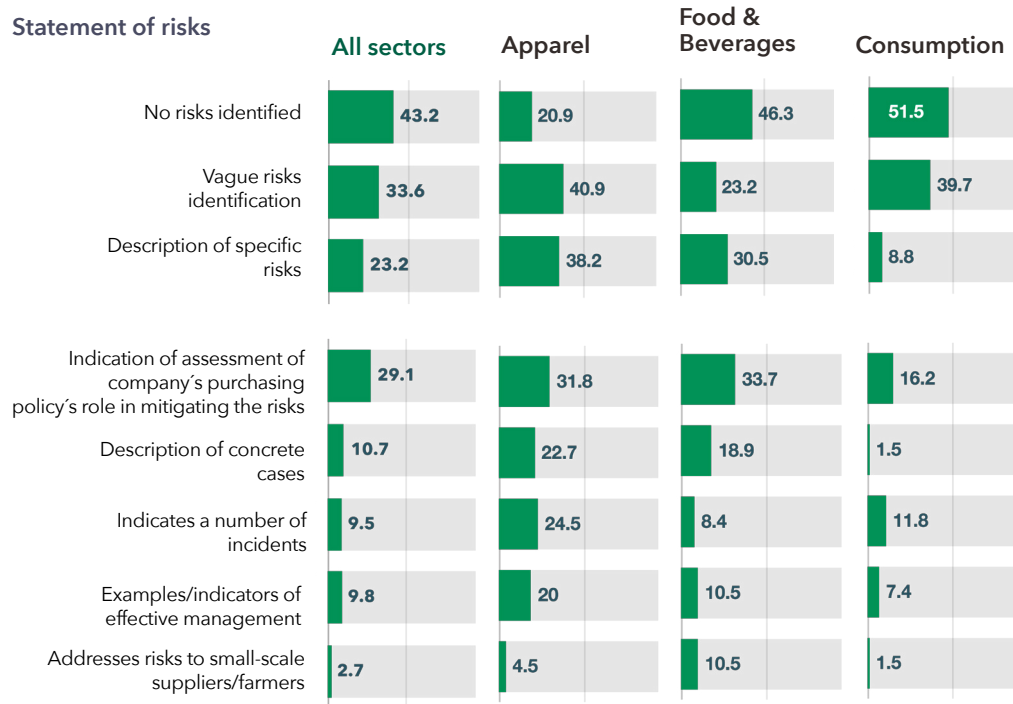
RISKS

While 56.8% of all companies report on identified risks, only 23.2% do so specifically. Above-average results were observed for the Apparel & Textiles and Food & Beverages sectors (38.2% and 30.5%, respectively). However, other Consumption goods companies were specific about risk descriptions in only 8.8% of cases. This may be due to the lower incidence of risks as well as the fact that this sector is not exposed to the same level of scrutiny as Apparel & Textiles and Food & Beverages.

A minority of companies communicate how they assess the role of company purchasing policies in mitigating supply chain risks (29.1%). This question is a reaction to the widespread recognition that demands of buyer companies, in particular in terms of short delivery times, are complicit in driving

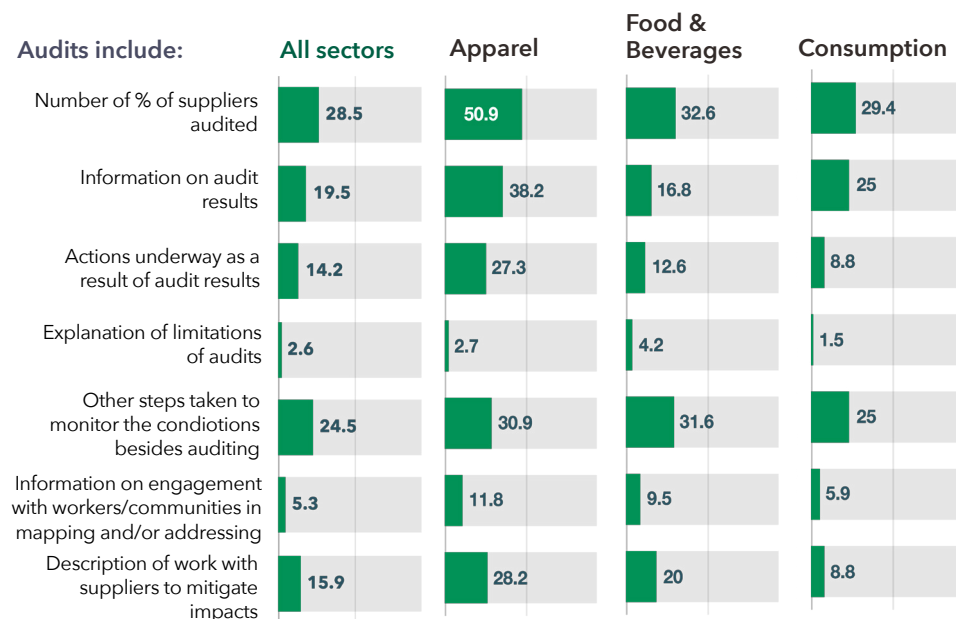
the abuses of labour rights. Interestingly, the results for Apparel & Textiles companies, the sector most associated with the problem, have not particularly deviated from the average (31.8%).

Companies reporting on the number of incidents or examples/indicators of effective management are even fewer (both below 10%), in line with the results recorded in the General Human Rights Reporting section.



AUDITS

Audits remain the dominant tool to identify and address human rights issues in supply chains. The practice is dominated by a number of specialised firms, but the quality and meaningfulness of audits have been repeatedly criticized, in particular in the wake of the [Rana Plaza disaster](#). Our research assessed the quality of disclosed information on the scope of audits and company follow-ups, as well as other, arguably, more effective methods of identifying and addressing human rights risks.



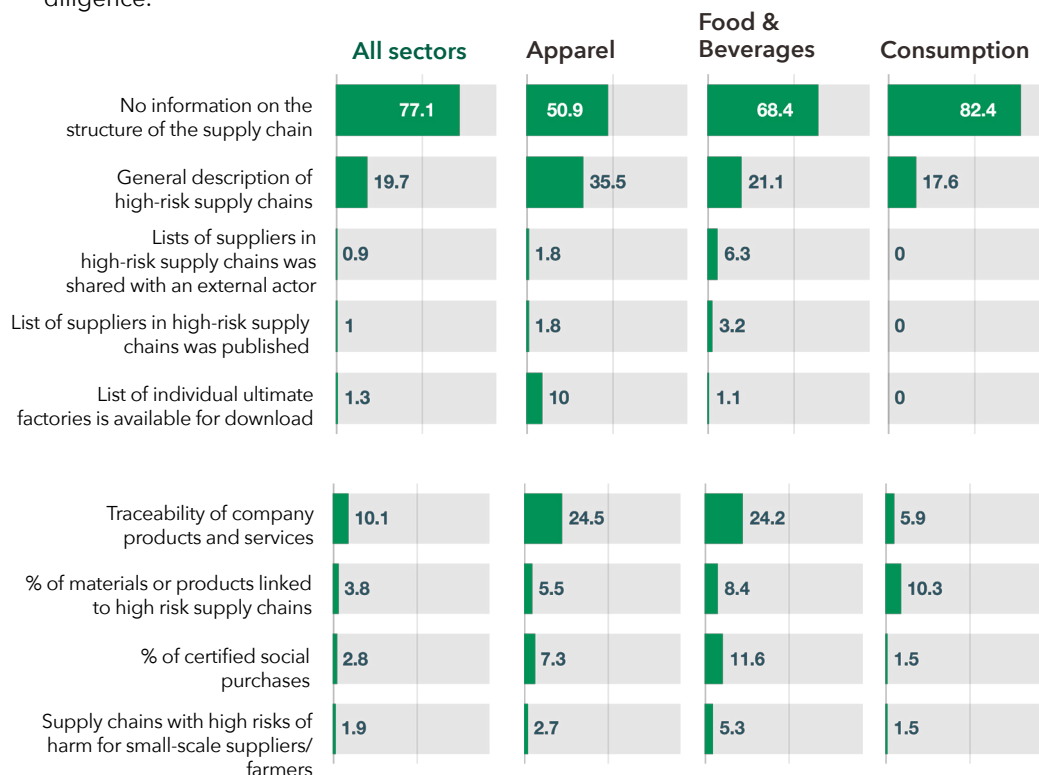
Overall, 28.5% of companies provide data on audited suppliers, with high-risk sectors scoring above average (50.9% and 32.6% in the case of Apparel & Textiles and Food & Beverages, Consumption at 29.4%). Numbers drop significantly for the disclosure of the results of audits (19.5%) and of follow-up actions (14.2%), with respective sectorial variations. Something most companies do not do is to report on auditing limitations (2.6% on average).

Cross-sectorally speaking, only 24.5% disclose steps taken to monitor supply chain conditions besides auditing. Numbers fall drastically when looking at information on corporate engagement with workers and communities in mapping and/or addressing supply chain risks (5.3%). The highest result is reached in the Apparel & Textiles industry, at 11.8%, which suggests that the practice is viewed as an increasingly essential element of human rights due diligence.

SUPPLY CHAIN TRANSPARENCY

The disclosure of the identity of suppliers is a prerequisite for any external check on the effectiveness of a company's supply chain due diligence.

Most companies do not provide information on the structure and risk levels of their supply chains (77.1%), and those that do tend not to go into depth, with very few businesses disclosing lists of suppliers in some form. This issue is most important for the Apparel & Textiles sector, in which such type of information is disclosed by 13.6% of companies. This again indicates an emerging practice in the sector, which appears to be increasingly deemed as an indispensable part of human rights due diligence.



SPECIFIC ISSUES & IMPACTS

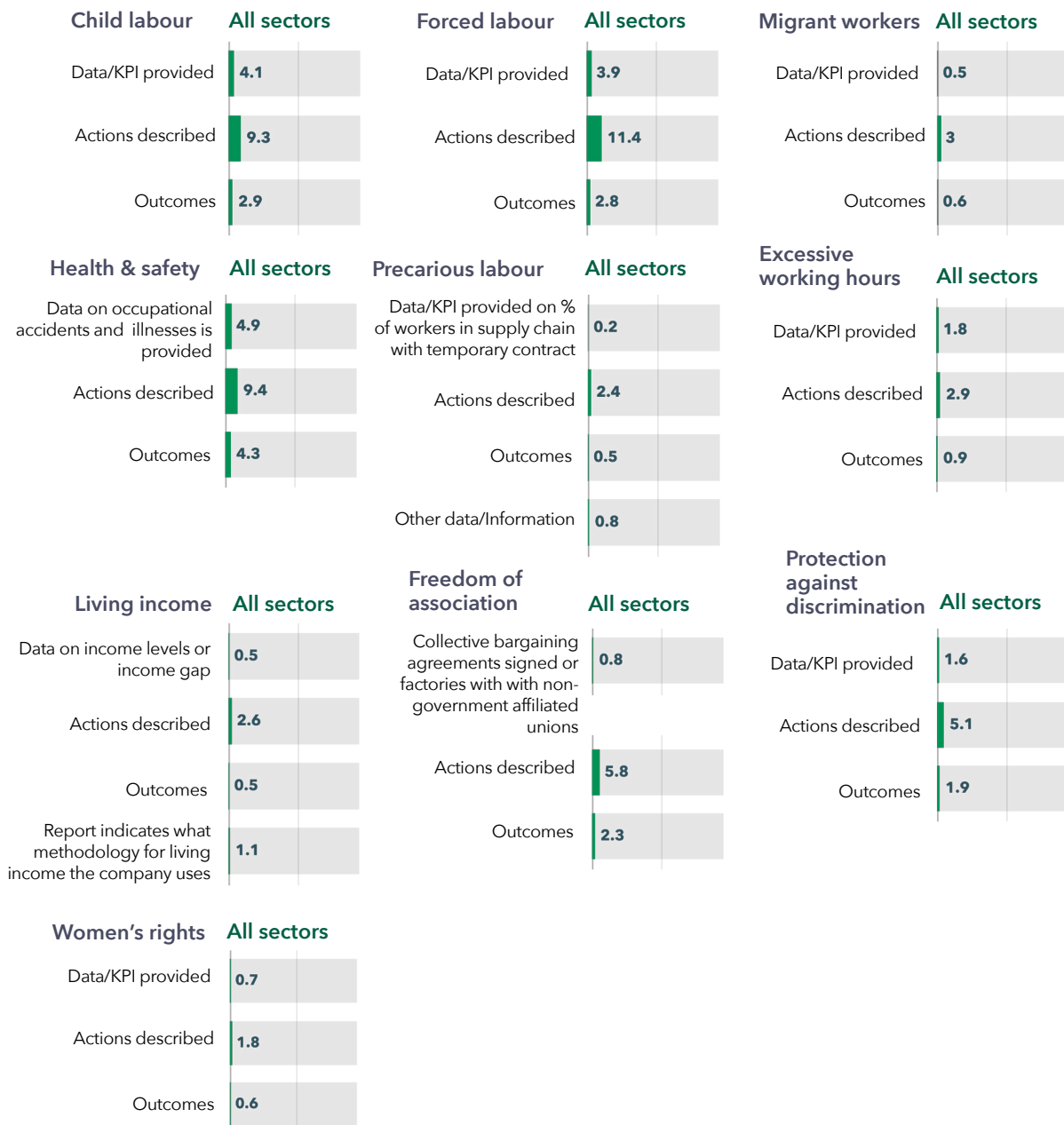
We assessed the specificity of company supply chain disclosures with respect to the human rights outlined in the graphs below. While these aspects were covered by most company policies implicitly, in this section we examine whether companies also provide information that addresses these issues explicitly.

The percentage of companies reporting KPIs and actions aimed at addressing such issues is generally very low. When considering specific actions, companies most often report on child labour (9.3%) and forced labour (11.4%).

The Apparel & Textiles sector shows slightly higher results than others; actions are described in over 20% of cases for child labour, forced labour and health & safety, and in over 10% for the remaining matters. Yet, information on outcomes is provided by only half of the companies. The assessment of the Food & Beverages sector produced only slightly-above average results, with the exception of information on actions to improve conditions of small-scale suppliers and farmers, provided by 12.6% of companies in the sector. The sectorial results are available at:

www.allianceforcorporatetransparency.org/database

Overall, there is a marked gap between the amount of companies reporting on specific issues and the overall majority expressing commitment to sound supply chain management through policies.



IMPACTS ON INDIGENOUS AND LOCAL COMMUNITIES

In the following paragraphs, we summarise the results of our assessment of corporate disclosure on human rights impacts of indigenous and/or local communities. Indigenous rights are understood as those outlined in UN Declarations ([UN Declaration on the Rights of Indigenous Peoples](#)). Impacts on local communities are understood more broadly as any impact on the human rights of people living in sites close to company operations or depending on resources that are negatively affected by such operations.

As in other human rights subsections, the structure of this chapter follows the same pattern as that of the General Human Rights Reporting Criteria section, with additional specific questions in each category.

We present data from a cross-sectoral perspective as well as information for specific high-risk sectors, that is, Infrastructure and Energy & Resource Extraction. We also provide insights into the performance of the Financials sector.

Please note that the materiality of this issue highly depends on a company's operational context. Nevertheless, the relevance of corporate disclosures can be relatively objectively assessed by examining specificity and integrity of disclosure of policies and risks of companies that include the matter in their reports.

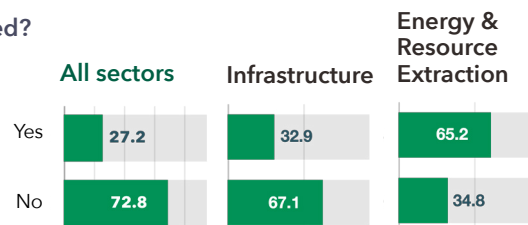
COVERAGE

From a cross-sectoral perspective, a significantly low minority of companies address the issue (27.2%).

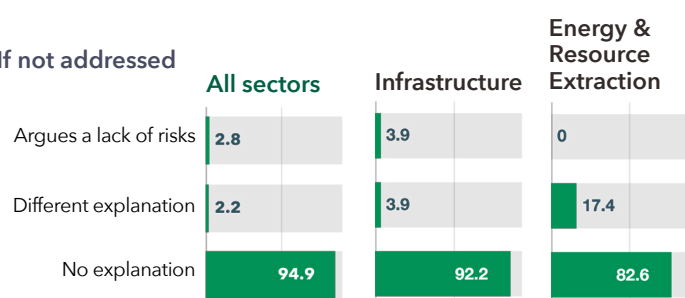
A different trend is observed in the Energy & Resource Extraction sector, where at aggregate level, over 65% of companies refer to the issue in their reports. It is however important to highlight that there are differences in how different sub-sectors address the issue. For example, 67.2% of companies operating in the oil and gas sub-sector address the issue, while only 55.8% of those in metal mining cover the matter in their reports.

Our research points at relevant gaps between companies addressing the issue and those explicitly referring to it as salient. This is for example reflected in the values observed for the Energy & Extraction industry (65.2% vs. 31.1%).

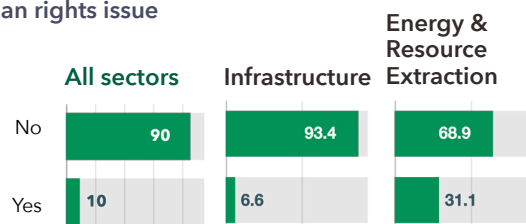
Issue addressed?



If not addressed



Did the company identify this as a salient human rights issue



POLICIES AND OUTCOMES

In terms of policy description, as in other areas, there is a significant gap between the number of companies that describe their policies (23.4%) and the share of them disclosing specific details (3.8%), ultimately highlighting the lack of transparency around specific policy-related details.

With regards to high-risk sectors, there are noticeable differences between companies operating in the Infrastructure sector and those in Energy & Resource Extraction. In the first case, in line with the cross-sectoral average, our research highlights that around 70% of companies do not disclose policies. In the latter case, differently from the average, we identified a relatively good majority of companies doing so (62.9%).

Despite having identified that in the Energy & Resource Extraction sector most companies do report on policies, our research also led to the conclusion that very few businesses are transparent about specific commitments and principles. For example, only 19.7% explicitly commit to ensuring a clean environment for local communities, which is the least specific criterion we applied. Even fewer companies provide information about their commitment towards more specific matters such as preserving vital ecosystems, access to water, etc.

Lack of specificity affects the quality of the description of policy outcomes, reported by less than 2% of all companies, cross-sectorally, in terms of meeting policy targets.

How well is the policy communicated?

	All sectors	Infrastructure	Energy & Resource Extraction
No information provided	76.6	72.4	37.1
Policy is described or referenced	19.6	22.4	51.5
Policy description specifies key issues and objectives	3.8	5.3	11.4
Land rights including Customary land tenure	3.7	1.3	9.8
Access to water	2.8	1.3	6.8
Livelihood impacts including housing	4.7	6.6	12.1
Respect for culture and traditions/way of life	4.9	3.9	13.6
Free, prior & informed consent	4.7	5.3	10.6
Right to clean environment (retraining from pollution)	6.9	7.9	19.7
Vital ecosystems	1.6	2.6	2.3

Outcomes description

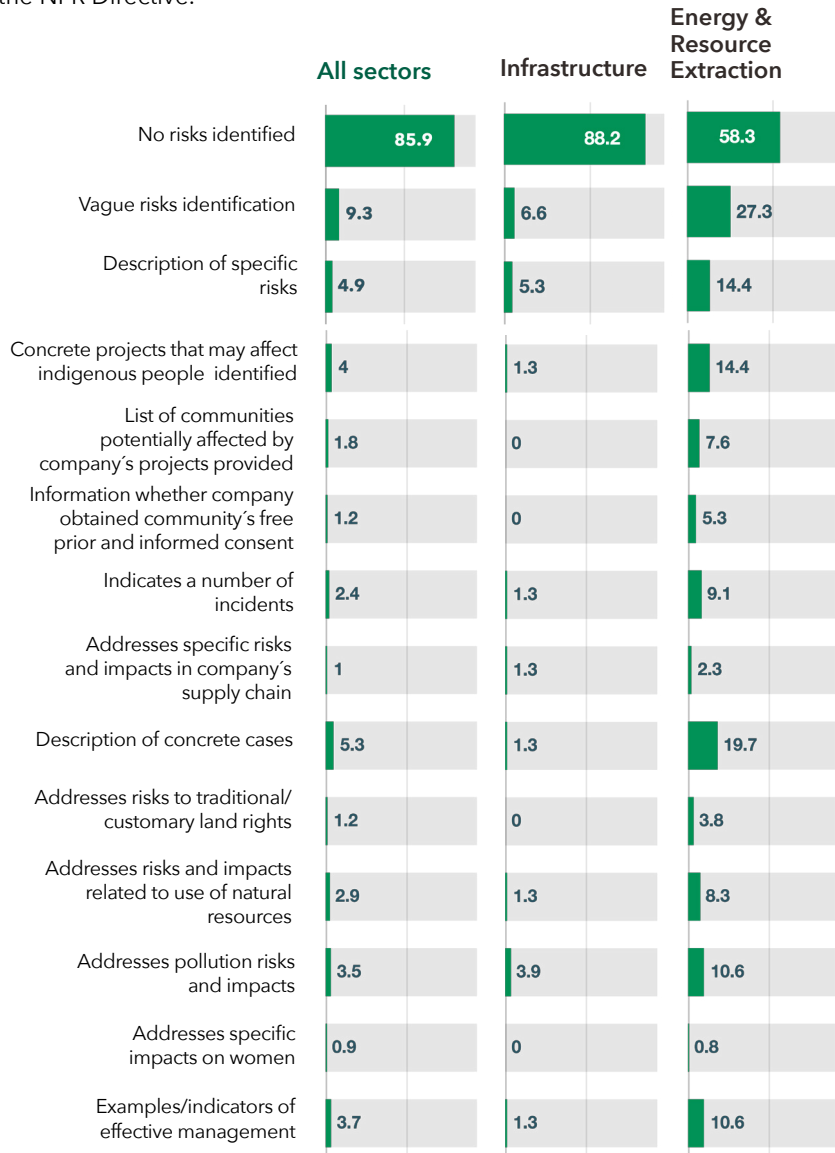
	All sectors	Infrastructure	Energy & Resource Extraction
No description	86	86.8	59.1
Description provided	12.2	13.2	34.1
Outcomes in terms of meeting policy targets	1.8	0	6.8
Data/KPI provided for outcomes	8.8	9.2	27.3

RISKS

Overall, our research shows that most companies do not provide a description of risks (85.9%) and that less than 5% report on risks in a specific way. Analysing specific risk-related factors confirms this latter finding; for example, only 5.3% describe practical cases of risk.

Slightly higher values are observed among companies in the Energy & Resource Extraction sector, where almost 15% of companies provide a specific description of risks. However, given that over 60% of companies report on policies, it is worth noting that more than half of the sector does not report on identified risks (58.3%), putting either the materiality or comprehensiveness of their disclosures into question.

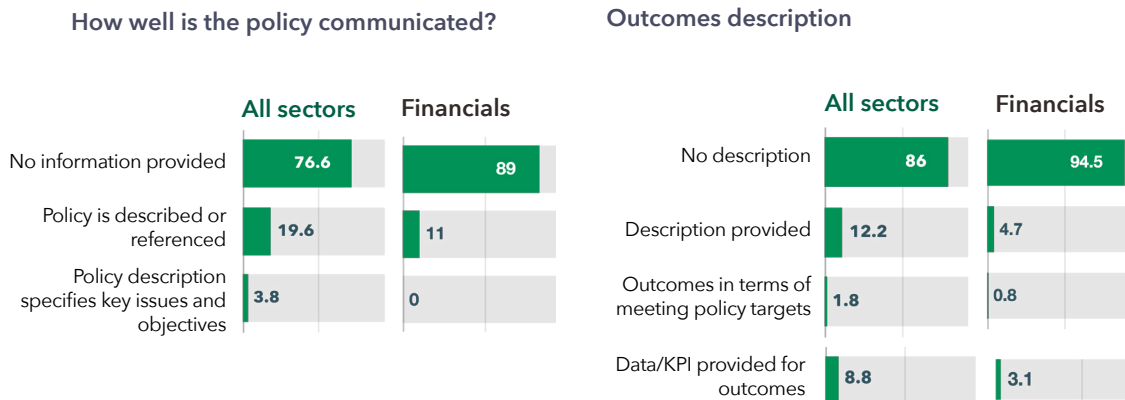
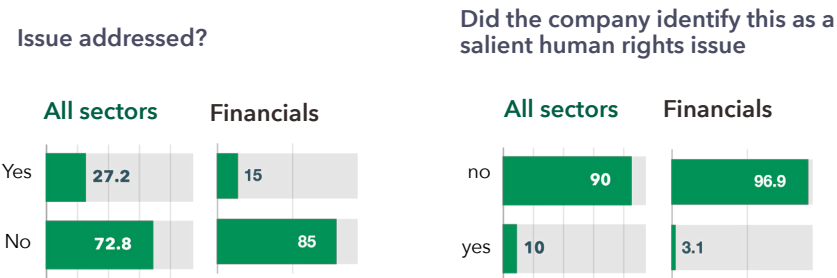
Overall, our results strongly suggest widespread practices of boilerplate disclosure, confirming the absence of relevant information that allows to understand a company's risks and impacts as required by the NFR Directive.



FINANCIALS SECTOR

Our analysis of the disclosure of financial actors suggests that most companies do not view impacts on the human rights of local communities as material. A vast majority of companies do not address the issue and only 3.1% identify it as a salient issue.

In line with the above finding, our research shows that most reports do not include reference to company policies (89%), nor to policy outcomes (94.5%). Only 4.7% provide a description of the latter, and an even lower percentage report on related KPIs and data (3.1%).



HIGH RISK AREAS FOR CIVIL AND POLITICAL RIGHTS

The relevance of reporting on high risk areas for civil and political rights depends primarily on a company's operational context. In principle, companies in any sector may be exposed to such risks, but these risks are most often associated with the Energy & Resource Extraction sector.

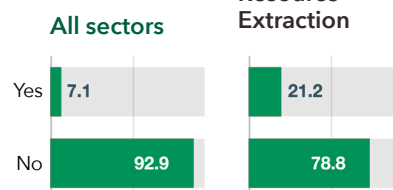
It is difficult to accurately estimate how many European companies operate in high-risk areas. However, overall results on the prevalence of reporting on these matters can be viewed as providing at least a basic perspective on the level of awareness among businesses.

The structure of the questions follows the same pattern as that of the General Human Rights Reporting Criteria section, with additional and specific questions on policies for protection of human rights defenders and providers of security.

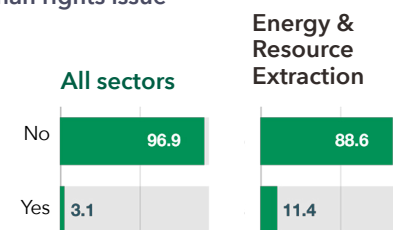
COVERAGE

Only 7.1% of all companies assessed refer to high risk areas for civil & political rights in their reports. Overall, only 3.1% identify high risk areas as a salient human rights issue. The highest percentage of companies was identified in the Energy & Resource Extraction, where 21.2% of companies cover the issue in their report. Results in other sectors are generally lower and in line with the cross-sectoral average, including potentially high-risk sectors such as Technology & Communications, Apparel & Textiles, and Food & Beverages.

Issue addressed?



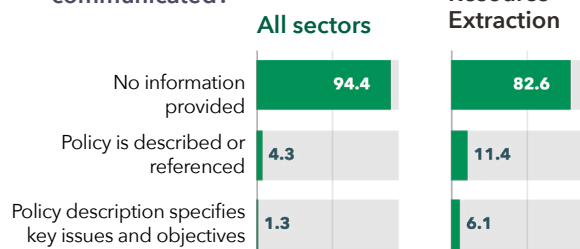
Did the company identify this as a salient human rights issue



POLICIES AND OUTCOMES

In line with the observed percentage of companies covering the issue, only a small amount report on policies aimed at addressing high risk areas for civil & political rights (5.6%). The percentage of businesses being specific about issues and objectives in their policies is even lower (1.3%), the highest performing sectors being Energy & Resource Extraction at 6.1%.

How well is the policy communicated?



With regards to policy outcomes, 2.3% provide vague descriptions and less than 1% report on meeting targets set out in policies (0.2%), which confirms the lack of corporate maturity in disclosing specific details vis-à-vis more general statements.

RISKS

It comes as no surprise that most companies did not identify risks.

Only 5,4% report on identified risks, and only 3,5% provide information on actions taken to prevent or mitigate such risks.

It is worth highlighting that only 0.1% of all companies assessed explicitly refer to risks to women in their reports and that virtually no company appears to identify conflicts with communities and employees in high risk areas. The latter may be legitimately expected at least in the Apparel & Textiles sector, in which production is concentrated in several high-risk countries.

SPECIFIC ISSUES

Our methodology assessed specific risks falling under the issue *high risk areas for civil and political rights*: (a) personal security in high risk areas and (b) human rights and environment defenders and organisations.

In both cases, the majority of companies do not provide information (97.5% for the issue of personal security in high risk areas and 99.2% on human rights and environment defenders and organisations). Such a trend does not change when looking into more specific criteria. For example, when considering training to security guards on personal security in high-risk areas, the percentage of companies reporting on the matter is almost null (0.8%).

Based on the above findings, most companies appear not to view issues around high risk areas for civil and political rights as material. This arguably suggests that they do not identify the issue as relevant for their own operations

Outcomes description	All sectors	Energy & Resource Extraction
No description	97.5	90.9
Description provided	2.3	7.6
Outcomes in terms of meeting policy targets	0.2	1.5

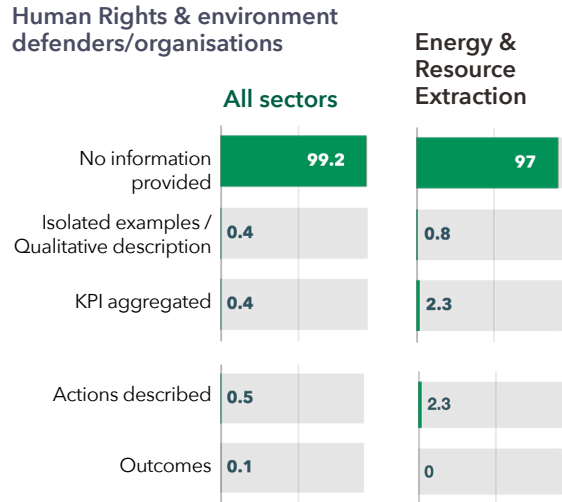
	All sectors	Energy & Resource Extraction
No risks identified	94.6	94.6
Vague risks identification	2.3	2.3
Description of specific risks	3.1	3.1
Description of concrete cases	2	2
Explanation of focal geographies	2.9	2.9
Identification of communities at risk	0.4	0.4
Actions taken to prevent or mitigate the identified risks	3.5	3.5
Examples / indicators of effective management	0.4	0.4
Indicates a number of incidents	0.3	0.3
Risks to women are explicitly addressed	0.1	0.1
Identification of all conflicts with communities & employees in high risk areas	0	0

Personal security in high risk areas	All sectors	Energy & Resource Extraction
No information provided	97.5	87.1
Isolated examples / Qualitative description	1.3	5.3
KPI aggregated	1.2	7.6
Report includes a link to code of conduct addressed to security guards	0.2	0.8
Quantitative data on training to security guards	0.8	6.1
Information on adherence to Voluntary Principles on Security and Human Rights	1.2	9.1

and strategy, nor do they believe that companies themselves have an impact on the issue.

However, many companies are undeniably connected to these problems simply by means of operating in or sourcing from high risk areas. This concerns mining operations in some of the least developed countries in the world, deforestation linked to agricultural commodities, a problem linked to a significant part of European food companies, production of garments and footwear in countries with ostensibly non-democratic regimes, or any operations of ICT companies in countries that persecute dissent.

In this context, it seems unlikely that the problem of protection of human rights and environmental defenders would be in anyway linked to just 0.5% of companies, as the results of our assessment suggest.



CONFLICT RESOURCES

Conflict resources include in particular conflict minerals covered by the [EU Conflict Minerals Regulation](#) - tin, tungsten, tantalum and gold - as well as potentially other minerals and any other resources, such as timber.

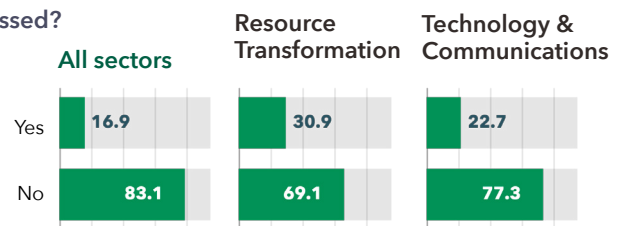
The structure of the questions follows the same pattern as that of the General Human Rights Reporting Criteria section, with additional criteria inspired by the above-mentioned Regulation and best practice. However, the set of questions does not include risk description, which is replaced by questions concerning supply chain transparency. The Regulation obliges only the importers of concerned minerals and metal stage products to comply with its provisions. Nevertheless, it recommends downstream companies to use reporting and other tools to make their due diligence more transparent.

The purpose of this section is to provide an overview of the prevalence and quality of such reporting across sectors, as well as specifically for Technology & Communications and Resource Transformation, the two sectors most at risk of being linked to conflict minerals.

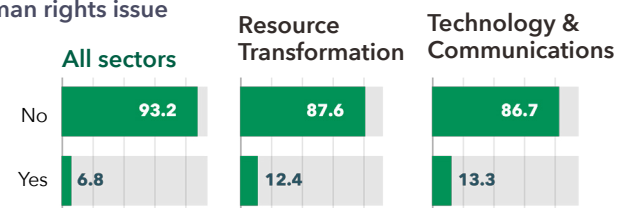
COVERAGE

Our assessment highlights that most companies do not cover the issue in their non-financial reporting, arguably suggesting that a majority of companies (83.1%) do not view this as a material issue. While 16.9% of companies do report on conflict resources, only 6.8% refer to the matter directly or indirectly as a salient human rights issue. We identified slightly higher values in the Technology and Communications (13.3%) and Resource Transformation (12.4%) sectors.

Issue addressed?



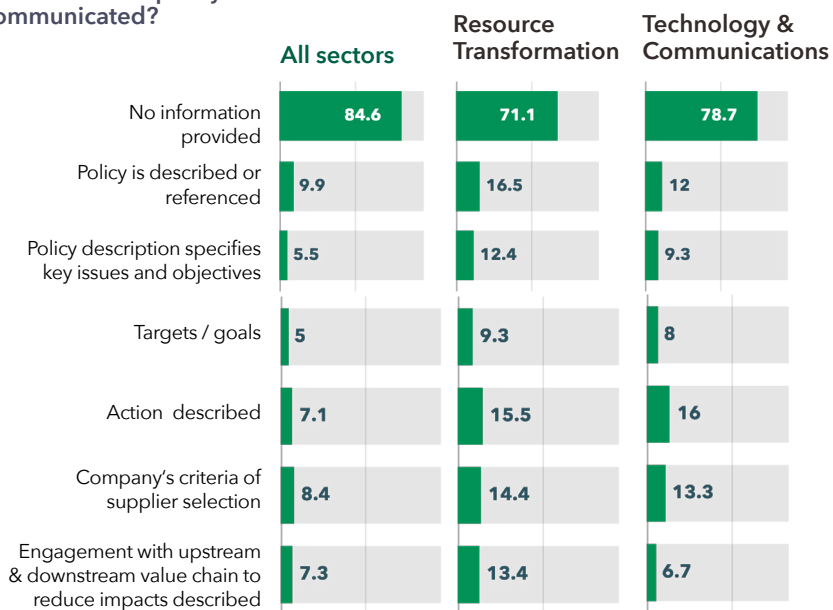
Did the company identify this as a salient human rights issue



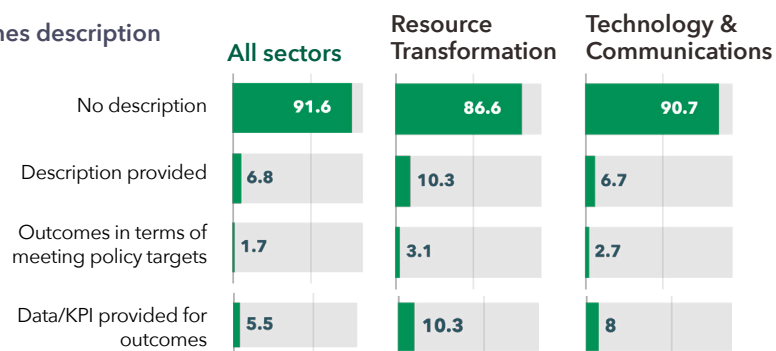
POLICIES AND OUTCOMES

Our focus on policies and outcomes confirms the findings outlined above. Most companies do not report on policies nor on related outcomes. What is worth noting is that, once again, only a small fraction of those that do is specific about the information disclosed; while over 15% report on policies, only 5% cover policy-related targets, and less than 2% report on outcomes measured against such targets. A similar gap is observed for high-risk sectors.

How well is the policy communicated?

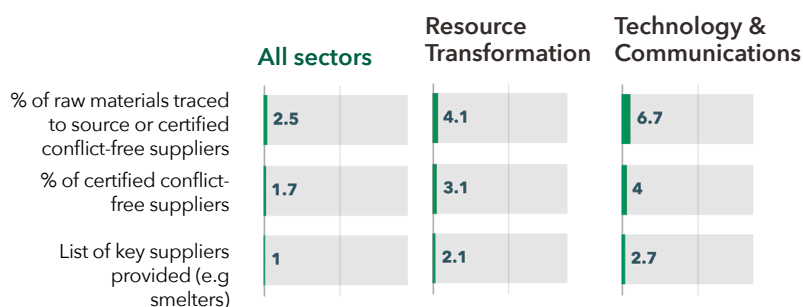


Outcomes description



SUPPLY CHAIN TRANSPARENCY

There is a gap between the percentage of companies stating that issues around conflict resources are salient (6.8%) and those being transparent about supply chain indicators. Only 2.5% of companies disclose the percentage of raw materials traced by the company or coming from certified conflict-free suppliers, and even fewer companies communicate lists of key suppliers (1%). Results in the Technology and Communications and Resource Transformation sectors are slightly above average but follow the same pattern.



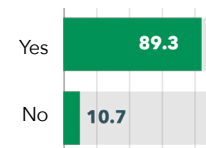
DATA PROTECTION

In this section, we summarise the results of our assessment of data protection disclosure for the Technology and Communications sector only. In total, we analysed the reporting practices of 75 companies operating in the sector. The structure of the questions in this chapter follows that of other report sections on human rights, with additional criteria provided for specific data protection and privacy issues.

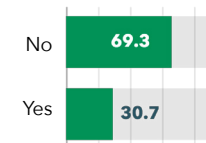
COVERAGE

In general terms, 89.3% of the companies we assessed cover data protection in their disclosure of non-financial information, with 30.7% identifying the matter directly or indirectly as a salient human rights issue. It is reasonable to expect that data protection and privacy would be a material issue for a significant part of Technology and Communications companies, but it is impossible to say for how many exactly without a case by case examination of their business model.

Issue addressed? Technology & Communications



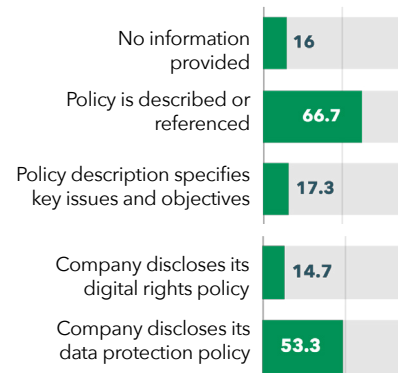
Did the company identify this as a salient human rights issue



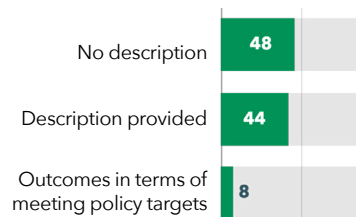
POLICIES AND OUTCOMES

A vast majority of companies - 84% - report on data protection policies. Once again, however, values fall when looking into the precision of the information reported by companies. Examples are provided by the limited percentage of businesses describing specific issues and objectives (17.3%) or those being specific about outcomes in terms of meeting policy targets (8%). The most likely reason for this dramatic drop is that many companies in the sector treat data about users as a commodity, which undermines a logic of setting targets to strengthen data privacy. [Ensuring data protection, on the other hand, is a legal requirement](#), and thus all companies are implicitly committed to it. A further problem, specifically for telecommunication providers is that they are required by law to provide access to data to public authorities when requested, including in countries where there is a high risk that such data will be used to persecute political dissenters.

How well is the policy communicated?



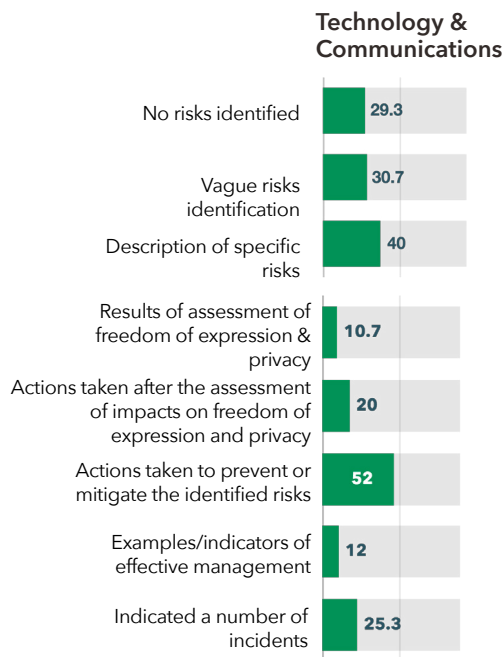
Outcomes description



An interesting finding following this line of thinking is that companies arguably view data protection as a more material issue than digital rights. We draw this conclusion from the identification of an obvious gap between the percentage of companies reporting on policies for each issue (respectively 53.3% and 14.7%).

RISKS

Our finding that companies disclose general information more easily than specific details is confirmed by our focus on risks. While most companies do report on identified risks (70.7%), only 40% is specific about them. Values decrease when analysing whether companies refer to the results of regular assessments on freedom of expression and privacy associated with company products or services (10.7%). A slightly better image is offered when considering descriptions of actions to prevent or mitigate identified risks (20%). Nonetheless, this percentage should be viewed as low given the gap with the total of companies reporting on identified risks (70.7%).



SPECIFIC ISSUES

Our research assessed company reporting practices on three specific issues:

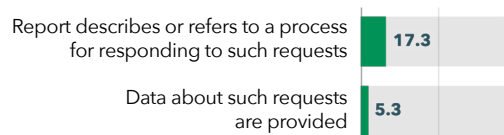
- Third party requests to remove, filter, or restrict content or accounts;
- Collection of user information;
- Data breach.

These issues are not necessarily equally applicable to all companies, as reflected by our results.

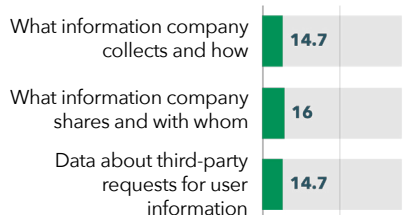
For example, when focusing on the first case, we found that only 17.3% describe or refer to processes in place to address the issue, compared to almost 35% of companies describing processes for responding to data breach.

Overall, as well as to highlight the heterogeneity of disclosure around detailed data protection matters, the above findings are worth noting for an additional reason, namely that only a small fraction of companies cover specific issues compared to the great majority referring to data protection as material.

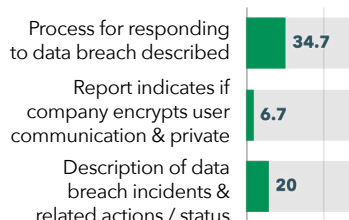
Third party (government and private) requests to remove



Collection of user information

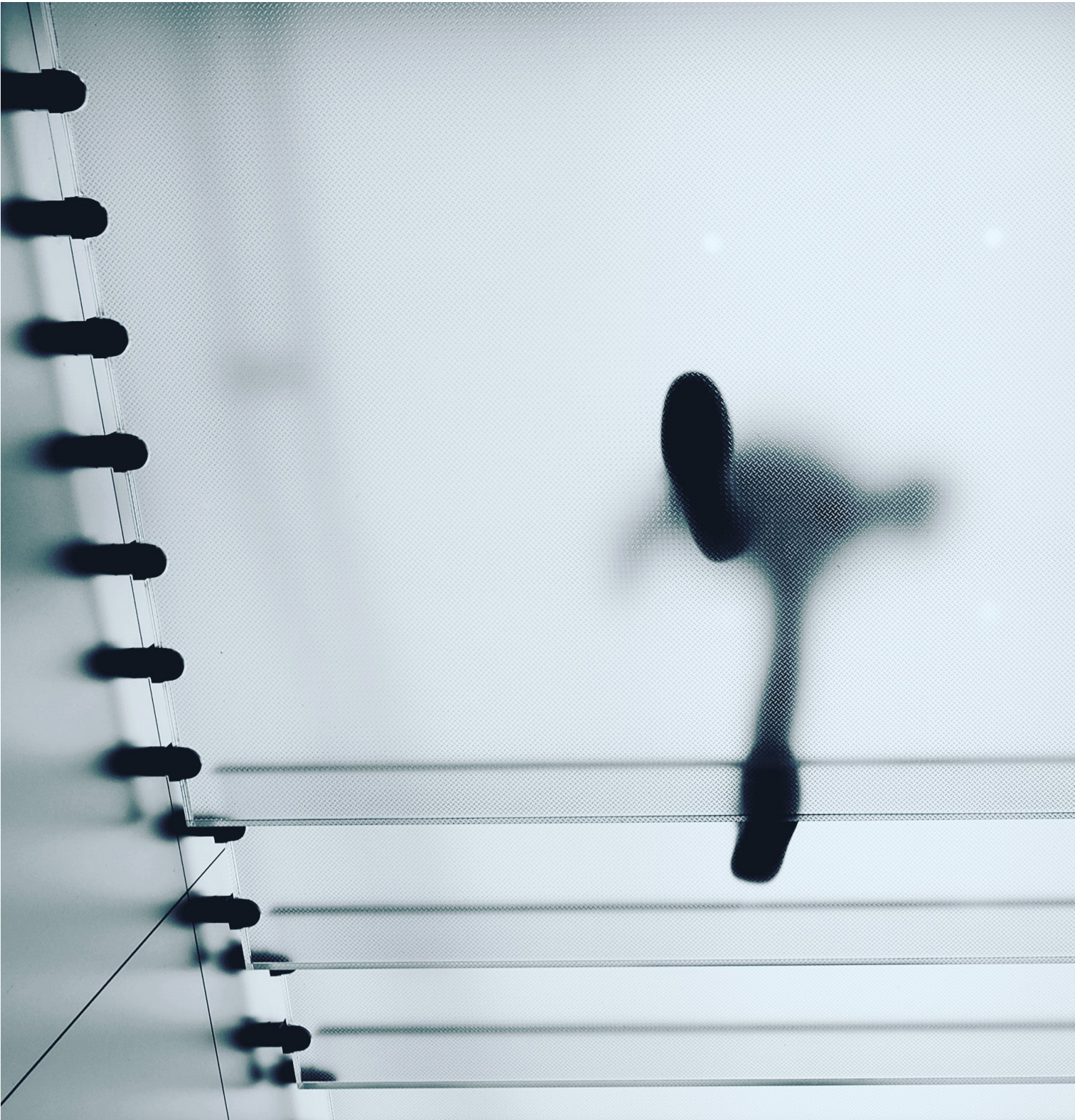


Data breach





Anti-corruption & Whistleblowing



ANTI-CORRUPTION

Anti-corruption and bribery matters is one of the key areas explicitly mentioned in the EU Non-Financial Reporting Directive. Alongside environmental matters as generally understood, employee matters and respect for human rights, these are issues that all companies are expected to report on by default.

In this section, we provide aggregated data covering all relevant industries. The full sectoral breakdown of results is available in the online database accessible at: www.allianceforcorporatetransparency.org/database

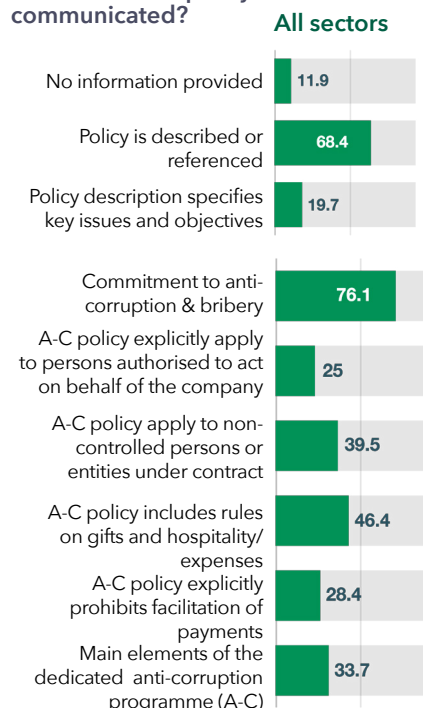
In addition to leading reporting frameworks, the assessment methodology for this section takes into account [recommendations of Transparency International](#) and of the [UN Global Compact](#). The methodology follows the basic requirements of the NFR Directive, except for key performance indicators which are not well applicable for bribery matters. Indicators concerning training and whistleblowing, however, are included under the risk description heading.

POLICIES AND OUTCOMES

In total, a majority of companies describe anti-corruption policies in their reports (88.1%) but only 19.7% disclose key issues and objectives. When looking into specific aspects addressed by companies in their policies we noticed that while a relatively high percentage of companies express explicit commitment to anti-corruption and bribery (76.1%), only a few are specific about who their policies apply to; only 39.5% refer to the application of policies to non-controlled persons or entities under contract, and even fewer companies (25%) include people authorised to act on behalf of the company.

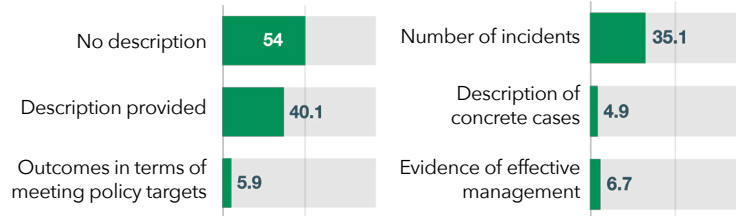
Importantly, only 33.7% of companies describe main elements of their anti-corruption programme, that is, processes through which they implement their policies in practice. This is key information that enables external evaluation of the reliability of a company's diligence.

How well is the policy communicated?



Another finding is worth highlighting, namely that more than half of all companies do not report on policy outcomes (54% vs. 88.1% of businesses reporting on policies) and most of those that do are vague about it (40.1%). Similarly, despite widespread general coverage of the issue, our research shows that less than 10% disclose evidence of effective management of cases and incidents (6.7%).

Outcomes description

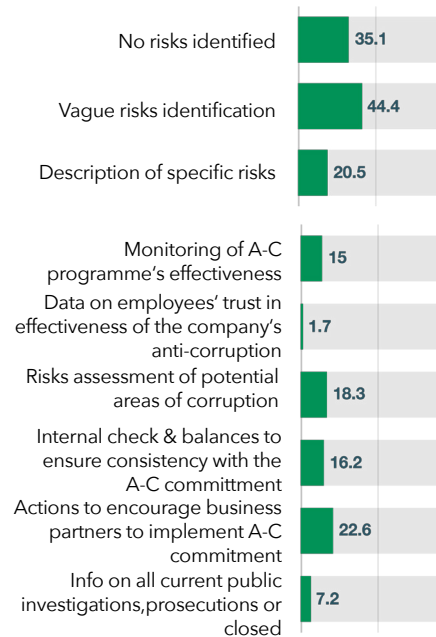


RISKS

A relatively high number of companies do not report on identified risks at all (35.1%). Of the 64.9% doing so, only a minority is specific (20.5%). A corresponding result worth noting is that less than 1 in 5 companies report on how they assess risks of potential areas of corruption (18.3%), which is striking compared to the great majority of companies addressing anti-corruption as a material issue.

Our results point at weaknesses in the specificity of disclosure on anti-corruption matters. This is for example highlighted by the gap between the number of companies addressing the issue (96.4%) and those being specific about policies described (19.7%) or providing a specific description of risks (20.5%).

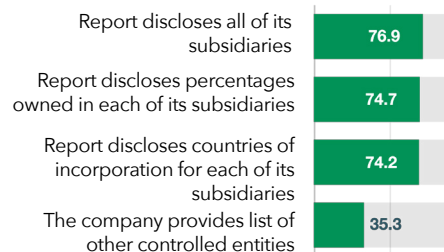
All sectors



DISCLOSURE OF COMPANY STRUCTURE

In addition to the assessment of company anti-corruption policies, we have also examined the extent to which companies provide information on their subsidiaries.

As results show, about three quarters of them do so, but only slightly more than a third provide information on other controlled entities. Whether this is due to the fact that most companies do not control other entities or to gaps in corporate disclosures deserves further exploration.



WHISTLEBLOWING CHANNELS

Our assessment of corporate disclosure on whistleblowing channels was conducted on all sectors taken into account in the Alliance’s research. The data is aligned with the similar set of questions looked into in the anti-corruption section, yet includes additional information on the scope of company whistleblowing systems with regard to other thematic areas covered by our research.

POLICIES AND OUTCOMES

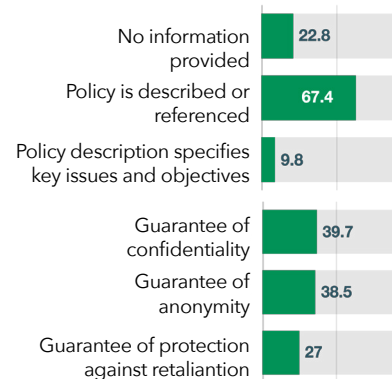
Most companies report on whistleblowing channels, with 67.4% providing a general policy description, and 9.8% going into more detail by specifying key issues and objectives. Less than 5% describe outcomes in terms of meeting policy targets (3.5%). However, given the nature of the issue, the existence of targets is of lower importance than elsewhere. The fact that 30.3% of companies provide some information on the outcomes is more relevant.

A surprising finding is that guarantees of confidentiality, anonymity and protection against retaliation for whistleblowers are not universally applied.

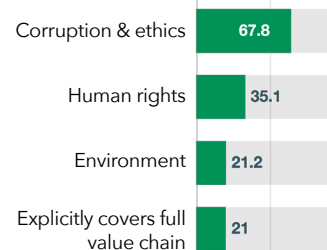
Our research recorded that in terms of scope most complaint channels cover Corruption & Ethics (67.8%), followed by Human Rights (35.1%), and lastly Environment and Value Chains (both below 25%, at approximately 21%).

How well is the policy communicated?

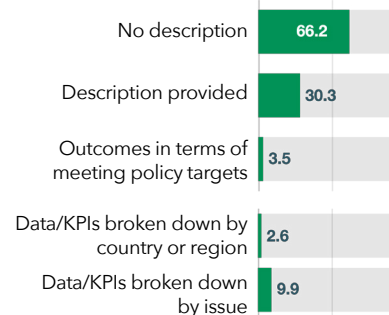
All sectors



Outcomes description



Scope of the complaints channel





General Positive Impacts



GENERAL AND SECTORIAL POSITIVE IMPACTS BY PRODUCTS / SOURCES OF OPPORTUNITY

In this section, we provide insights into corporate reporting on initiatives and strategies around the sustainable activities companies are engaged in, and whether the information they provide is specific. Please note that when using the expression 'positive impact', we do not refer to charity, philanthropy or Corporate Social Responsibility. Instead, we refer to sustainable activities as understood in the European Commission's strategy on [Taxonomy for Sustainable Activities](#). This means that we focus on commercial business activities, products and services that are designed to have specific positive impact on sustainability. Examples include renewable energy systems, transition to ecological transportation, green buildings or sustainability certified products. Further examples are provided in the section in the online database on Sectorial Positive Impacts.

Similarly, in line with the Taxonomy for Sustainable Activities, we assess whether company disclosures include information on turnover and investments. We have assessed the disclosure of both general positive impacts, as well as specific sustainable activities, reflecting a more-sector specific approach. The results of the sectorial survey are encompassed in the data on general positive impacts, as well as provided separately in the [online database](#).

STRATEGY/INITIATIVES FOR PRODUCTS/SERVICES FOCUSING ON SUSTAINABLE DEVELOPMENT OPPORTUNITIES

Whether focusing on climate change, other environmental issues or social matters, our research shows that a noticeable minority of companies report on strategies or initiatives around products or services that focus on sustainable development opportunities.

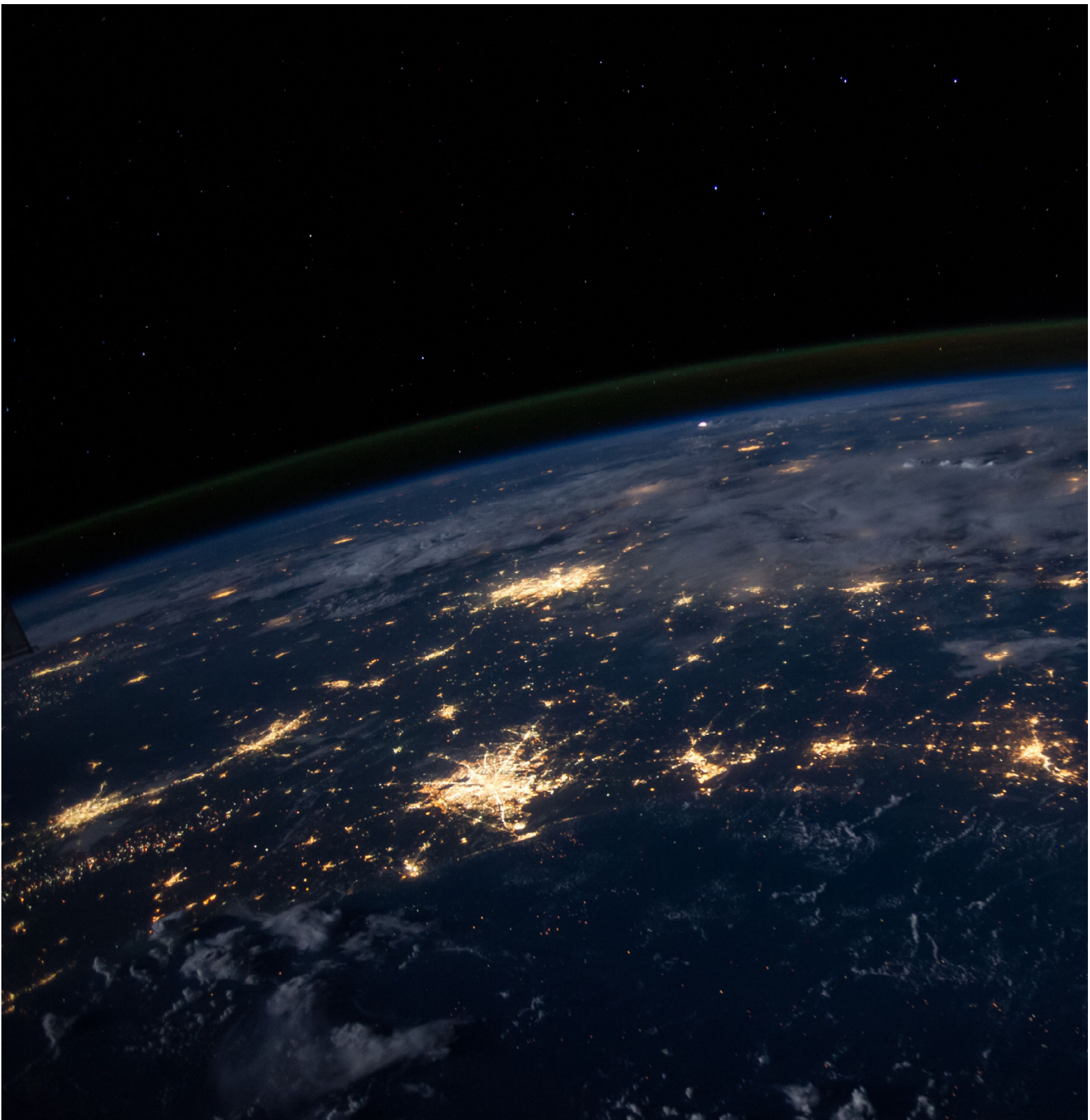


Importantly, we identified an obvious gap between the amount of companies reporting on strategies and initiatives (33.8%, 30.7% and 26.8% for climate change, other environmental issues and social/community matters respectively) and those disclosing relevant and decision-useful information around such strategies. This is the case when looking at corporate disclosure on the turnover from products or services addressing sustainability challenges in percentage terms (respectively 5.8%, 4.9% and 3% for climate change, other environmental issues and social/community matters), and data on investment in the described strategies (9.4%, 7.2% and 7.9% respectively). Reporting on this is key if companies are to be transparent and provide investors with information about the sustainable activities they engage in, in line with the (future) requirements of the Sustainable Taxonomy Regulation.

Our assessment also looked at data broken down per sector, for a selection of individual sustainable activities. The results of such assessment confirm what described above, namely the existence of noticeable gaps between how many companies report on positive impacts by products or sources of opportunity, and those being specific about such impacts - disclosing among others relevant financial insights. Please find the graphs following this [link](#).



Cross-regional analysis

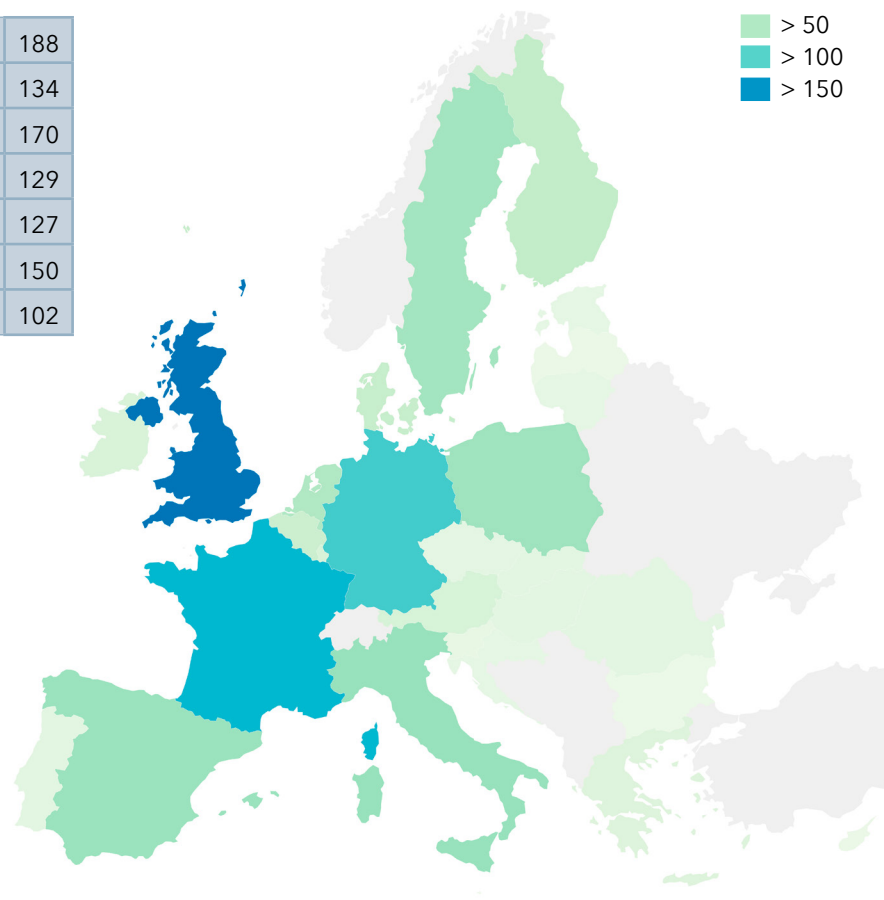


CROSS-REGIONAL ANALYSIS

The research includes companies from all EU Member States. However, the number of companies per state differs significantly. The United Kingdom, France and Germany, provided over 100 companies each, whereas for the majority of former communist states we were able to include only 10 or less companies, often representing a large part of all the companies that are subject to the NFR Directive requirements in the country. Poland is an exception from the rule as it provided 64 companies for the research. These differences are due to the differences in size of the country, its economic tradition, and the balance between domestic and foreign control of large companies.

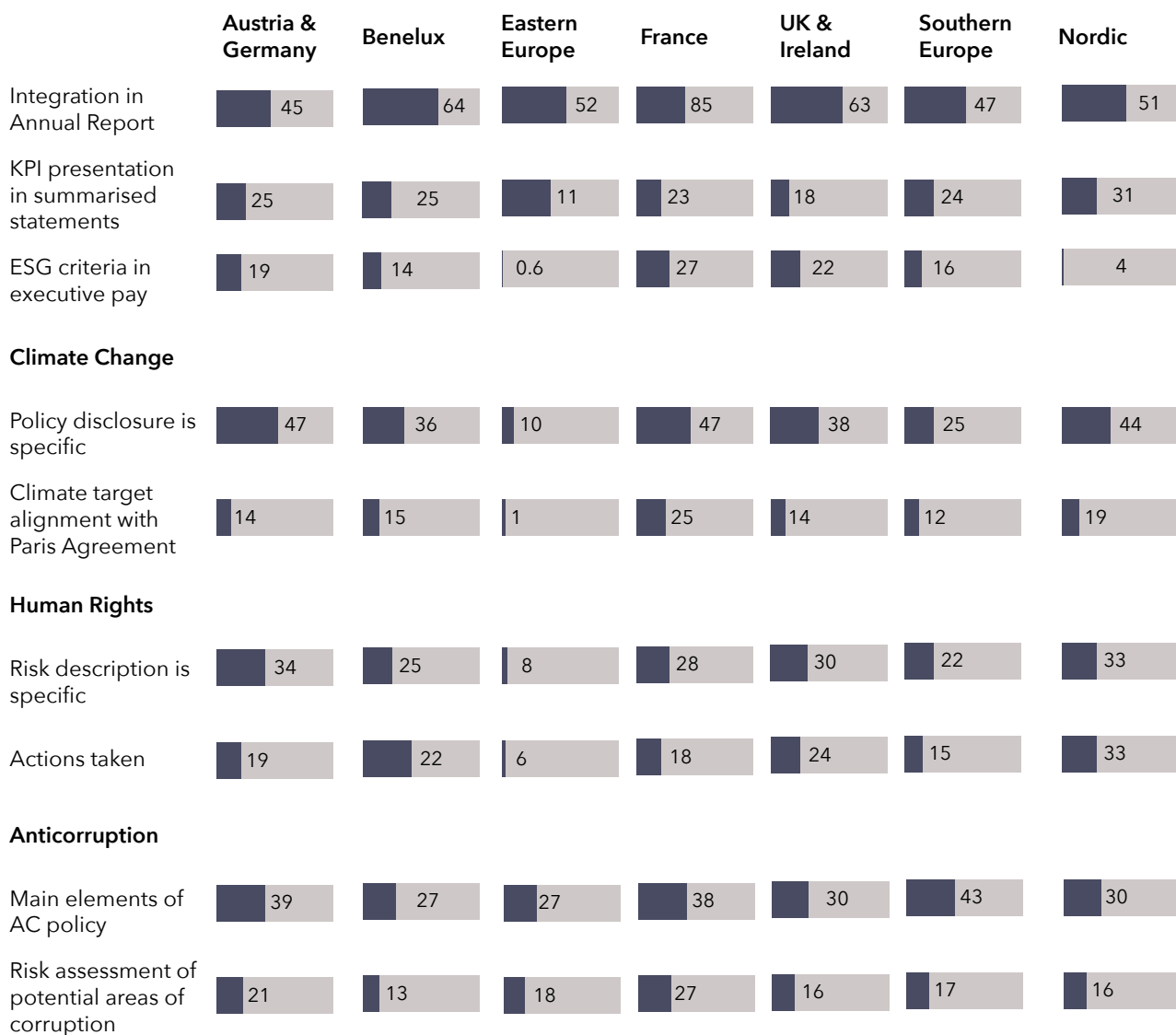
For the purpose of a cross-regional analysis it is more useful to group individual states in regions based on cultural, historic and economic proximity. We have chosen to divide companies in the following seven regions:

UK & Ireland	188
Nordic	134
Southern Europe	170
Germany & Austria	129
France	127
Eastern Europe	150
Benelux	102



The differences of results between the regions are consistent across different topics addressed by the research. Below, we provide a comparison of results for several illustrative criteria selected in order to minimize effects of different composition of sectors in the regions.

The full country breakdown of results for every issue and all criteria is provided in the [online database](#).



The key trend is that in most categories Nordic companies tend to be among regions that report more specific information than others, whereas Eastern European companies lag behind. The exception is a very low rate of disclosure of integration of ESG criteria in executive remuneration in the Nordic region. Since this is not in line with any other data, it is likely a result of specific corporate governance or disclosure traditions.

It is more interesting to examine subtle differences between other regions, in particular between France and the UK (please note that results for the UK alone are essentially the same as the joint results for the UK and Ireland presented above).

In both countries, in addition to the NFR Directive, companies are subject to more detailed requirements on climate change disclosures. However, in general, French companies provide noticeably better information on their strategy. French companies also more often describe how they integrate ESG criteria in the executive remuneration. UK companies provide KPIs concerning their Greenhouse Gas Intensity (47%) more often than companies in any other country (30% on average), including France (23%). This is clearly due to the fact that this specific disclosure is required of certain UK companies by law.

The biggest French companies are also subject to an obligation to produce a so-called vigilance plan, in which they should identify their human rights risks and describe actions taken to address them. However, unlike in the climate change area, our assessment of French companies' human rights disclosure shows essentially the same results as for

companies in other countries. For example, only 3.9% of French companies reported examples of KPIs to document how they manage identified human rights issues, while the average for the whole of Europe was 3.6%.

This offers three possible conclusions concerning the impact of the reporting legislation.

Firstly, the difference between French and UK regulation is worth examining further with regards to the disclosure of climate change strategies and targets, as the former may be more effective.

Secondly, it is evident that clear reporting requirements result in the disclosure of relevant data. In addition to the significant overperformance of UK companies on GHG intensity disclosure, the research provides similar results for the outstanding disclosure of gender pay gap by Spanish companies, which is requested by the Spanish law.

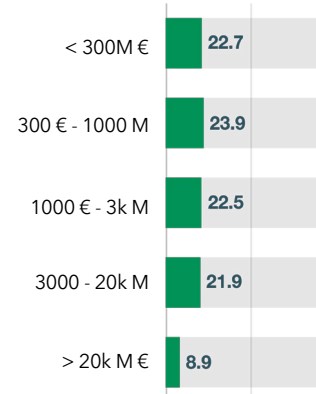
Thirdly, the French experience with vigilance plans indicates that reporting regulation is not on its own an effective tool to achieve a behavioural change in the area of business and human rights. It is important to note that this conclusion does not apply to the French vigilance law as a whole. The vigilance law includes additional provisions addressing companies' substantive obligations and liability, which are yet to be tested in practice and whose effectiveness cannot be assessed by an evaluation of quality of corporate disclosures.

Differences of results based on company size

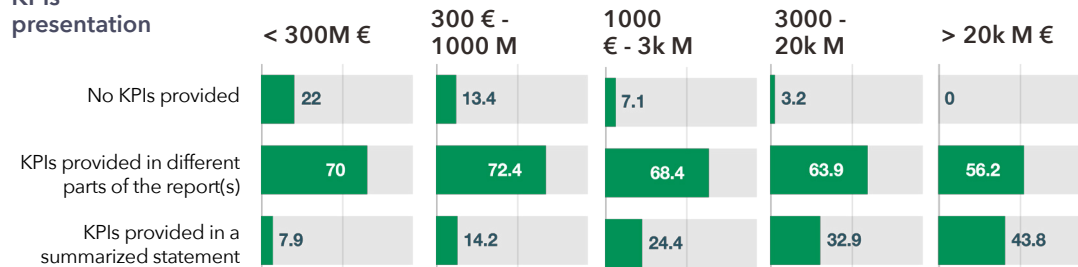
The research has included a balanced representation of companies of all sizes falling under the scope of the NFR Directive.

The quality of reporting clearly correlates with the size of companies in all areas. Below, we provide several illustrative examples. A full breakdown of results for every issue and criteria is provided in the [online database](#).

Companies per revenue range

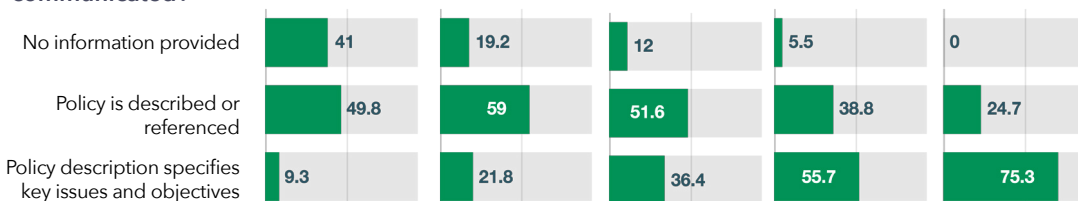


KPIs presentation

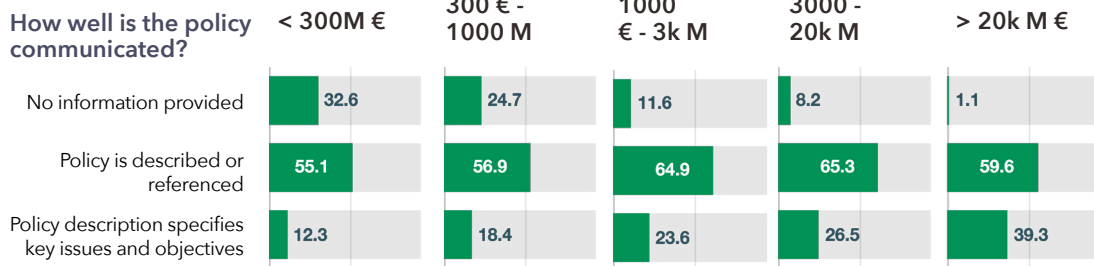


CLIMATE CHANGE

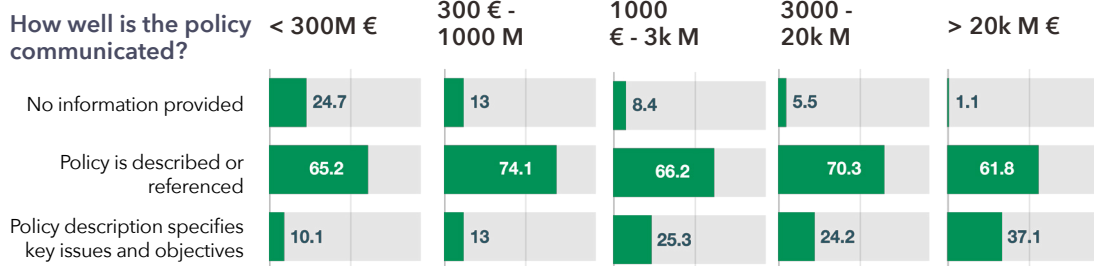
How well is the policy communicated?



HUMAN RIGHTS



ANTI-CORRUPTION





Annexes



CLIMATE CHANGE RESULTS PER REGION

CLIMATE CHANGE	Austria & Germany	Benelux	Eastern Europe	France	Ireland & UK	Southern Europe	Nordic
Policies & procedures							
Not described	16.3%	20.6%	45.3%	7.1%	19.7%	10%	3.7%
Described	36.4%	43.1%	44.7%	45.7%	42.5%	65.3%	52.2%
Key issues and objectives specified	47.3%	36.3%	10%	47.2%	37.8%	24.7%	44%
Quality of policy disclosure							
Climate target	50.4%	41.2%	6.7%	52.8%	39.4%	24.1%	47%
Alignment with Paris targets	13.9%	14.7%	1.3%	24.4%	14.4%	11.8%	19.4%
Actions taken	42.6%	39.2%	3.3%	43.3%	30.8%	21.2%	41%
Outcomes	41.9%	31.4%	2.7%	38.6%	28.7%	19.4%	36.6%
Risks description							
Short, medium, and long-term horizons	5.4%	5.9%	0%	6.3%	9%	7.1%	6.7%
Physical risks	16.3%	21.6%	1.3%	44.9%	23.9%	26.5%	23.1%
Transition risks	14.7%	15.7%	7.3%	25.2%	21.8%	15.9%	13.4%
Effects on company's business strategy & financial planning	22.5%	23.5%	4%	30.7%	21.3%	21.8%	23.1%
Strategy to manage risks	31%	34.3%	14%	43.3%	31.9%	30%	39.5%
Below 1.5 / well below 2 degrees scenario included	7.8%	3.9%	1.3%	11%	9.6%	5.3%	6.7%
KPIs							
Renewable Energy	48.1%	35.8%	17.8%	44%	26.1%	59.3%	50.4%
GHG Scope 1	66.9%	61.5%	29.3%	66.1%	75.9%	81.4%	68.1%
GHG Scope 2	54.9%	47.7%	15.9%	54.3%	66.3%	75.6%	53.9%
GHG Scope 3	33.8%	25.7%	6.4%	42.5%	25.6%	34.3%	31.2%
Intensity Scope 1	29.3%	30.3%	13.4%	22.8%	43.2%	35.5%	28.4%
Intensity Scope 2	13.5%	13.8%	4.5%	7.1%	20.6%	17.4%	14.9%
Intensity Scope 3	6%	6.4%	1.3%	6.1%	6.5%	4.1%	6.4%

HUMAN RIGHTS RESULTS PER REGION

HUMAN RIGHTS	Austria & Germany	Benelux	Eastern Europe	France	Ireland & UK	Southern Europe	Nordic
Policies & procedures							
Not described	13.2%	20.6%	38%	18.9%	14.9%	12.4%	7.5%
Described	58.9%	57.8%	52%	62.2%	52.7%	74.1%	64.2%
Key policies and objectives specified	27.9%	21.6%	10%	18.9%	32.4%	13.5%	28.3%
Human rights due diligence process	26.4%	21.6%	3.3%	25.2%	28.7%	18.2%	32.8%
Risks identification							
None	38%	48%	65.3%	37.8%	39.4%	45.9%	28.4%
Vague	27.9%	26.5%	26.7%	33.9%	30.8%	32.3%	38.8%
Description of specific risks	34.1%	25.5%	8%	28.3%	29.8%	21.8%	32.8%
Includes a description of most significant impacts	15.5%	16.7%	2.7%	18.1%	17%	10%	24.6%
Determination and description of salient issues							
Determination of salient issues is explained	23.3%	20.6%	2.7%	28.3%	31.4%	19.4%	35.1%
Choice of focal geographies	9.3%	8.8%	2.7%	9.4%	10.6%	7.1%	15.7%
Business partners covered	52.7%	42.1%	11.3%	45.7%	50.5%	41.2%	56.7%
Concrete operations identified	10.1%	9.8%	2%	8.7%	13.8%	7.6%	15.7%
Management of salient issues							
Policies responding to identified risks	27.9%	26.5%	10%	18.9%	39.9%	23.5%	37.3%
Stakeholder engagement	14.7%	19.6%	4.7%	15.7%	15.4%	10.6%	20.1%
Changes in the nature of the risk	0%	1%	0%	0%	3.7%	1.2%	2.2%
Actions taken	19.4%	21.6%	5.3%	18.1%	23.9%	15.3%	33.6%
Requirements placed on business partners	35.7%	22.5%	4.7%	18.9%	30.3%	23.5%	37.3%
Evidence of effective management	3.1%	3.9%	0.7%	3.9%	5.3%	2.9%	5.2%
Systemic initiatives	10.8%	7.8%	0.7%	7.1%	10.1%	5.9%	12.7%
Grievance mechanisms							
Grievance mechanisms and application	11.6%	11.8%	4%	6.3%	13.8%	11.7%	17.1%

MATERIALITY MATRIX

Environment

Apparel & Textiles
Consumption
Energy & Resource Extraction
Financials
Food & Beverages
Health Care
Hospitality & Recreation
Infrastructure
Resource Transformation
Technology & Communications
Transportation

Climate Change	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Renewable vs nonrenewable energy	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
GHG emission total Scope 1	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
GHG emission total Scope 2	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
GHG emission total Scope 3	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
GHG emission intensity Scope 1	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
GHG emission intensity Scope 2	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
GHG emission intensity Scope 3	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Deforestation		✓	✓	✓	✓		✓	✓			
Climate Change Financials				✓							
Use of natural resources	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Use of water	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓
Use of land	✓		✓	✓	✓		✓	✓	✓		✓
Use of raw materials	✓	✓	✓	✓				✓	✓	✓	✓
Nitrogen & phosphorus	✓			✓	✓						
Polluting discharges	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
Discharges to air (other than GHG)	✓	✓	✓		✓			✓	✓		✓
Discharges to water	✓	✓	✓		✓	✓	✓	✓	✓		✓
Discharges to soil	✓		✓		✓				✓		
Discharges due to transportation	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
Waste	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
Waste from production	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Waste associated with products (packaging and end-of-life recyclability)	✓	✓			✓	✓		✓		✓	
Hazardous waste	✓	✓	✓			✓	✓	✓	✓	✓	✓
Biodiversity & ecosystem conservation	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓
Operations in ecosystems of high ecological importance (notably internationally or nationally recognised/protected areas)	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓
Pesticides	✓			✓	✓						
Habitat, landscape or environmental functions conversion	✓		✓	✓	✓		✓	✓	✓		
Impacts on forests (incl by logging or via pulp, paper and furniture supply chains)		✓	✓	✓	✓				✓		
Agricultural impacts	✓			✓	✓						
Marine (notably fisheries and aquaculture)				✓	✓						

Human Rights

Apparel & Textiles
 Consumption
 Energy & Resource Extraction
 Financials
 Food & Beverages
 Health Care
 Hospitality & Recreation
 Infrastructure
 Resource Transformation
 Technology & Communications
 Transportation

C. General Human Rights Reporting Criteria	Apparel & Textiles	Consumption	Energy & Resource Extraction	Financials	Food & Beverages	Health Care	Hospitality & Recreation	Infrastructure	Resource Transformation	Technology & Communications	Transportation
C.1 Supply Chain Management	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Child labour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Forced labour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Migrant workers	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Health & safety	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Precarious labour	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Excessive working hours	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Living income	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Freedom of association	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Protection against discrimination	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Women's rights	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Purchasing and sourcing practices	✓	✓			✓		✓		✓	✓	✓
Precompetitive collaboration & investments with aim to improve conditions of small-scale farmers or suppliers	✓	✓			✓		✓				
C.2 Impacts on indigenous and/or local communities rights	✓		✓	✓	✓		✓	✓	✓		
C.3 High risk areas for Civil & Political rights	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Personal security in high risk areas	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Human Rights & environment defenders/ organisations	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
C.4 Conflict resources		✓	✓	✓					✓	✓	✓
C.5 Data protection / Digital rights				✓						✓	
Third party (government and private) requests to remove, filter, or restrict content or accounts				✓						✓	
Collection of user information				✓						✓	
Data breach				✓						✓	

Anti-corruption & whistleblowing

Apparel & Textiles
Consumption
Energy & Resource Extraction
Financials
Food & Beverages
Health Care
Hospitality & Recreation
Infrastructure
Resource Transformation
Technology & Communications
Transportation

Anti-corruption	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Whistleblowing channel	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Positive impacts

Apparel & Textiles
Consumption
Energy & Resource Extraction
Financials
Food & Beverages
Health Care
Hospitality & Recreation
Infrastructure
Resource Transformation
Technology & Communications
Transportation

Strategy/initiatives for products/ services focusing on sustainable development opportunities	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sectorial Positive Impacts by products / sources of opportunity											
1. Infrastructure								✓			
2. Food & Beverages					✓						
3. Technology & Communications										✓	
4. Transportation											✓
5. Health Care						✓					
6. Energy & Resource Extraction			✓								
7. Consumption	✓	✓									
8. Financial Services				✓							

