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**ISO 26000 Social Responsibility, GRI Sustainability Reports and non financial performance indicators**

# Supply Chain Responsibility

Supply Chain	Environment	People	Governance
<b>Raw Material Extraction</b>	Raw Material Scarcity, Extraction Impact, Regeneration of Renewables, Biodiversity	Human Rights	Corruption, Regional Integration
<b>Production</b>	Cleaner Production, Zero Emission	Human Rights, Health and Safety, Work Life Balance	Anti Competitive Behaviour, Remuneration and Incentives, Fair Taxes
<b>Use/Consumption</b>	Impacts from Product Use, Recycling and Disposal	Consumer Protection, Health and Safety	Marketing Ethics, Protection of Data and Copy Rights, Customer Satisfaction

## ISO 26000 Social Responsibility – Stakeholdergroups in negotiation process

- Government
- Industry
- Employee Representatives
- Consumer Rights
- NGOs
- SSRO (Consultants, Certification bodies, Science, etc.)
- about 500 People from 80 countries!

# ISO 26000 Issues

- Environmental Protection
- Human Rights
- Labour Practices
- Organizational Governance
- Fair Operating Practices
- Consumer Issues
- Community Involvement, Society development

## ISO 26000 Principles

- Legal Compliance
- Respect for internationally recognised instruments
- Recognition of Stakeholders and their concerns
- Accountability
- Transparency
- Respect for Human Rights
- Respect for Diversity

# Sustainable Accounting

- Harmonisation of Financial Accounting Standards
- But, strong divergance between value in the books and value of shares
- Future and risk oriented assessments needed
- Intangible Assets: human capital, environmental status (licence to operate), social capital (cooperations and partnerships), brand name, image
- Assessment of risks, chances, innovation potential and uncertainties

# Background

- Increasing importance of intangible assets, risk aspects and strategic positioning
- Past oriented picture of financial accounts doesnt capture these
- From shareholder value to stakeholder value
- Corporate social responsibility and sustainability reporting
- Also part of innovation management and risk prevention
- Responsibility along the whole supply chain

# GRI G 3 [www.globalreporting.org](http://www.globalreporting.org)

- World wide voluntary guideline on sustainability reporting
- Developed as „offspring“ to ISO 14000 series, as the US (and others) refused standard on reporting
- Developed with broad stakeholder engagement of industry, investors and accountans (FEE Sustainability Group)
- At the minimum 5000 companies use GRI, strongly increasing numbers
- Main source of information for socially responsible investment
- 79 core and supplement indicators
- Sector specific additional guidelines, e.g. für energy utilities, financial sector



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

\*Sector supplement in final version

## How + is +?

- „external“ certification
- In contrast to EMAS, national Ecolabels, EZG and ISO no accreditation system for certifiers
- Independance, qualification, scope of assessment and wording of certificate not defined
- Malpractices of misleading testimonials and certificates, e.g. GRI organisational stakeholder

# What can be certified?

- ISO 26000 is non certifiable guidance document, but national specification standards in development
- GRI has no accreditation scheme for auditors, but a certification scheme for sustainability reports
- Some of the management systems behind can be certified, e.g.
- Fair Trade, Ecolables
- ISO 14001/EMAS Environmental Management System
- SA 8000 Social Accountability
- OHSAS Occupational Health and Safety
- Corporate Governance Kodex
- Worklife Balance
- Etc.
- Some counties/city request GRI reports from large/state owned companies

## Social Accountability issues

- Child Labour
- Forced Labour
- Health and Safety
- Freedom of Association and Right to Collective Bargaining
- Discrimination
- Working Hours
- Remuneration
- Management Systems

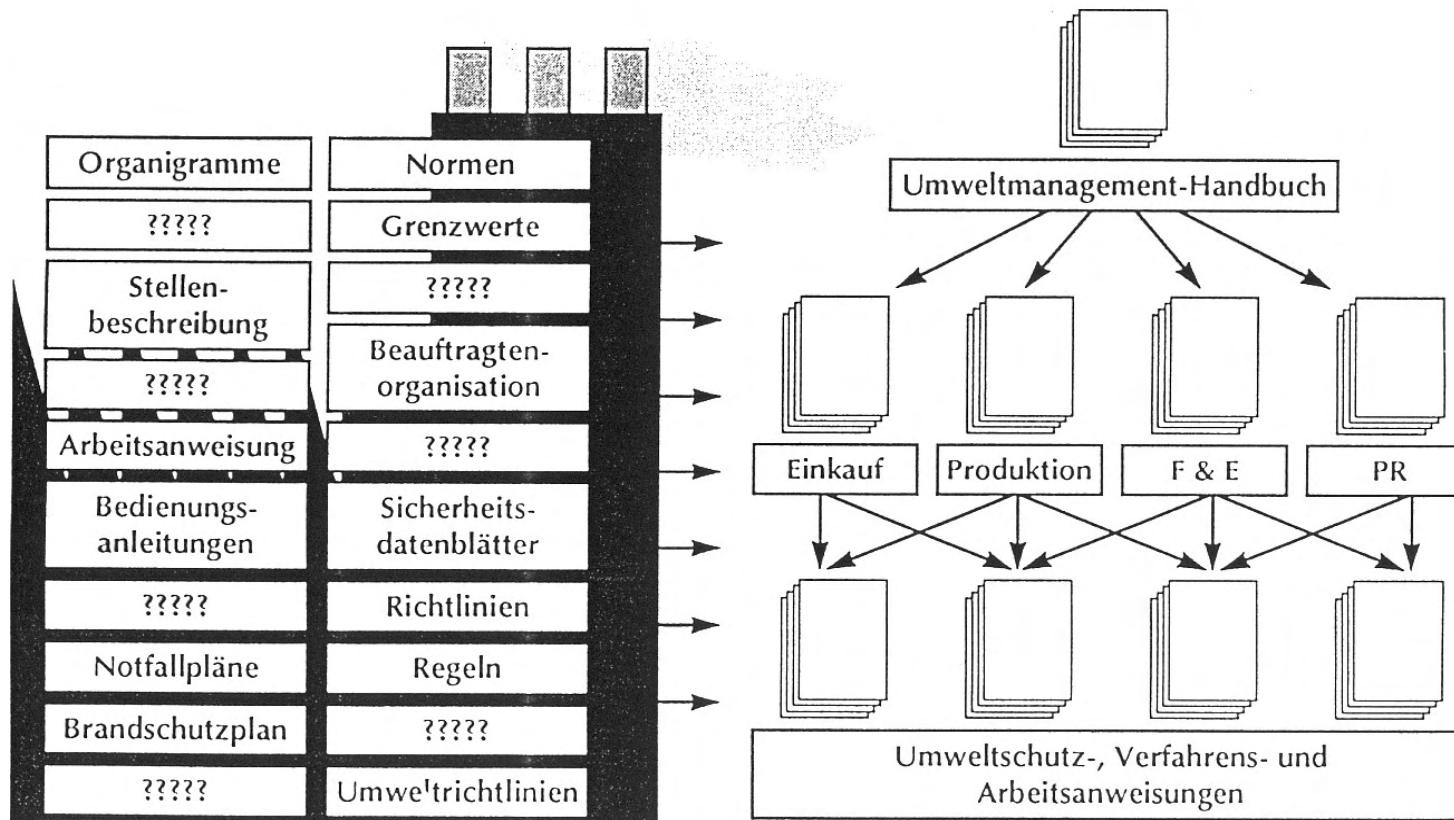
# OHSAS 18001:2007

**Occupational health and safety** is a cross-disciplinary area concerned with protecting the safety, health and welfare of people engaged in work or employment. The goal of all occupational health and safety programs is to foster a safe work environment. As a secondary effect, it may also protect co-workers, family members, employers, customers, suppliers, nearby communities, and other members of the public who are impacted by the workplace environment.

OHSAS 18001 follows the PDCA-approach of ISO MS.

Many companies now have integrated quality, environmental, health and safety departments and management systems.

# Integrierte Managementsystem



Organisation der Umweltmanagement-Dokumente

# GRI G 3 Standard disclosures

- Company Profile (Strategy and Analysis, Organizational Profile, Reput Parameters, Governance, Commitments and engagement, Management Approach and Performance Indicators)
- Economic Indicators
- Environmental Indicators
- Labour Practices and Decent Work
- Human Rights
- Society
- Product Responsibility



# GRI Indicators

## Economic Indicators

- EC 1 Economic Value generated and distributed
- EC 2 Financial implications, risks and opportunities due to climate change
- EC 3 Coverage of pension benefit plan obligations.
- EC 4 Financial assistance received from governance
- EC 5 Range of ratios of standard entry level wage compared to local minimum wage
- EC 6 Policy and proportion of spending on locally based suppliers
- EC 7 Procedures for local hiring
- EC 8 Infrastructure investments and services provided for public benefit
- EC 9 Indirect economic impacts



## Environmental indicators

- EN 1 Materials used by weight or volume
- EN 2 Percentage of recycled input materials
- EN 3 Direct energy consumption by primary energy source
- EN 4 Indirect energy consumption by primary energy source
- EN 5 Energy saved
- EN 6 Initiatives to provide energy efficient products and services
- EN 7 Initiatives to reduce indirect energy consumption
- EN 8 Total water withdrawal by source
- EN 9 Water sources affected by water withdrawal
- EN 10 Percentage of water recycled and reused
- EN 11 Land managed in protected areas
- EN 12 Impact on biodiversity
- EN 13 Habitats protected or restored
- EN 14 Managing impacts on biodiversity
- EN 15 Number of Red list species in areas affected by operation

## Environmental indicators

- EN 16 Total direct and indirect CO2 emissions
- EN 17 Other indirect greenhouse gas emissions
- EN 18 Initiatives to reduce greenhouse gas emissions
- EN 19 Emissions of ozone depleting substances
- EN 20 NOx, SOx and other significant air emissions
- EN 21 Total water discharge
- EN 22 Total weight of waste by type and disposal method
- EN 23 Number and volume of significant spills
- EN 24 weight of transported hazardous waste
- EN 25 Water bodies affected by discharges of water
- EN 26 Initiatives to mitigate impacts of products and services
- EN 27 Percentage of products and packaging reclaimed
- EN 28 Fines and sanctions for non-compliance
- EN 29 Impacts of transporting materials, products and employees
- EN 30 Environmental expenditures and investments

## Labour practices and decent work

- LA 1 Workforce by employment type, contract and region
- LA 2 Employee turnover by age group, gender and region
- LA 3 Benefits provided to employee types
- LA 4 Percentage of employees covered by collective bargaining
- LA 5 Minimum notice period regarding significant operational changes
- LA 6 Percentage of Workforce represented in formal health and safety committees
- LA 7 Rates of injury, lost days, absenteeism, work related fatalities by region

## Labour Practices and decent work

LA 8 Programms to assist regarding serious diseases

LA 9 Health and safety topics covered in formal agreements with trade unions

LA 10 Average hours of training per year per employee

LA 11 Programs for skill management and life long learning

LA 12 Percentage of employees receiving regular performance and career development reviews

LA 13 Composition of governance bodies and breakdown of employees by gender, age group, minority group and other indicators of diversity

LA 14 Ratio of basic salary of men and woman by employee category

## Human Rights Indicators

- HR 1 Investment agreements screened for human right issues
- HR 2 Suppliers screened for human right issues
- HR 3 Employee trainings on human right issues
- HR 4 Incidents of discrimination and actions taken
- HR 5 Operations identified with risks of breaches of the rights to freedom of association and collective bargaining
- HR 6 Operations identified with risks of child labour
- HR 7 Operations identified with risks of forced labour
- HR 8 Percentage of security personnel trained in human right aspects
- HR 9 Incidents of violations involving rights of indigenous people

## Society

- SO 1 Impact of operations on communities
- SO 2 Business units analysed for risks of corruption
- SO 3 Employees trained in anti-corruption policies and procedures
- SO 4 Actions taken in response to incidents of corruption
- SO 5 Public policy positions
- SO 6 Financial and in-kind contributions to political parties
- SO 7 Legal actions for anti-competitive behaviour
- SO 8 Fines and non-monetary sanctions for non-compliance with laws and regulations

## Product Responsibility

- PR 1 Life Cycle Stages and related health and safety issues
- PR 2 Incidents of non compliance concerning health and safety impacts of products and services
- PR 3 Type of product and service information required
- PR 4 Non compliance with PR 3 disclosure requirements
- PR 5 Customer satisfaction and surveys
- PR 6 Programms related to marketing, promotion and sponsorship
- PR 7 Non compliance with PR 6 requirements
- PR 8 Breaches of customer privacy and losses of customer data
- PR 9 Fines for non compliance concerning the provision and use of products and services.

## Selected GRI G3 Reports 2008

- Österr. Nationalbank, Österr. Kontrollbank, Kommunalkredit AG, Bank Schellhammer & Schattera, VBV Mitarbeitervorsorgekasse AG
- Verbundgesellschaft, EVN, Vorarlberger Ilwerke, Energie AG, Ökostrom AG, Wiener Stadtwerke
- Brauerei Murau, HTL Donaustad



# EU Accounts Modernisation Directive and RLB § 243

NACHHALIGWIRTSCHAFTEN

Large and listed companies must provide an enhanced business review as part of the directors report.

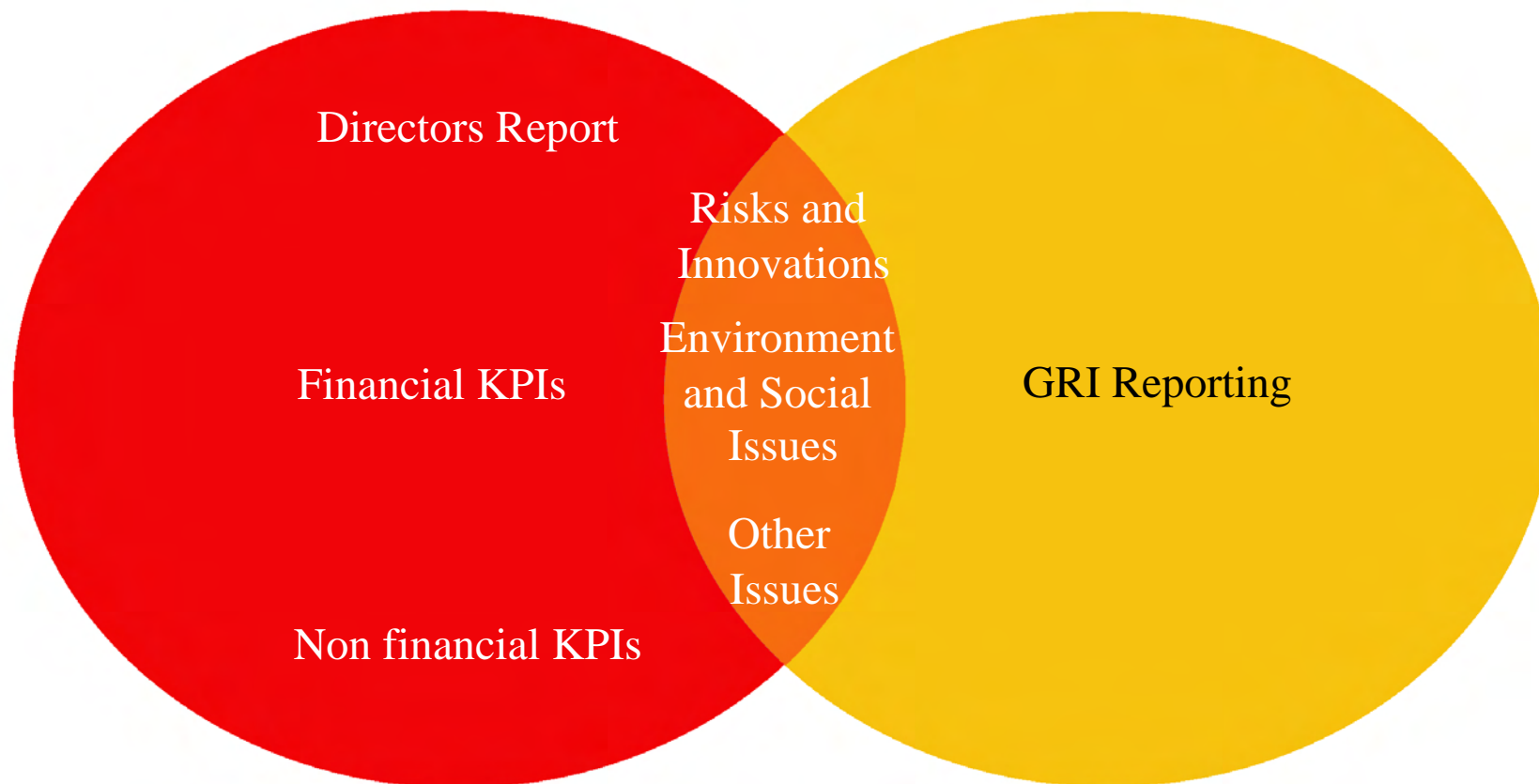
The review must, to the extent necessary for an understanding of the development, performance or position of the business of the company, include:

- (a) analysis using financial key performance indicators, and
- (b) where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters.

## The funneling function of the Directors Report

- The CSR and GRI standards contain sustainability issues from a broad stakeholder perspective.
- Disclosure in the directors reports requires an evaluation, which of these have a relevant influence on the economic prospects of the organisation.
- The EU directive does not request a full GRI report, but requests a process to define and disclose significant GRI indicators.

## Financial Report and GRI Report



IÖW – Institut für Ökologische Wirtschaftsforschung  
(Hg.) (2008) Brom, M.; Frey, B. & Jasch, C.:

Leitlinie zu wesentlichen nichtfinanziellen  
Leistungsindikatoren, insbesondere zu Umwelt- und  
ArbeitnehmerInnenbelangen, im Lagebericht,  
Wien, 2008

im Auftrag von Wirtschafts- und Lebensministerium  
download unter [www.kwt.or.at](http://www.kwt.or.at)

# ASRA Austrian Sustainability Reporting Award

- Awarded by the Austrian Chamber of Accountants and Auditors, KWT
- Since 1999
- National and international forum for Austrian companies and their reporting
- Jury with members of the Sustainability Group of the KWT, Ministry of Environment, Chamber of Industry, Chamber of Commerce, Environmental Protection Agency, respect, OEGUT
- [www.kwt.or.at](http://www.kwt.or.at)

## ESRA

### European Sustainability Reporting Association

- ESRA is an information sharing resource, whose aim is to inspire and improve sustainability reporting in Europe by sharing developments of European countries.
- Contains individual country reports from accounting bodies, statistics (provided by CorporateRegister.com) and statements from the European Commission, GRI, Eurosif and FEE.

<http://www.sustainabilityreporting.eu/>

# ASRA categories

- Large company
- SME (below 250 employees)
- Integrated financial and sustainability report
- Non profit or public organisation, e.g. university, hospital, community

# ASRA-Evaluation Scheme

NACHHALTIG *wirtschaften*

<http://www.indoek.noe-lak.at/evanab/>

- Content related criteria
  - Statement by Top Management
  - Quality of Information Systems
  - Company Profile and System Boundary
  - Summary and KPIs
  - Vision and Strategy
  - Management systems and Stakeholder Engagement
  - Performance, Indicators, Targets
- Reporting Principles
  - Relevance
  - Accountability
  - Clarity
  - Benchmarking, Timeliness and Continuity
  - Innovation
  - Completeness
  - Auditability
  - Total Impression



## The focus of disclosure is trust and credibility, not sustainability

- ▶ True and balanced view – report on trade offs!
- ▶ Innovative approaches – what is different to bevere and others?
- ▶ Include (also critical) stakeholders
- ▶ Report on future plans, not only past achievements
- ▶ Sustainability is an aspect of good risk management and responsible behaviour
- ▶ What does the company stand for? E.g. regarding climate change, GMOs, Genderaspects
- ▶ Credibility requires quantified indicators and targets
- ▶ External verification enables early outside perspective and enhances trust

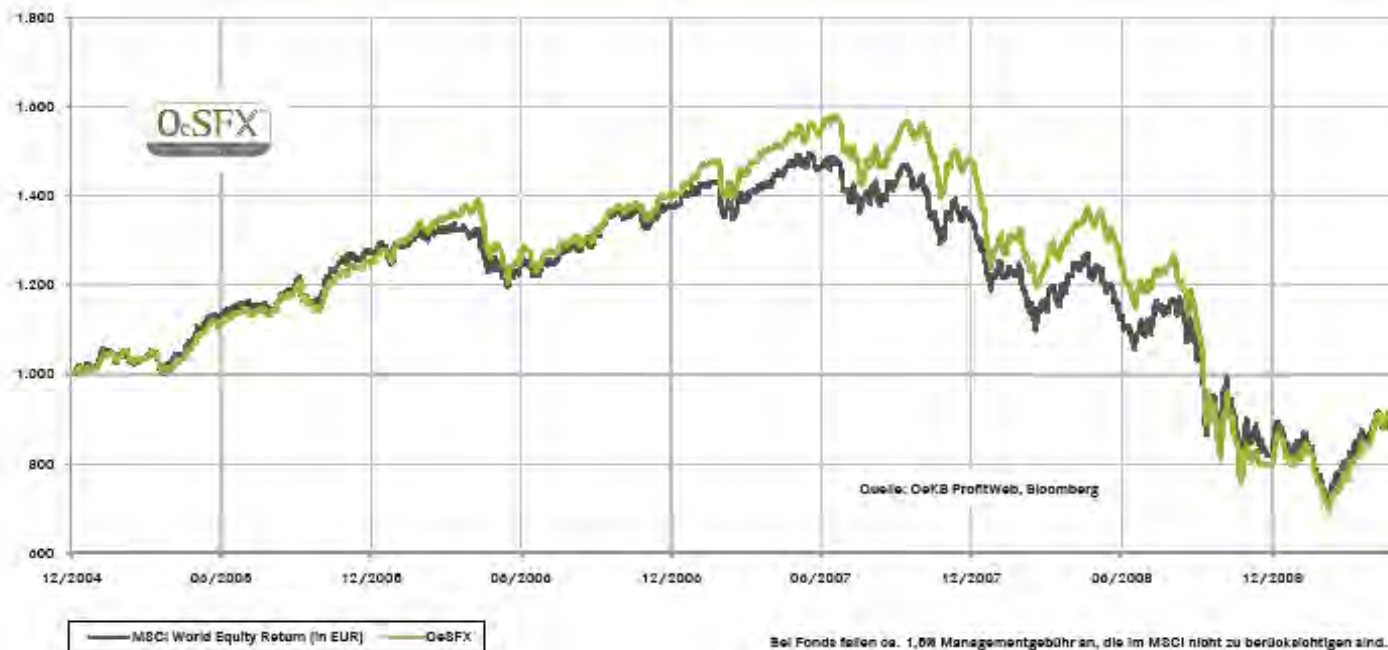
## What is needed for good reporting?

- Credibility and transparency
- Accountability
- Management systems
- Performance indicators
- Quantified performance targets
- True and fair reporting on all relevant stakeholder issues

# Does it pay?

- The company value is based on two components:
- Future profit, which is influenced by intangible assets.
- The Interest rate for discounting, which depends on risk assessment.
  
- It can be argued, that a management system including sustainability aspects, stakeholder concerns and related performance indicators reduces the corporate risk exposure and increases intangible assets (like customer and employee satisfaction).
- Several comparison of share values of companies rated in sustainability funds to the average benchmark show, that those share have a better performance and less risk.
- A direct relation between CSR and share value is however still difficult to calculate.

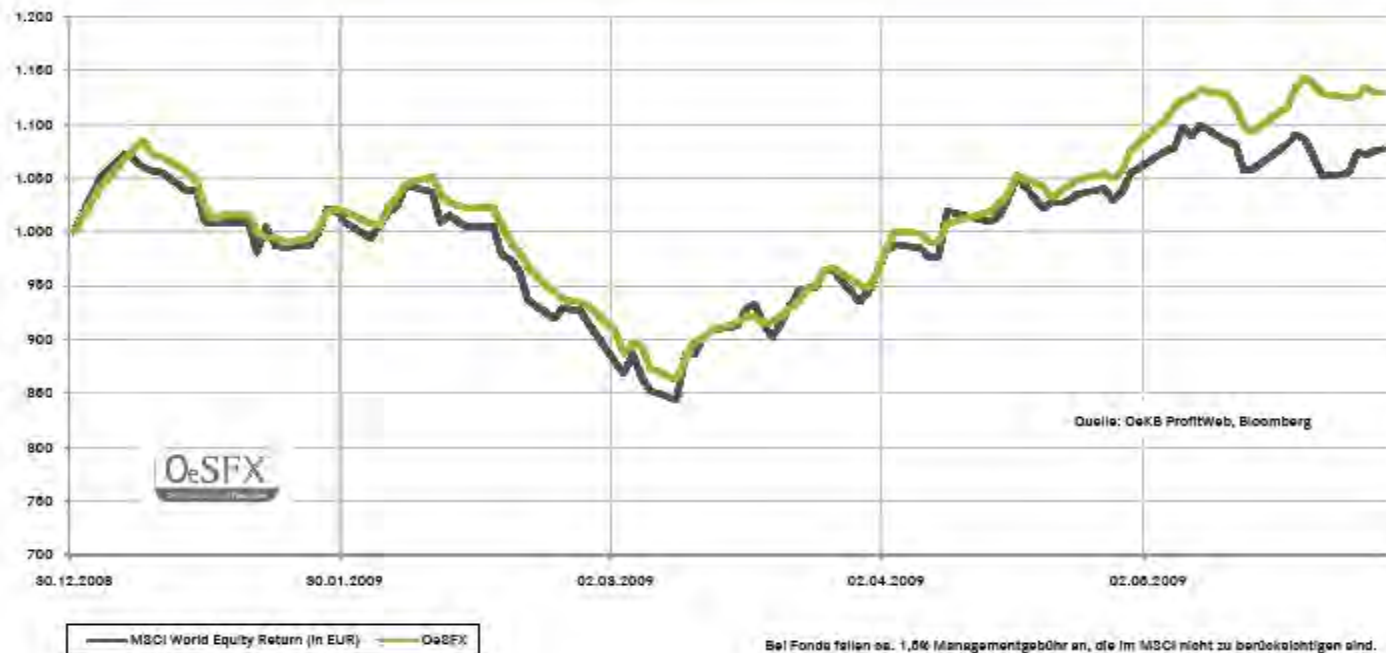
## Vergleich OeKB Sustainability Fund Index (OeSFX) - MSCI



Bei Fonds fallen ca. 1,0% Managementgebühren, die im MSCI nicht zu berücksichtigen sind.  
Werte per 29.06.2009: MSCI 898,28 (Indexiert) - OeSFX 908,00

Informationen zum OeSFX finden Sie auf [www.oesfx.at](http://www.oesfx.at)

## Vergleich OeKB Sustainability Fund Index (OeSFX) - MSCI



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# Exclusion Criteria of SRI funds

- Nuclear power, weapons, GMOs
- Systematic breaches of human rights, controversials
- Also relevant for consolidated organisations, definition of thresholds needed
- Others like gambling, pornografie, abortion, animal testing, alcohol, tobacco, etc.

# SRI socially responsible investments

- **Best in Class Approach**

- Investment in companies, which are comparatively better than others in the same sector.

Positive and negative selection criteria may be used in addition.

- **Sector or issue specific funds, e.g. climate change, water, renewables, environmental technologies**

- Investment in companies which supply products and services related to a cause, mostly sector specific.

- **Green and sustainable pioneers**

- Investment in (often newly founded or smaller) companies, which supply innovative products and services, are seen as pioneers in their sector or operate in sectors with little negative environmental and high social impact. Often combined with positive and negative exclusion criteria.



# Schwarzbuch Markenfirmen)

Klaus Werner + Hans Weiss, Wien/Berlin, 2001

- Hitlist of Evil:
- **Bayer**: unethical experiments with medicine, fight against cheap medicine against AIDS, financing Kongo leadership,
- **TotalFinaElf**: human rights breaches in Myanmar, Sudan, Angola, Nigeria
- **McDonalds**: Impact of meat production and consumption for environments and health Chinese child labor for toys
- Likewise **Black Planet Award**



- Do companies have to report on sustainability issues?
- Which issues are dealt with in a sustainability report?
- What makes a good sustainability report?
- What is the meaning of GRI B+ ?
- What constitutes the value of a company?
- Types of SRI funds?
- Typical exclusion criteria?

## Links

- [www.kwt.or.at](http://www.kwt.or.at)
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