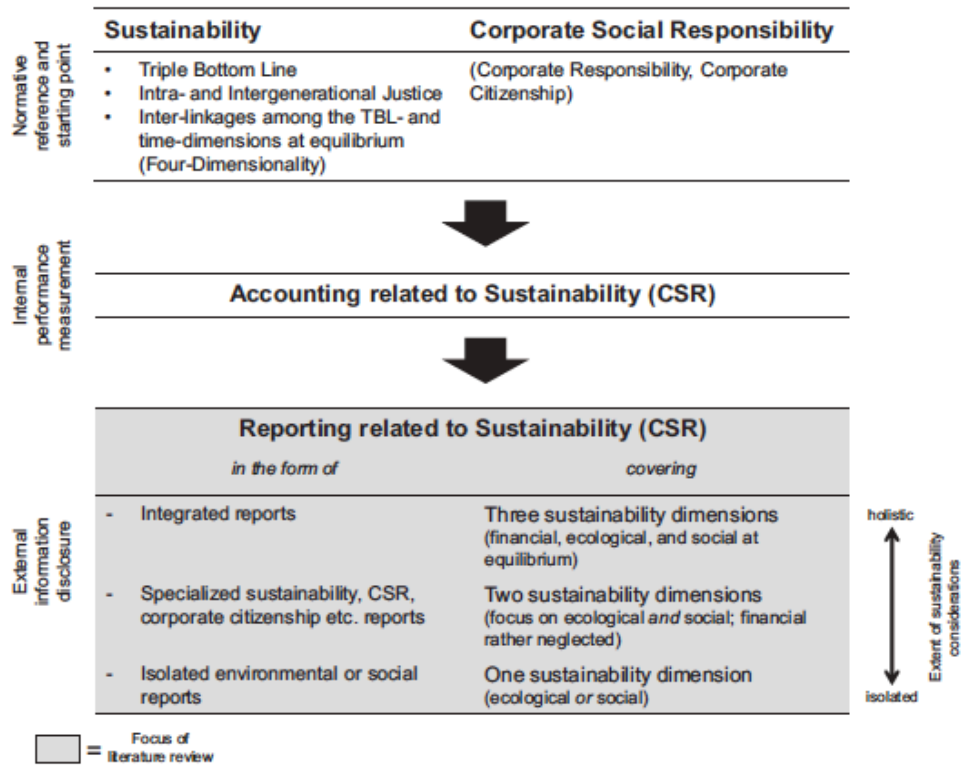


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Appendix 1: Overview and relations of basic concepts and terminology related to sustainability reporting



Source: Hahn, R., & Kühnen, M. (2013). Determinants of sustainability reporting: a review of results, trends, theory, and opportunities in an expanding field of research. *Journal of Cleaner Production*, 59, p. 7.

Appendix 2: Occurrence of selected criteria of reporting quality in the literature

	Stakeholder engagement	Materiality	Objectives and indicators	Value chain reporting	Transparency and balance
Standards and guidelines	- GRI, 2013 - OECD, 2011 - SROI Network, 2012 - IIRC, 2013	- OECD, 2011 - GRI, 2013 - SROI Network, 2012 - IIRC, 2013	- UN Global Compact, 2013	- OECD, 2011 - UN Global Compact, 2013	- OECD, 2011 (transparency) - IIRC, 2013 (balance)
Sustainability reporting surveys	- KPMG, 2013 - WBCSD, 2014	- KPMG, 2013 - WBCSD, 2014	- KPMG, 2013 - WBCSD, 2014	- KPMG, 2013	- KPMG, 2013 - WBCSD, 2014 (balance)
Research	- Laufer, 2003 - Manetti, 2011 - Bebbington and Thomson, 2005 - Daub, 2005 - Hąbek and Wolniak, 2015		- Hąbek and Wolniak, 2015	- Dreyer et al., 2006 - Hutchins and Sutherland, 2008	- Fernandez-Feijoo et al., 2014 (transparency) - Daub, 2005 (transparency)
Rankings and ratings	- RobecoSAM AG, 2015		- RobecoSAM AG, 2015		- RobecoSAM AG, 2015

Source: Author's table.

Appendix 3: Labuschagne et al. proposed operational sustainability framework

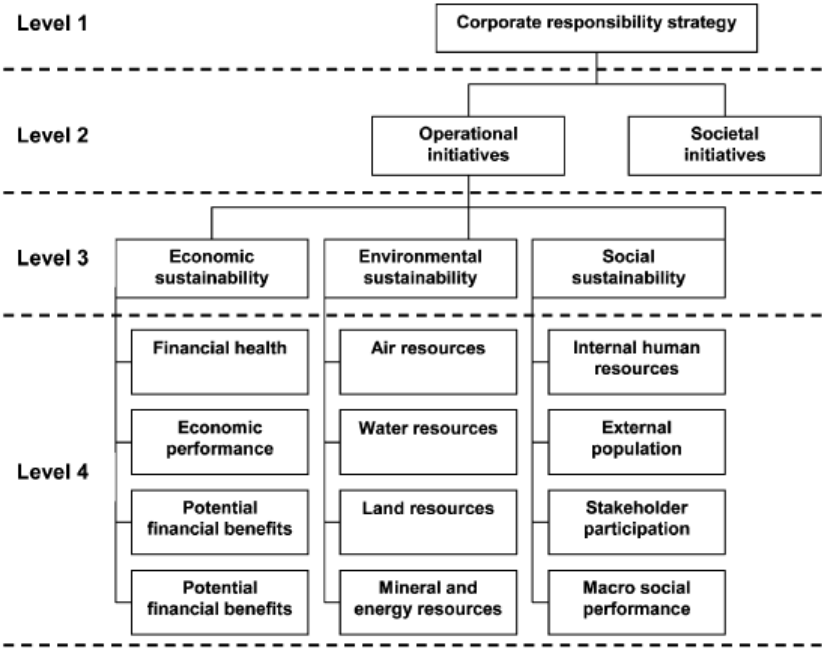


Fig. 5. Levels 1–4 of the proposed operational sustainability framework.

Source: Labuschagne, C., Brent, A. C., & P.G. van Erck, R. (2005). Assessing the sustainability performances of industries. *Journal of Cleaner Production*, 13, p. 377.

Appendix 4: GRI guideline overview for the social category of sustainability

Sub-category	Aspects
Labor practices and decent work	- Employment - Labor/Management Relations - Occupational Health and Safety - Training and Education - Diversity and Equal Opportunity - Equal Remuneration for Women and Men - Supplier Assessment for Labor Practices - Labor Practices Grievances Mechanisms
Human rights	- Investment - Non-discrimination - Freedom of Association and Collective Bargaining - Child Labor - Forced or Compulsory Labor - Security Practices - Indigenous Rights - Assessment - Supplier Human Rights Assessment - Human Rights Grievance Mechanisms
Society	- Local Communities - Anti-corruption - Public Policy - Anti-competitive Behavior - Compliance - Supplier Assessment for Impacts on Society - Grievance Mechanisms for Impacts on Society
Product responsibility	- Customer Health and Safety - Product and Service Labeling - Marketing Communications - Customer Policy - Compliance

Source: Global Corporate Sustainability Report (2013). In *United Nations Global Compact*. Retrieved from https://www.unglobalcompact.org/AboutTheGC/global_corporate_sustainability_report.html, pp. 64-83.

Appendix 5: Social impact assessment—description of inputs, outputs, outcomes and impact

INPUTS	OUTPUTS	OUTCOMES	IMPACT
What goes in?	What comes out?	What is the result?	What is the value?
• What the company gives in cash, time and 'in-kind' (materials or products donated), and management or administration costs.	• Direct community benefits of a program e.g. number of people reached by a new school or a health program, number of recreational facilities opened, the number of people that attended a community event.	• The effect of the program; • Outcomes can be short-term or long-term - e.g. the outcome for children taking part in an education program could be a 25 percent increase in literacy; • Outcomes can also be measured and evaluated for the business that makes the investment - e.g. the outcome of a health program for workers and their families could be a 10 percent increase in workforce productivity.	• The measurable long-term benefit and social change created as a result of the investment - e.g. the impact of an education program could be a long-term increase in employment rates and reduced poverty as a result of better early years education; • It can take years to see the final impact of a program and measure it. Intermediate outcomes can be measured along the way that demonstrate impact objectives are being achieved; • Programs could have an impact for the business as well as for the community.

Source: KPMG. (2014). *Sustainable insight: Unlocking the value of social investment*. Retrieved from <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/sustainable-insight/Documents/unlocking-value-social-investment.pdf>, p. 9.

Appendix 6: Dreyer et al. Social Product Life Cycle diagram

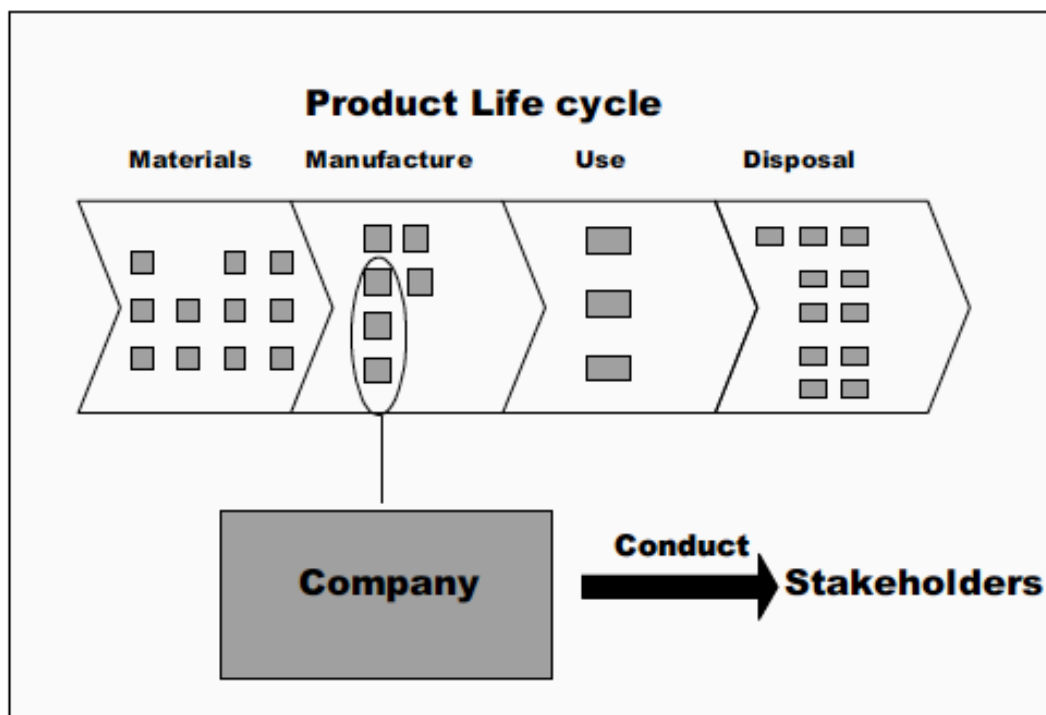


Fig. 2: The product system as perceived and modelled in Social LCA. The product life cycle is perceived as comprising a number of companies where industrial processes (depicted as small blocks) take place. The conduct of each company towards its stakeholders is analysed and aggregated in the inventory

Source: Dreyer L. C., Hauschild, M. Z., & Schierbeck, J. (2006). A Framework for Social Life Cycle Impact Assessment. *The International Journal of Life Cycle Assessment*, 11(2), p. 89.

Appendix 7: GRI indicators regarding human rights of internal HR

HR1: Total number and percentage of significant investment agreements and contracts that include human rights clauses or that have undergone human rights screening.
HR2: Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.
HR3: Total number of incidents of discrimination and corrective actions taken.
HR4: Operations (...) identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.
HR5: Operations (...) identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.
HR6: Operations (...) identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.
HR7: Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations.

Source: Global reporting initiative (GRI) (2013a). *G4 Sustainability Reporting Guidelines. Reporting principles and standard disclosures*. Retrieved from <https://www.globalreporting.org/resourcelibrary/GRIG4-Part1-Reporting-Principles-and-Standard-Disclosures.pdf>, pp. 71-75.

Appendix 8: Work and Wellbeing Survey (UWES)

The following 17 statements are about how you feel at work. Please read each statement carefully and decide if you ever feel this way about your job. If you have never had this feeling, cross the "0" (zero) in the space after the statement. If you have had this feeling, indicate how often you felt it by crossing the number (from 1 to 6) that best describes how frequently you feel that way.

Never 0	Almost Never 1	Rarely 2	Sometimes 3	Often 4	Very Often 5	Always 6
Never	A few times a year or less	Once a month or less	A few times a month	Once a week	A few times a week	Every day

1. At my work, I feel bursting with energy.^a (VI1)
2. I find the work that I do full of meaning and purpose. (DE1)
3. Time flies when I am working. (AB1)
4. At my job, I feel strong and vigorous.^a (VI2)
5. I am enthusiastic about my job.^a (DE2)
6. When I am working, I forget everything else around me. (AB2)
7. My job inspires me.^a (DE3)
8. When I get up in the morning, I feel like going to work.^a (VI3)
9. I feel happy when I am working intensely.^a (AB3)
10. I am proud of the work that I do.^a (DE4)
11. I am immersed in my work.^a (AB4)
12. I can continue working for very long periods at a time. (VI4)
13. To me, my job is challenging. (DE5)
14. I get carried away when I am working.^a (AB5)
15. At my job, I am very resilient, mentally. (VI5)
16. It is difficult to detach myself from my job. (AB6)
17. At my work, I always persevere, even when things do not go well. (VI6)

Source: Schaufeli and Bakker (2003).

Note: VI = Vigor scale; DE = Dedication scale; AB = Absorption scale.

a. Shortened version (Utrecht Work Engagement Scale-9 [UWES-9]).

Source: Schaufeli, W. B., Bakker, A. B. & Salanova, M. (2006). The measurement of work engagement with a short questionnaire. A Cross-national study. *Educational and Psychological Measurement*, 66(1), p. 714.

Appendix 9: GRI indicators regarding assessment of human rights of upstream and downstream HR

HR4: (...) suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.
HR5: (...) suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.
HR6: (...) suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.
HR10: Percentage of new suppliers that were screened using human rights criteria.
HR11: Significant actual and potential negative human rights impacts in the supply chain and actions taken.

Source: Global reporting initiative (GRI) (2013a). *G4 Sustainability Reporting Guidelines. Reporting principles and standard disclosures*. Retrieved from <https://www.globalreporting.org/resource/library/GRI4-Part1-Reporting-Principles-and-Standard-Disclosures.pdf>, pp. 71-75.

Appendix 10: GRI indicators regarding assessment of labour practises of upstream and downstream HR

LA14: Percentage of new suppliers that were screened using labor practices criteria.
LA15: Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.

Source: Global reporting initiative (GRI) (2013a). *G4 Sustainability Reporting Guidelines. Reporting principles and standard disclosures*. Retrieved from <https://www.globalreporting.org/resourcelibrary/GRIG4-Part1-Reporting-Principles-and-Standard-Disclosures.pdf>, p. 69.

Appendix 11: Semi-structured interview guide

The purpose of this work is to analyse the human resource management (HRM) (also known as 'people management' and 'human capital management') sustainability aspects of corporate social responsibility reporting within your organisation. The GRI framework provides six main categories of which two are of interest for this work; the 'labour practices and decent work' (LA) category and the 'Human Rights' (HR) category as described in the table below.

GRI guideline overview for the social category of sustainability

Sub-category	Aspects
Labor practices and decent work	- Employment - Labor/Management Relations - Occupational Health and Safety - Training and Education - Diversity and Equal Opportunity - Equal Remuneration for Women and Men - Supplier Assessment for Labor Practices - Labor Practices Grievances Mechanisms
Human rights	- Investment - Non-discrimination - Freedom of Association and Collective Bargaining - Child Labor - Forced or Compulsory Labor - Security Practices - Indigenous Rights - Assessment - Supplier Human Rights Assessment - Human Rights Grievance Mechanisms

Source: GRI, 2013, pp. 64-83

About the interviewees

- Can you tell me a bit about yourself and your role in the organisation?
- How do you see your individual role as regards to sustainability reporting?

Overview of social sustainability in the organisation

- What is HRM sustainability for your organisation?
- How important is HRM sustainability for the organisation?
- Who is responsible for sustainability in the organisation?
- What are the HRM sustainability material issues of the organisation?
- What process do you use in order to identify the HRM material issues?
- Who is responsible for HRM sustainability in the organisation?

Overview of reporting in the organisation

- Who is responsible for sustainability reporting in the organisation?
- Who is responsible for the HRM sustainability aspects of sustainability reporting?
- Which sustainability reporting standards does the company follow? (GRI, Global compact, other)
- Why did the company choose to follow this/these standard(s)?

Dow Jones sustainability index/Corporate Knights' 100 most sustainable companies

Award

- You were awarded (...) in the year (...), why do you think this is?
- Were you working towards this award?
- If so what did you change over the past years regarding HRM sustainability reporting in order to meet the criteria of this award?

Process of sustainability reporting

Internal and external stakeholder involvement

- Who is involved in the process of building the sustainability/annual report and other sustainability disclosures within your organisation?
- Are external stakeholders involved in the process of building the sustainability report and other sustainability disclosures?
- If so, during which phase are these external stakeholders involved?
- What is the role of these external stakeholders in the reporting process?
- Are suppliers involved in this reporting process?
- If so, to which extent are the suppliers involved?
- Which other players (e.g. distributor, consumer, waste manager) in the product lifecycle are involved in the process?
- To which extent are these players involved?

Reporting process

- What are the different steps of the process of building your sustainability/annual reports and disclosures?
- During which steps of the process are the above-mentioned stakeholders including suppliers and other members of the product life cycle involved?

Information disclosed

- How is the data collected for the HRM aspects of your sustainability reports throughout the product life cycle?
- Where does the data come from in the product life cycle (3rd tier supplier, 2nd tier supplier, 1st tier supplier, product manufacturer, distributor, consumer, waste manager)?
- What kind of data is gathered?
- Do you use industry benchmarks in your sustainability report?

Reporting on labour practises within the company

- What are the biggest challenges when reporting on the company's labour practises?
- According to you what are the biggest trends in the reporting of the company's labour practises?
- What specific steps are important in the reporting of the company's labour practises?
- Which specific external and internal stakeholders are involved in the process of reporting on the company's labour practises?
- According to you, which improvements still have to be achieved in the reporting of the company's labour practises within your organisation and in general?

Reporting on labour rights in the supply chain (human rights restricted to the company's value chain)

- To which extent do you report on labour rights throughout the company's value chain?
- What are the biggest challenges when reporting on labour practises throughout the value chain?
- According to you what are the biggest trends in the reporting of labour practises throughout the value chain?
- What specific steps are important in the reporting of labour practises throughout the value chain?
- Which specific internal and external stakeholders are involved in the process of reporting on labour practises throughout the value chain?
- How do you make sure your suppliers adhere to your labour and employment standards?
- According to you, which improvements still have to be achieved in the reporting of labour practises throughout the supply chain within your organisation and in general?

Conclusion

- To sum up, what would be for you the biggest challenges in social and human reporting for your organisation and in general?
- What is the company working on to improve its sustainability reports from a human and social point of view?
- Is there anything else you would like to add?

Appendix 12: Interview with Mr A. and Ms B. (Delhaize Group)

About the interviewees

- Can you tell me a bit about yourselves and your roles at Delhaize Group?

Ms B.: I am the vice president of sustainability for the group. We work with all the different operating companies. My background is in sustainability and sustainable management. I have been working with Delhaize Group since 2006.

Mr A.: I am chief human resources for the Group Delhaize and I am combining that with sustainability. I am a psychologist by training; I have been working now 10 months for Delhaize. I have worked in different multinationals before. I am also very interested in sustainability in general now; Ms B. is training me on the topic.

Ms B.: And also something that I think is unique, I don't know what the reporting is like in other companies but having sustainability reported to HR is quite unique. Usually, sustainability reports to the technical people in the company. So I think our sustainability is more integrated in HR thanks to the way the company is organised.

- How do you see your individual roles as regards to sustainability reporting?

Ms B.: It is my team along with the communications team that puts the sustainability report together each year and also we report to Dow Jones sustainability index. We are in the process of preparing 2014 now and it will be released on May 28th.

Mr A.: I am getting trained by Ms B. to be the overall sponsor of sustainability. I think I have a double role there as I have the overall sponsorship of sustainability being coached by Ms B. and also more specifically I am responsible for the areas of sustainable HR, making sure that they get delivered. I must say this has changed a part of my life, just doing this because all of a sudden I am aware of sustainability in a very different way and in this sense I think that I am also becoming the right kind of sponsor.

Ms B.: And also in terms of reporting, Mr A.'s role is to review the report. So he oversees what goes in the report, checks the content in terms of what we disclose and do not disclose.

Overview of social sustainability in the organisation

- What is HRM sustainability for your organisation?

Ms B.: This is a very interesting question and I have been thinking about this. We have two aspects of HRM sustainability; we have our sustainability strategy with specific goals: diversity, wellbeing and the right working conditions throughout the supply chain.

Mr A.: These are the topics, which are highlighted, for me the whole topic with HRM is to have a sustainable approach in general. If you look at the strategy of the company, it is in itself a sustainable strategy in the sense that there is a very clear choice to go forward in a balanced way. Identifying the four stakeholders: associates, shareholders, communities and customers and we do this in a balanced way, we want to go forward respecting all the stakeholders not just focusing on one. And this is translated in the strategy and in the way we reward the leaders of the company trying to build that awareness. In the sustainability strategy we highlight those three topics so that is the way you should see it. So I think it is the general strategy of the company to go forward in a sustainable way and within that strategy for HRM we think on the longer term, making sure that we respect our associates and then we have some topics that are highlighted for HRM and that are reported in our sustainability reports and to Dow Jones. If you go to the Dow Jones index, we talk about all the aspects that are there, which is about training, the way we hire people, etc. So it is a very broad analysis and in our 2020 targets we just have three topics highlighted. So the way I see it is first our strategic framework, then all the things we are doing, then we have these three highlights, which we communicate more about.

Ms B.: Our annual report was just put out earlier this week, it has all the information about the new strategic framework and for me that is the overwriting HRM strategy because the associates is one of the key four stakeholders for the company. The language in there is quite clear it is “we want to be a rewarding employer, we want to treat people fairly”. So if you go online and have a look at the annual report and you take a look at the first part of it about the business strategy, you will see that. And for me what is actually in our sustainability strategy are three pieces of that but the overall approach is also important.

- What are the HRM sustainability material issues of the organisation?

Ms B.: Diversity is one, employee development and also employee engagement.

Mr A.: I have a document about the HRM strategy, I will send it to you so you can see directly where it is positioned.

Ms B.: So I think those are the formal material issues list.

Mr A.: The way I have built the presentation, you see very clearly starting with the strategic framework where do we go and then the translation in all the areas is more in the PMO also.

Ms B.: Yes and what we track. And maybe this will come up again later, but we have two processes during the year to track how we are doing and how we are managing on the different topics. We have one specifically on HR, which goes really into depth on all the

labor KPIs that we track internally whether it is occupational health and safety, diversity, labor relations, etc. And then we have a sustainability tracking during the year where we look at how we are progressing towards our 2020 target, where we want to put change on diversity, development and associate wellbeing and so through those two processes we have a regular view through the year of what we are doing on the various points.

Mr A.: The other presentation I can share with you is the PMO about the way we monitor all the areas which reflects closely what we do in Dow Jones.

- What process do you use in order to identify the HRM material issues of your organisation?

Ms B.: I am not a big fan of highly technical materiality analyses every 6 months but what we do is every couple of years we check up with a couple of key internal and external stakeholders on what our most material and sustainability issues are for the company, so the list you will see in this year's report, it does not change that much from year to year to be honest, our issues are pretty much the same since we first looked at things in 2008 but what we do is that we take the list of all the possible material issues and check them with stakeholders, internal and external. We ask them "which ones do you think are most important?" and "which ones can we have the most impact on within the business?" and then we see what floats to the top. We did the exercise last year in 2014, for the first time at operating company level. So rather than just talking to group level stakeholders more globally, because we are a very locally based business we decided to take a selection of stakeholders for each of our operating companies and talk to them. But it wasn't a huge exercise as we did not have a big budget for it, we talked to 8 or 10 stakeholders and we didn't include a lot of labour relations people, it was more on the environmental side and supply chain side, so it is not the perfect complete materiality analysis but the issues that do continually float to the top are the human labour rights.

Mr A.: And this is why we need to complement each other because what Ms B. talks about is more from the sustainability perspective and then you see the way I think we look from the general framework again and what we want to reach, is that we respect our associates in the right way and in a sustainable way, which is the essence of HRM. The way we do that is through the engagement survey, which is a yearly one. So we will do every year and this year even twice, an engagement survey asking people in all areas if they find they are fairly treated. That has to do with development, careers, remuneration and leadership. This tells us if people are happy and engaged at work and that will then drive our actions. So that is the way, if you look at it from a HRM perspective, we are trying to build a relationship with our

associates; this is for me the main driver. Besides that you have the normal indicators in HR, which are turnover. If you see that in the company you have a huge turnover you know that there is an issue, if turnover is switching. Of course it is different in different markets, turnover in Belgium is around two to three per cent, turnover in the US is around 50 per cent so it is very high but it is normal because it is the kind of work environment in which that market is evolving. If you see it switching then it is bad. Another indicator is absenteeism. The other indicators we follow are: “is our company investing enough in development and training?”, “are people doing their performance reviews?”. So there are a number of indicators, which we track now on a quarterly basis. This will give us visibility, but content-wise I think the most important tool we will have going forward is this engagement survey, which we did now for the first time in February and which we will do the next time in October/November and then we can already see what the evolution is based on the measures/actions we have taken. So for me the main driver to build visibility if there are issues, if there are things to resolve, it is this survey. And there are questions on these three areas, one is on diversity, one is on associate wellbeing and one is on the performance review development and things like that. So there are questions around those three main topics. Of course in that engagement survey there are no questions around fair working conditions for the associates of our suppliers because that is a different subject but the three others are covered together with a number of other questions in the overall engagement survey. If you were to ask me what is the most important indicator to identify what are the main HRM material issues from an associates perspective, because this is what we are talking about, I have other HRM challenges which are more from a company strategic perspective but from a company perspective there are mostly monitored through the engagement survey.

- Who is responsible for HRM sustainability in the organisation?

Mr A.: Firstly, sustainable HRM is embedded in every leader in HR and there is a double approach again they are monitored on their global approach in HRM and also specifically on the three topics which we have talked about. These leaders will also be rewarded on those three topics; it is part of their bonuses. 50% of their individual bonus is based on HRM sustainability topics (development, employee engagement and diversity). So 25% is on engagement and 25% is on sustainability; now this can be weighted a little differently. I think most of them will be over weighted for engagement and a bit under weighted for sustainability (three specific topics). But those three sustainability targets are also covered in engagement so there is anyway an overlap.

Secondly, there are people that are appointed to drive each issue. There is one project lead for diversity and a project team established to work around that and that person reports to me for that topic and in each country they have a leader. And then you have associate wellbeing, which is lead by another project leader and he has another project team, which has been established now, so they are still kicking off for the moment and then you have for performance management, that is more embedded in the normal way of working and that is monitored through the normal function responsible for talent and reward and they monitor that system.

Ms B.: We are a pretty decentralised company so you might see some differences with the other companies you are talking to. The group global level is quite small and most of the work is on operational level so most of that work is managed by the leaders of HR in each company as Mr A. was saying but then on diversity and wellbeing those are two topics where we have said, we want more collaboration across the company so those two committees are one person of each company with a global role reporting to the global executive committee on their results.

Mr A.: If you make a report, it is important to stress that there is the overall approach which is anyhow sustainable HRM and then the topical approach which is coming from the way we report out on sustainability and we highlight three things but it should be embedded in the whole, for me you cannot disconnect one from the other. But it is more to make sure that we move those things because they are identified as topics that are clearly important for us. I think that we should highlight that diversity has to do with the fact that we are a very diverse company in itself and we are very much aware that we have a diverse customer base. It is important, if you think about respect for our customers and respect for our associates and respect for communities, this diversity aspect is becoming more and more important. Knowing that intrinsically we were not good at diversity in the past, so we need to drive that forward and change that through the different levels of the organisation. More women in leadership roles, more ethnic diversity, more people with disabilities, age diversity and sexual orientation, which is the most difficult one, because of cultural differences there. And again you need to make a choice you cannot work on everything but these are the five areas that we have identified for diversity. And then for associate wellbeing we have health, physical activity, nutrition, mental health and occupational health.

Overview of reporting in the organisation

- Who is responsible for sustainability reporting in the organisation?

Ms B.: It is basically my counterpart in communications and me.

Mr A.: But it is teamwork because in fact the information comes from all over the organisation, we need to get data from everywhere. Based on this we can make sure that we can monitor if we are doing well, which is the quarterly reporting. If you look at reporting we have two kinds: there is the external communication and then there is internal reporting, what we call PMO and that exists for HR and for sustainability and there is an overlap. This kind of reporting is a quarterly one. So every quarter we receive a report from all of the countries reporting on how much training they delivered, what were their engagement score, what is their turnover, how is diversity evolving, how is associate wellbeing evolving, what is happening with safety. So that is the way we monitor it and then you have at the end of the year a kind of overall report, which brings then the whole information together. This quarterly tracking is the way we manage the evolution, because if we do not do this we don't know if we will attain our objectives by the end of the year. It is more than data collection, it is management, so data collection is one step before; it is getting the data. Then what we do is ask the different operational companies why they have these results, what are the obstacles, what is working and what is not working. Because it is not like those topics evolve that easily. Certainly if you take topics like diversity, we have had huge discussions to see what works for people, what we can do, what we cannot do, what do we want, to which extent do we want to evolve from diversity management to inclusiveness. We need to manage all of that and if we only did that once a year, we would never make the change and that is why we say lets agree on targets, lets monitor the targets throughout the year so that by the end of the year we can report in a "sustainable" way. Otherwise, it is just a one shot thing and that does not work. However, externally, we cannot communicate every month, this does not make sense, we do that once a year, it gives people the time to work on it, to see that we move the needle, but for us it is important to monitor how the needle is moving from the beginning of the year so that if the needle gets stuck on a specific topic, we can work that out.

- Who is responsible for the HRM sustainability aspects of sustainability reporting?

Ms B.: The whole reporting is sort of done in the same way, so as Mr A. was saying, it is coordinated, pulled together to move to the external world with my team and the communications team but all the information is coming from the operations.

Mr A.: The information comes from everywhere in the organisation, it comes from hundreds of people I would say.

Ms B.: Yes we just pull it together, but we go to see the HR teams in each company to say “ok so what were you figures for last year?”, “what big programmes did you run?”, “what were your major training investments?”, “what were your diversity programmes?”, “what were your associate wellbeing programmes?”. They give us the information and we just put it together.

Mr A.: And the quarterly reporting is something, which we established last year so we are doing that now for the first time. For HR we only started in November and for sustainability itself we started in June. But both of them come now together and we have also had some learnings. We know now that in HR we must make sure that the way we report also helps sustainability and that the way we define sustainability to the outside world really drives the right behaviour internally. Because you can define a target and then people say: “but it doesn’t make any sense”. This situation is not going to change the behaviour of our people so therefore we adapted also the definitions of some of those targets in the last months. Before sustainability and reporting to the outside world was present and there were targets but we are driving really the focus of the organisation to that since the last year. So once we established the strategic framework, in which we said, we have associates and communities. And what I would say is that the translation of sustainability is the engagement you take to the communities, which is monitored more by Ms B.. We wanted to monitor all of that and we changed the reward systems so that people see you are in the four blocks. You always have to work in a balanced way. And that is the mind-set we are driving to the organisation, which will then also be reflected in the report. Sustainability is one of the blocks, in fact the overall idea is to make sure that we work in a sustainable way but then we have a specific focus within the communities.

- What are the key reasons that you have a separate corporate sustainability report from your annual report?

Ms B.: Actually we work on them together so when they are doing the annual report, they incorporate some of the sustainability topics because it is part of what we do as an organisation throughout the year. The sustainability report has been separate historically, we haven’t moved to integrating the two because our financial metrics on the sustainability side really aren’t at the level of maturity needed. The academic thinking behind the concept of integrated reporting, is that you don’t just put the two together, you actually have an integrated concept of how you manage sustainability from a financial side and you report that in your annual report and our financial metrics on sustainability aren’t ready, our data is not

mature enough to do that. Non-financial data is not as mature generally. Our financial data is ready to be audited in January and prepared for March and our non-financial data comes in over January and February and it is a three-month process to get it validated and audited in order to be released in May. So at this point even if we tried to put both reports together, we wouldn't have the right reporting data for the social and environmental topics. They wouldn't be ready in time for the legal date by which our annual report needs to be released.

- Do you have external assurance for your sustainability report?

Ms B.: We do on the data, we do not have the overall report reviewed but the data we do have reviewed by an external auditor. Our internal audit reviews it first and then a selection of our high priority and high-risk indicators are audited by Ernst & Young.

- What are the key reasons the company chose to use the GRI Standard Disclosures and Reporting Principles?

Ms B.: Simply to align with global standards in sustainability reporting. We don't go for a strictly certified A+ GRI report because so far there has not really been that demand from our stakeholders and it is a much bigger investment to have people check and certify and verify the report. So we align with it in principle and we check our KPIs. With the G4 guidelines coming out we are reviewing our KPIs: "Is there anything we need to add or change to be in line with that?" But it is mostly just to make sure we have got some benchmark for our reporting standards.

- Does the company follow any other sustainability Standards?

Ms B.: Not really, I mean we report to DJSI and what they require.

Dow Jones sustainability index

- Delhaize S.A. was listed in the 'Sustainability yearbook RobecoSAM 2015' why do you think this is?

Ms B.: Well, we perform quite well, we have been responding to DJSI for four years now I think, we were two years (2012 and 2013) in the index, for the world and in the European index for our sector. In 2014, we just missed being in the index, so we are in the yearbook, which is nice but we are a point or two below the score to get in the index. But historically we have had pretty good disclosure of data. On the social side we have been quite strong compared to our peers and also we perform well, it is a mixture of the two. I think compared

to others in the food and drug retailing sector, we have been reporting and setting targets particularly on the HR side for a while now.

- Were you working towards this award?

Ms B.: It was never a huge aim for the company, we appreciate Dow Jones as a very thorough benchmark, which allows us to benchmark within our industry against our peers but also allows us to benchmark a bit with the other industries. It is very comprehensive with the economical, environmental and social questions that they ask. We see it right now as the leading rating on sustainability for companies and so that is why we did it, we told ourselves that we were going to respond to this to see how we are doing and therefore see where we need to improve.

Mr A.: DJSI is seen as a benchmark, we want sustainability in itself that is the goal. The award is something, which reflects that but it should not be the goal in itself.

Ms B.: However, when we fell out of the index, we were like “wait a minute, we would like to get back in”.

Mr A.: Yes well that means that we are not doing as good as what others are doing so that is why we want to get back in. Now I think we are still doing well. And I think that part of it has to do with the fact that we are not as good in reporting on sustainability as we are at sustainability in itself. If I listen to the outside world, mainly head-hunters, when they look at Delhaize, they see us as a very different retailer as most retailers worldwide. Because we pay much more attention to people and our associates. At least for the HRM sustainability, I am not talking about the overall sustainability but certainly for HRM sustainability we have a very different approach than most other retailers, in the sense that we are much more into the engaging style while most retailers are more into military execution. So, you feel there a big difference and that is also what reflects the values and you see that in the core of the company.

- When comparing Delhaize Group to its competitors, would you say that you perform better in terms of HRM sustainability?

Ms B.: If we look at Dow Jones’ three aspects: economical, social and environment. Environment is the lowest of the three, social I think is our highest with economical in the middle.

Mr A.: It is the first time we talk about it like that and that is why I like these kinds of conversations because we are asking ourselves new questions. But I think we are performing

better compared to our competitors in terms of HRM sustainability reporting because intrinsically we are performing better in terms of HRM sustainability. And now I am not saying that we are monitoring that in the best way but that is what we are putting in place. But in itself, this company wanted to have a sustainable relationship with its associates so it always was like that we are not making it more explicit, we are monitoring it and making sure that it is happening everywhere. That is how you should look at it intrinsically this is what the company was, but now we are saying it is one of the objectives. It is like somebody that runs really fast and that now wants to win a race that is how I would describe it. Delhaize was always a fast runner but it did not participate in the race. Now it is participating, not always well prepared and even if we are running harder than others, because we do not report it in the right way, all of a sudden we look slower. This is strange to see because in fact we know that we are better. We are like that in many areas, we do better than we communicate and this has to do with the nature of this more engaging style, historically there was less military monitoring. Therefore then you have always people who fall out and that brings you down. And that is what we are doing now, we are saying we want this engaging style but monitored in a military way to make sure that we are really doing what we are saying which is then strange because then you get resistance from the operational companies saying “but we are doing this, why do we need to be monitored?” and then we say “well to be sure” and they say “don’t you trust us?” and we answer “yes we trust you but in general we need to monitor that and we need to be able to report it”. But you know there is a little bit of a contradiction in there. But I think that we are getting there. I think people are changing now and understand that they need to report on something that we know they are already doing. It is like asking a child “Are you behaving?” “Yes I am behaving” and then you ask him “are you still behaving?” so after a while the child asks you “but why are you asking me this? Should I misbehave?” so we have to pay attention to how we do this.

Process of sustainability reporting

Internal and external stakeholder involvement

- Who is involved in the process of building the sustainability report and other sustainability disclosures within your organisation?

Ms B. : I can answer this question and some of the following questions at the same time. So just to give a bit more colour on how it happens internally, so we have a cloud based database where everyone from the operating companies so someone in HR, in each of our countries,

logs in, puts in a few data points that are needed and then there is someone assigned as the validator and the checker and another person assigned as the second validator. So data is collected through that system and that is how we get the core information for the report. So then we have two levels of review internally so we have people on the sustainability teams, which is quite small, but there is a little team in each company that does the overall review of the reporting first: “is it complete?” “Is it accurate?” etc. and then the people we call the sustainability sponsors so Mr A. for the group and one executive leader from each of the operating companies they have a role to review the report and approve it and sign it off before it goes to our executive committee for final approval. So there are a lot of people involved in the reporting from departments across the operating companies and at the group level.

In terms of internal vs external stakeholders, we mostly work with internal stakeholders contributing, checking the data and the style of reporting. We don’t do, mostly for time reasons, a process where we have external stakeholders (other than the auditors for the data) review our reporting. We get input from external stakeholders throughout the year on our projects and specific things but we don’t have them specifically review the report.

Mr A.: But suppliers provide the procurement department with data. Even if you look at HR targets, if you look at for example, diversity, I will always look what is happening in the country. The data originally often comes from the outside. Suppliers need to provide us with data, if you look at absenteeism for example probably you are working with a *sociaal secretariat* and they will give you the numbers so in the end there will always be external stakeholders providing us with data but they will not monitor the whole line.

- From a human resource perspective, do suppliers provide you with data about labour rights?

Mr A.: That is what we are working on.

Ms B.: To some extent yes. At this point it is more an auditing approach where we ask the suppliers to have a third party audit and we look at the audit results. But the suppliers do need to sign with us our supplier code of conduct that is addressing child labour and forced labour and all those points. So they need to commit to us that they will abide by the code of conduct and then we collect audit data. The suppliers that we talk about here are the ones for the companies’ own brands and we are not talking about any other suppliers. To be honest at this point it is hard enough just to get the information on the private brands and we don’t have full information yet and for us private brands is quite a strong part of our strategy, it represents

across the group over 25% of sales, in Belgium it is over 55% of sales, in the US it is between 25 and 30. So it's a core part of our brand strategy.

Mr A.: If you go to our overall strategy private brands is the one we want to grow.

Reporting on labour practises within the company

- What are the biggest challenges when reporting on the company's labour practises?

Ms B.: I think that for us the biggest challenge is that we have seven different countries, different regulations, different definitions and different ways of tracking. And pulling everything together into something meaningful globally is a challenge because Serbia has laws on labour rights and absenteeism and turnover that are different from Belgium and the US for example.

Mr A.: That is more for the reporting and I think content wise, you need to respect what is happening in those countries. If you take diversity for example, the challenge we have from a West-European, Belgian perspective, if we take for example sexual orientation it isn't that easy in Indonesia it isn't that easy it is against their religion. So we can say that it is something we want and it is something that is important from a global perspective but you need to take into account that the countries are different. Another challenge is, and I will be honest about it for example union relations, if you look at from a Belgian perspective it is quite clear what we want, we want to respect unions and at the same time we want to control them so that it does not get out of hand. But if you go to other countries the role of unions is very different and then you have to see do you want to have that, don't you want to have that, how do you handle that. So there are some differences due to different practises, regulations. We have to be aware of the fact that we are a very diverse group as we are present in different countries and therefore we need to respect also that diversity, which is part of sustainability, which is part of our strategy, being locally responsible. That is the balance we need to find. For me this was one of the big learnings when I started working on diversity, I got so much resistance on this topic of sexual orientation and first I did not really understand why it was that difficult until I went there and saw the Greek Orthodox. It is against their religion. We want diversity but you cannot say to people, you should not be religious. It is not up to us to change the country. If you then say, "you need to hire so many gay people", in a country where nobody wants to disclose that they are gay; that does not work. So we needed to adapt a little bit. This is not about reporting, it is really on the content side where we need to adapt because of our diversity and of our presence in different cultures, we need to see how we translate sustainability in different countries. Because that is also sustainability, that is the

feedback I got “you want to be sustainable, you want to be respectful of the communities but the communities will consider this disrespectful, so you are contradicting yourself by imposing something which you think is sustainable”. That is a challenge we went through and we are trying still to understand and to open people’s minds without forcing things.

- According to you, which improvements still have to be achieved in the reporting of the company’s labour practises within your organisation and in general?

Ms B.: In terms of reporting we are actually pretty good, on Dow Jones it is one of the things we rate the highest, we have a wide range of KPIs we report on and a good history of reporting and we are improving it for the moment.

Mr A.: I think the topics we still need to improve are exactly the topics we have pointed out. Diversity and wellbeing that is why we pointed them out because we know we need to monitor them more. So we communicate on our weaknesses and we work on those topics.

Ms B.: Some companies are starting to move toward impacts related data on HR. This we are not doing for the moment. So not “how many hours did you give of training to people?” but “how well trained are you people in the end?” “What is your return on investment?” We don’t have a lot of results based metrics in HR yet and most companies are in the same position but companies on the leaning edge are starting to say it is not the inputs that we should be measuring it is the outputs. We haven’t developed those yet.

Mr A.: Now we are starting, as you said we only started last year to build a consistent visibility on HR. Because we were reporting out on a yearly basis and then you get a view and now we are building awareness so we have every quarter now really a discussion about where our people are and gradually we are going more in a way: “ok you did this now, but what did you change with that?” and that will change again the reporting but it is a curve we need to take. We cannot say all of a sudden that we are there because it is progressive; people should not spend more time reporting than actually doing what they report on. We need to make sure also that reporting does not become dominant on what we are really doing. We want to build that visibility but reporting in itself is not the goal, the goal is the intrinsic thing we are doing.

- According to you what are the biggest trends in the reporting of the company’s labour practises?

Ms B.: As mentioned before reporting impacts related data is a big trend and other trends are maybe more regional, we see in our US competitors a lot of emphasis on fair wage right now,

in Europe it is on quality and availability of jobs because the economy is not that strong, so there are really regional differences. In Greece, where the economy is really quite poor, the focus is on giving people a reliable and decent employment and also supporting their social needs outside of work because their family members have lost jobs, there are various things going on. The trends are quite different regionally.

Mr A.: I think that what we also could do is, once the engagement survey is there, I think we should use it much more. For the moment operating companies used different surveys and then now we have only one, which will make it easier to know in the future what our associates say about our sustainable HRM. We will be able to do that from 2016 onwards because by then we will have two different measurements and then we can really tell something. Now we go for a yearly rhythm so that we can build a better visibility, which is a kind of impact management, then you say how people have felt it. Do they think that they are better trained? Because we can say we gave a big number of hours of training but maybe people do not feel that they have effectively improved on the subject. In that case you ask the stakeholder and I think that is the ultimate result measurement and this is why this engagement survey is so important for me. Because that will be the final measurement to know if we are doing well with that part of HRM. It is only one part of HRM because it is the part about the relationship with the associates.

Reporting on labour rights in the supply chain (human rights restricted to the company's supply chain)

- What are the biggest challenges when reporting on labour practises throughout the supply chain?

Ms B.: It is really transparency, it is getting the information from our suppliers, there is still a lot of confidentiality within the supply chain "I can't tell you where I am getting that" "I can't tell you which factory is making that" etc. In a lot of cases we work very closely with the suppliers and so we know that information and in those cases we can get audits, we can see their facilities, we are comfortable with what is going on. But a lot of other products still have a very complex global supply chain and they are going through here and there and over there and they are distant from our operations. For those products it is much harder to really know what is going on and the place where they are produced or grown. So we are working on really requiring that level of transparency from suppliers and it is a process now some are providing it and some aren't and it is a change a lot of companies are going through. There is a really push for more transparency in the global supply chains today.

- According to you what are the biggest trends in the reporting of labour practises throughout the supply chain?

Ms B.: There is more and more exposure to what is really going on in supply chains. More media attention, more NGO campaigns and customers saying “wow I didn’t know shrimps were farmed that way, I don’t want to buy that, that is not the kind of product I want” and us saying “wow, I didn’t know my supplier was working that way, because my supplier is buying from someone who is buying from someone who is buying from someone” and so it is us and the customers that are demanding more transparency and more adherence to strong labour rights. There is a lot of stuff happening in the world that people are not so happy about.

Conclusion

- To sum up, what would be for you the biggest challenges in HRM sustainability reporting for your organisation and in general?

Ms B.: On the reporting side, I think it is probably this results based trend, getting to meaningful results based metrics.

Mr A.: And another challenge is that if you want metrics but you know that content wise you need to respect what is locally different, how can you have global metrics? You remember the example I told you about sexual diversity in Greece or Indonesia, diversity and inclusiveness might mean different things in a different environment. And then you have to ask yourself to which extent you want to respect the local community, which is the sustainability element, and also to what extent do you want to change it and to drive it in a different way and then you need to report on that. You can say that diversity is within the values of the company but you cannot force it on people outside the company. If you look at Belgium for example, if you look at ethnicity, we are convinced that we want it, the challenge will be that we will get push backs from customers.

Ms B.: And that is part of change, and it is hard sometimes for a company to decide, do you go for what your customers say to the letter or do you say these are our company values and this is what we are going to maintain and it is hard to do that, it is a change process.

Mr A.: Because we say that we respect the four stakeholders and if you say “but our customers don’t want that”, but we want that because we think it is intrinsically respectful for the community in which we live, how do you balance that and how do you change step by step? If you say for example ethnicity in Belgium for example ladies who wear scarves, if

they are at the cashier, do you want that or not? It is respectful for them, but it might be perceived as non-respectful by some of your customers and then you report out on that so it is a balance we have to take. I think sustainability is born in the western minds and how do we translate that then to a global perspective? At the same time being convinced that we need to do things to make the world better, but is what is best always what we think it is? And that is also for me a balance.

The question is “Is the company doing this because the objective is to be intrinsically sustainable or because their objective is to report that the company is sustainable?” In our case the objective is to be sustainable but we do not always report on that is the best way. And it is embedded in the way we reward people etc.

Appendix 13: Interview with Mr D. and Ms E. (UCB)

About the interviewee

- Can you tell me a bit about yourself and your role at UCB?

Ms E.: I am from Serbia. I am a trainee here, I came from a student organisation called AIESEC and I have been here since the first of December so it has been a bit more than 4 months. I have been working on GRI, helping Mr D. with that and also working on some local initiatives that we have in different subsidiaries.

Mr D.: I am a physician by training. Started in the industry immediately after my studies more than 30 years ago. I have always worked in drug safety in different companies. And now since about 2 years and a half, I am in the position of responsible head for corporate societal responsibility, of course I continue to have an activity in safety for very special cases that occur from time to time. We look into the sustainability aspects of the social, environmental, economic activities of our organisation. There is one branch who is not present at this table who is the head of Health Safety and Environment (HSE). But I will represent him, because I write unfortunately, I do write in the annual report, the chapter about CSR.

- How do you see your individual role as regards sustainability reporting?

Mr D.: I believe that we can contribute to do initiatives on the one hand as well as the execution and reporting of aspects of sustainability both on access to treatment and care as well as sustainability of the organisation relative to environment (green energy, green chemistry, everything that has to do with upstream and downstream management). Because it is no longer sufficient to work only within the four walls of the organisation, if you have contract manufacturers all over the world you need to work upstream but also downstream because you need to educate your patients on how to use your drugs, how to use the packaging and where should packaging be coming back. This is an extraordinary and rewarding position to be in because I had no clue when I did drug safety; I discovered something new in this organisation, which is great.

In terms of reporting, we apply GRI and we are now planning G4 because in 2015 this is now necessary, we will go for the core not the comprehensive because it is too elaborate. So what we do is upstream in the process make sure that all the partners in the organisation know that by a certain a certain data should become available. So if you take training for example, the number of training hours, the updates on the trainings, etc. all those parameters are provided.

It is their accountability to make sure it becomes available; it is our responsibility to write it up. Some people will be giving us data that we have asked for but in the context of the relevance of that data, what is material and not material, I can decide whether it is material to put it in the report or not. This can provide hick ups internally “I provided you with the data and you did not accept it”. Materiality means that is it material for the outside world to know what you have been doing in your corner for example writing up a training course for the physicians in Braine-l’Alleud, eventough a lot of effort was put into it, it is not material. I have to cut through some crap from time to time.

Ms E.: For most of the indicators in the GRI tables, we do not have the data, other people in the company do so we work with them very closely in order to get the data.

Mr D.: People give us their data, we go through it, interpret it and then our auditors check the quality. They also visit two plants per year where they look at the environment aspect.

Overview of social sustainability in the organisation

- What is HRM sustainability for your organisation?

Mr D.: Human resources (HR) sustainability is having the people engaged towards the focus of the patient. Our motto is “Inspired by patients driven by science”. That is also the signature of the sustainability of our HR people. If you have people that are not inspired by patients, they should then reconsider where they should work. If they are inspired by money and driven by science, this is not a company they need to come too. Our sustainability is really tailored towards making sure that people can deploy their talents, can grow their talents with the focus on delivering quality and care to patients living with severe diseases.

- How important is HRM sustainability for the organisation?

Mr D.: People are important for sustainability so HR, which is a department that monitors, recruits and dismisses people is a very critical department and it is clear that maybe not everyone likes to be called into HR but it is necessary because we need to deploy our talents. Deploying talents in teamwork means connecting with people. A bright person maybe brilliant behind his desk but if he can’t translate that to somebody else that needs to do the manufacturing then you can forget it, he is not good enough.

- Who is responsible for sustainability in the organisation?

Mr D.: There is a difference between being responsible and having the oversight. We have (Mr D. and Ms E.) oversight on sustainability in the organisation. But there are multiple

people responsible for that and I don't want to underestimate that. Everyone in this organisation has responsibility for sustainability. If we talk about coordination of the efforts, that is then obviously coming up in the chain of command, up to the HR person. So you have Mr C. (HR) who is responsible for social and environmental sustainability. Financial sustainability is with the financial director, the CFO. But then underneath Mr C. you will have different people and I am his deputy relative to sustainability. But there is like I mentioned an EHS manager for ecology. So when we send a thank you note for the good completion of the report we send it out to roughly seventy people. That is a team 70 that delivers sustainability.

Ms E.: Which are in different roles, so not in the CSR department.

Mr D.: And they are in different geographical locations. So for example in one of our sites in Japan, we have an HR person accountable for sustainability. Everywhere we have a UCB production; there is a person responsible for sustainability. And now your backup question needs to be, "what about your supply chain?" well we will talk about that later.

Ms E.: The CSR department in itself is made up of Mr D. and me but we rely on a number of people in the organisation. It is a matrix structure.

Mr D.: Yes it is a very effective system because it is not about reporting it is about the implementation.

- What are the HRM sustainability material issues of the organisation?

Mr D.: Keeping your talent, that is material. Ensuring that that talent brings new drugs and solutions for patients with serious conditions in the areas we operate in. Ensuring that we don't continue to overstretch the global ecological print of our organisation and that we build awareness within the organisation that we hope that people take home and implement at home. What is also material is to ensure that we as an organisation bring solutions to patients in underprivileged conditions for diseases that we operate on such as epilepsy. We much ensure that these people have access to drugs.

- What process do you use in order to identify the HRM material issues of your organisation?

Mr D.: We employ different processes. We have continuous dialogue with stakeholders. Recently we completed one with a global presence with about 250 stakeholders. We do in depth interviews of patients in each continent. In December for example we also had the top 200 leaders of the organisation brought together around a table with 40 stakeholders coming from all over the world. For example two ministers of health came for that meeting. Now a

stakeholder tells us what is important/material to them, we absorb that, we write that up and that is how we identify material issues. The challenge that we have, is now to write this up in the annual report. The reporting process is under continuous pressure and then the material issues are discussed with our external auditor. “How do they consider our process to materiality?” “How have we evolved our criteria?” “How have we improved on our marked access?” “How have we improved on speeding up processes?” so those things are being discussed through a continuous dialogue.

- Who is responsible for HRM sustainability reporting in the organisation?

Mr D.: Relative to HR, I am talking not about the financial reporting but about the non-financial reporting, the writer sits in front of you. Everyone gives me the data and I have to think of the stories in a specific number of characters. I am limited to 9 thousand 8 hundred characters including spaces.

Overview of reporting in the organisation

- What are the key reasons the company shifted to a combined report?

Mr D.: Our objective is to have an integrated report. Integrated reporting means that you put your financial and non-financial objectives clearly and you ensure that you can monetize your sustainability efforts in such a way that you can make an integrated report. We are not yet there. That is a learning exercise. We may have gotten an award, however we do not yet have a mixture between the different parts of the report. The different parts remain very separate. Now we are asking ourselves how we can change in order to have an integrated strategy (demanded by G4).

Ms E.: I would add that we want an integrated report because profit is not our core issue, we are really driven by the patients and CSR is something that comes into this. So what we are trying to make sure is that everyone understands that they are all responsible for patients. So we do not want to separate, what is done for the patient to only one department.

Mr D.: The strategy is that we want all our total community to drive the company. This is the integration we are talking about. Whether we are capable or not to write it up in an annual report is for me not material. It is about how do the people in the organisation all over the world drive the company's engagement (corporate social responsibility) on all the aspects we are talking about, the financial, non-financial, societal, social and environmental activities. We are quite successful at engaging people, not at the moment that they need to report the

data but throughout the year to make sure that the objective is met. That is for me what is important, integrated reporting is a tool, not an outcome.

- What are the key reasons the company chose to use the GRI Standard Disclosures and Reporting Principles?

Mr D.: It has to do with a dialogue with our external auditor that recommended we go for GRI. We looked at GRI versus the other standards and I think we would make that choice again. I have considered ISO26000 and Dow Jones. But I think GRI has a comprehensive approach, although a bit over the edge regarding what they are asking in the GRI comprehensive form. I think they overkill it. If we want to deliver for patients, the last thing HR wants to do is have a department of 14-15 people to complete GRI standards. I have done this with two people and we will continue doing it with two. In that case we would just be making sure that we adhere to principles that become unrealistic. Write in your thesis that there is a quest for simplicity not a quest for complexity. GRI 4 is ok.

There is another index which is access to medicine (ATM) by a Dutch company, they make a rating, companies are left completely in the dark on how that rating is done, then you suddenly tumble from position 2 to 29 and then everyone is asking themselves what is happening in the company.

- Does the company follow any other sustainability Standards?

Mr D.: The EHS manager does ISO26000 but he uses it as a mechanistic tool, to make sure that he can impose some targets but we don't report on that. Sustainability has nothing to do with following sustainability standards in our company it has to do with our motto, "inspired by patients, driven by science". We have people from procurement are asking themselves how fraud impacts patients. When the question was raised to different organisations including sustainability organisations, they hadn't thought about it. That is why we are a different organisation and that is why we are proud of working in this company because we are somewhat different. Not following always reporting standards.

Corporate Knights' 100 most sustainable companies

- UCB was taken up in the "100 most sustainable companies" index 3 years in a row (2013, 2014 and 2015), why do you think this is?

Mr D.: Because we have a certain critical mass, we are above 1 billion in turnover then you come into the radar screen of those organisations. We are a biotech. We have transformed

successfully from a pharma traditional company to now a biotech company. That puts you in a certain category of innovation. So I believe that they look at certain criteria among these mentioned. Their ratings do not add any value because there is no opportunity for learning from them as they are keeping us in the dark about their criteria.

Three years ago we were rated number 78, the year after that we were rated number 18, this year we are number 68. We then called in order to ask why we tumbled back. They answered that they had adjusted their parameters. There is no value in this. So we are going to take it out from the report next year because it does not add any value. I didn't take it out this year for a very simple reason that it is not because we have tumbled that we have changed but I want to say to people, next year when I take it out, "I took it out because there is no transparency about this rating." And then I am safe because I reported what I knew and I can take it out as it is not material. This is absolutely not material but GRI requests that we highlight awards and rewards. That is one of their parameters. So I am going to write to them to say that I am very concerned because the external reviewers have no capacity to audit what they are doing. I have been in inspections and audits for about 30 years and I do know that when an inspector comes in, he looks at data and ask you a lot of questions. But those companies they are seated in Davos or in the Gates foundation and they then decide to rate companies but that is just to make money.

- For the third year, UCB is present in two EPCI indices as well as two new EPCI indices in 2014, why do you think this is?

Mr D.: We are present in the first two indices because we reach a certain benchmark, we reach over 3 billion, we are present in so many markets, etc. In the report, we describe why we are there.

We got two additional awards this year because we considered a number of activities material in our research. We were present in central nervous system, oncology and we work around the world to reduce our environmental impact. So those things resulted in a better ranking this year. I was surprised so I called them in order to understand better. We then had a whole discussion about these topics and then I was happy to take it in into our report.

This award is different to the Corporate Knights one because they look at the financial reports they look at your grid of activities and if you work in oncology or on neglected diseases, you get recognition for that and I think that that is fair. Here they look at all companies, they are transparent on their parameters and then they give you a rating. The absence or the grey areas of those evaluating companies drive me nuts.

- Were you working towards this award?

Mr D.: No we were not, we were working towards our patients.

Ms E.: We even had a discussion once with members of the CSR board regarding these awards and asking ourselves if it is something that we should even work towards and consider or not. Because this is not valuable for patients and whatever we are creating is for our patients, so this is not important for us. We do not work towards it.

Mr D.: We will have a very difficult discussion within UCB, when we will be asked to participate in more of those activities for rating companies. We will not put more people crunching data because this is not our objective. We want to make sure that we are sustainable, that we are competitive, that we are innovatively connecting to academia, who can make access to care not only in the first but also in the third world for patients. Our objective is access to medicine, rating companies will not guaranty or facilitate that. If rating companies would give us a grant to do research if we were in the top ten for example then I think we would be working towards that but that's not how it works. "Will we have more investors as a result of being listed in this and this?" "No I don't think so". We need a new global and transparent rating from which companies can learn.

Process of sustainability reporting

Internal and external stakeholder involvement

- Are external stakeholders involved in the process of building the sustainability report and other sustainability disclosures?

Mr D.: No, but they are involved in the decisions towards materiality.

Reporting process

- What are the different steps of the process of building your sustainability reports and disclosures?

Mr D.: We are now in the process of preparing the GRI 4, we have worked on it, we have our extraction methodologies and by May we will roll out a program to make sure that all partners are aware that we are going to have to report against certain deadline and that we are going to have to validate some aspects earlier than we what we have done last year.

So the supply of data is one element, then the writing is another step. And so the supply of data is run by that matrix network that we have described and I will be the fortunate

designated volunteer to interpret the data and write the paper up and then the report needs to be approved and then it has to be translated into Dutch and French.

Ms E.: The HR data comes from every subsidiary.

Mr D.: On top of that if there are labour disputes or lay offs that is captured in the secondary layer of information. We have the core SAP and on top of that these specific topics are treated separately in the report. For example, we are selling a part of our operations in India, the consequences for the workers will be written up in a specific section in the report. Before I write anything I go to the HR person in India and ask that person if there were any disputes etc so that I can understand whether we were respectful to human rights, that there was no discrimination, that the indigenous rights were respected etc.

Information disclosed

- What kind of data is gathered?

Mr D.: We have hard data, which we talked about but we also report some stories. I am the one that can decide that.

Ms E.: We usually choose the one that has the biggest impact and adds value to the patients.

- Do you use industry benchmarks in your sustainability report?

Mr D.: This is a tough question because of the nature of the organisation. We don't measure against benchmarks of other organisations. What we do know, is that because we are quite a small company, we are more agile and flexible when it comes to a number of aspects especially in initiatives towards serving underprivileged populations in the world. For example, we put trainee programs for doctors in the third world country which are unique in the way they are done and that makes us a fun place to work.

Reporting on labour practises within the company

- What are the biggest challenges when reporting on the company's labour practises?

Mr D.: There are no challenges; we are a very stable company. We have a very stable employment, the turnover rate was 15% this is quite low considering that we have had divestments; we have very good union relationships, there is no unrest; occupational health and safety is taken care of on all sites; internally we have to train and educate people if not the employee has a problem, diversity and equal opportunity, we strive towards those, we do not have perfect equal opportunities at the top but it is something that we are working on very strongly.

Reporting on labour rights in the supply chain (human rights restricted to the company's supply chain)

- To which extent do you report on labour rights throughout the company's supply chain?

Mr D.: We are not yet fully deploying the principles we adopted internally towards our upstream and downstream partners because of the extraordinary complexity of doing this. Let's imagine we are Ferrero, everybody know Nutella, well that report talks about their suppliers of hazel nuts and cacao beans. If you look at their approach, they have a complete oversight from the day the seeds are planted to the delivery and the whole social network around that. They have an extraordinary societal impact. For us it is so much more complicated in the sense that if you take one of our compounds, the raw materials come out of India, and then they are transported by another company, handled by another company. So all those activities are of complex nature and we are not yet there to put a genius system in place. But procurement makes sure that our code of conduct is followed by suppliers. But how does our supplier that sources its materials in India make sure that this code of conduct is also applied? And we are not yet there but we do demand adherence to certain human rights and labour practises principles.

We cannot report on the activity of our suppliers because the data is not validated. We do not audit our suppliers for the moment, which is why I do not want to report on it. First get a system in place in order to validate the data.

There is no structure in place to assert that our suppliers are telling us the truth or not. For example, year after year we can report that our energy usage goes down but we do not know how much our supplier that has taken over the manufacturing how that is accounted for. If he produces products for ten companies, should we then say that one tenth of his electricity usage is our responsibility? So that is a very complex issue, but that complexity should not be avoided and we are working with the procurement department to get an insight on that. Transparency about supply chains is more than necessary today. Transparency makes patients much more confident in the processes that the company deploys. Our patients are looking over our shoulders and they should be also looking over the shoulders of our suppliers and we will make that sure of that before I retire.

- What would you say are the challenges to get to that objective?

Mr D.: Engagement, making sure that you can adequately translate what you ambition to those partners. They should not be suppliers but they should be partners.

Conclusion

- To sum up, what would be for you the biggest challenges in HRM sustainability reporting for your organisation and in general?

Mr D.: Involve the supply chain management up stream but also downstream.

Ms E.: Also we would like to evolve to integrated reporting.

- What is the company working on to improve its sustainability reports from a HRM point of view?

Mr D.: The area, in which I want to see improvement, is that we generate transparency in whole value chain management from the raw material to the end product delivered in the hands of patients. We are not yet there but before I retire, that is where I want to be and I still have a couple of years to go.

- Do you have any other thing to add that I would not have asked about?

Mr D.: We talked about sustainability in HR and we have repeatedly thought about that, what I think I am missing is “how HR sustainability integrated in the overall sustainability of the company?” You should really ask yourself what that how HR sustainability integrates with the rest. What I wonder for example is why electrical cars do not work in Europe and they are a big success in Japan. We are talking here about perception sometimes versus willingness to change. And change management is something that is critical in sustainability. Without this willingness to be on the other side, we are not going to be able to save our planet, we will not be able to save certain companies and we will not be able to make it a better place for our children. What I want to see for UCB, is that we take care of not only the patients but also to the suppliers of goods to the patients. So that people that work in a factory in Budapest or a factory in Cairo do understand the importance. Because if you make them accountable and they understand what the end product does we will have better quality they will adhere to practises that makes it a better place.

Appendix 14: Interview with Mr C. (UCB)

About the interviewee

- Can you tell me a bit about yourself and your role at UCB?

I am head of talent and company reputation. Talent covers all HR and talent related activities and company reputation covers everything that has to do with communication and corporate societal responsibility (CSR). At UCB it is not called social responsibility but societal responsibility, which is a little bit broader.

- How do you see your individual role as regards sustainability reporting?

We follow the GRI KPIs. We are in charge of writing the largest part of that specific activity through two things; the first one is the GRI statistical report and also in the annual report a complete full report on the CSR. The thing that is evolving and which is important is that is started with KPIs which were a little bit “passive” to something that becomes more qualitative and progressively broader. We see year after year, that sustainability reporting which was a little bit of an add-on to the business report, starts to become the core of the business report. This probably means that the sustainability part starts to be more “part of” instead of being “next to” the business. I think that for companies, including ours it used to be “next to”, we were monitoring those KPIs as a kind of must do while now these KPIs are much more part of who we are.

Overview of social sustainability in the organisation

- What is HRM sustainability for your organisation?

I am not going to cover the specificity of what we call the CSR activity at UCB, which are about planet centricity and patient centricity. So now I am back to really I would say the human resources world and what makes this human capital sustainable on the long run. The overall topic is about: as we cannot guaranty anymore employment for life for people, our duty is to ensure employability of the people and I think that is HR sustainability. People will maybe not work for our company for 50 years because this is not the model anymore, but at least if people separate from the company, they are qualified, the market is ready to use their skills and that is for me the ultimate sustainability. It is to fulfil the employability. The rest is a “must do” for example, gender diversity, the overall diversity programme, etc. For me it is a must do, there is no question if we should do it. One way or the other with emphasis on gender diversity, race diversity, diversity of origin, proximity with different schools, diversity

of mind-set and thinking etc. but diversity is a must do. Respecting the labour laws, is what I call “the right to play”. If you don’t start by doing that, then you don’t have the right to play. This might be a little bit more obvious in a highly regulated industry like the pharmaceutical industry because we have also other constraints from the authorities to be able to produce medicines.

I think it is a system that starts with four critical processes. First it is giving the ability to people to know for what they are working for, so it is the objective setting. You give meaning and sense to their actions. So that is the objective and performance management. The second point is about the talent and organisation review, it is their ability to grow within the organisation, the ability to have a performance development plan, ensuring that our employees continue to grow within the organisation. Third, there is the ability to get rewarded, which is the compensation and “pay for performance”. The fourth point is to have a broader career opportunity, I call that “international development” where we give the opportunity to people to participate in projects internationally and to be assigned to work in different places. If everything is done right on those four policies, you really ensure a critical sustainability of the manpower. There is one critical element, which comes on top of that, is to ensure that we develop the people on the right competences linked to the right capabilities. So as part of our ten-year plan we have a long term vision about the capabilities needed on the long run as well as the competencies that we would like the people to have.

- How important is HRM sustainability for the organisation?

The human aspect is one critical element but you have also the financial sustainability of the company, the value that we create for patients which ensures the business sustainability. But here I would say we have to ensure that the HRM sustainability is not apart from the overall sustainability. The human aspect is the one that will ensure the success of our business. Without an engaged manpower, we measure engagement on a regular basis, you don’t have any company.

- Who is responsible for HRM sustainability in the organisation?

I think the ones that lead this are the managers; the manager needs to ensure that sustainability is lived within themselves and their teams. It is primarily management accountability; of course the talent community is ensuring that they get everything they need from a support standpoint.

- What are the HRM sustainability material issues of the organisation?

If I look at price-impact versus long term, is the pension. The ability to pay the pensions on the long run is material because this is money that is saved and for which we need to ensure some paybacks. That is the largest liability that we could have on the long run. And then, I would say secondary and that is more difficult to materialize into a number. If you are not preparing well the company for the next waves of talent then that is the critical liability that you will encounter.

- What process do you use in order to identify the HRM material issues of your organisation?

For the first one, it is monitored; we monitor the potential liabilities around pensions on a monthly basis. For the second point it is part of the talent and organisation review process as well as then ten-year plan exercise that we do every year and then there we work on prevention and risk analysis. Risk of losing people, retention, etc. For everyone that goes on to the process of performance management, we have an assessment about the risk to lose that talent and why that talent would leave if it would leave and then we have a special review for the people, which are at risk.

Overview of reporting in the organisation

- Who is responsible for sustainability reporting in the organisation?

Mr D. is really the one that runs this.

- Who is responsible for the HRM sustainability aspects of sustainability reporting?

I have two teams. One team is analytics in what we call shared knowledge and operations. That is a team that can attack the database and provide analytics. The aggregation on the file for all the GRI is done under the leadership of the CSR team.

- What are the key reasons the company is reporting on sustainability?

I think that at the beginning it was a kind of KPI exercise. It is interesting, we had a thermometer and we were measuring the temperature, now we have a thermometer and we want to know if it is hot or cold. We give meanings to our KPIs. We make the numbers talk. We call it internally: “from noise to signal” and the noise can be heard by measuring it but the signal that you will get is by interpreting this noise. You then need to act upon those signals.

- What are the key reasons the company chose to use the GRI Standard Disclosures and Reporting Principles?

Honestly I don't know, it was there before I arrived in the company. I think the convenience and the fact that we wanted to compare with an international standard. What is interesting also is that they evolve, they adapt to the new trends and I think it is a good thing. It is not static, that would be boring, even though it is very difficult to follow those criteria, you need to have robust database and traceability. For the people part, it is very easy because it is one single database, but for everything related to security on different sites and so on. Everything has to be pulled up and it is not an easy task.

Corporate Knights' 100 most sustainable companies

- UCB was taken up in the "100 most sustainable companies" index 3 years in a row (2013, 2014 and 2015), why do you think this is?

It is interesting because we were navigating under the radar screen, the report was not so complete, we were just reporting the numbers. But since three years, we explain, we put examples, we have a very robust traceability of our activity from a CSR standpoint and we have a lot of activities, which are patient related, which have probably raised the attention of those rating companies.

- For the third year, UCB is present in two EPCI indices as well as two new EPCI indices in 2014, why do you think this is?

Not really, I would say because they watch us. We are a quite successful company so maybe they link the success of the company with how the people are living in the company. There is a direct correlation between the engagement of people in the company and the sustainability of the company.

- Were you working towards this award?

But this is a consequence; we are not applying for these awards. We don't have as objective to be better rated, every year we discover that we have been ranked. And for us it is the biggest reward, we are not running for it you know. We do not want to look good, we want to do the right thing.

- If so what did you change over the past years regarding HRM sustainability reporting in order to meet the criteria of this award?

I did not change anything. Others might have changed something but not me. It is not a goal in itself; we would do exactly the same if these recognitions did not exist. We are happy to be taken up in these indexes but I am not going to enter any competition. You need to be authentic in what you do, if you want to be sustainable. If you start to enter these competitions, one year you get the award, another year you don't and so on. If you force the entire organisation to fulfil some commitments of the GRI just for the sake of doing it, honestly this is not a good driver. It is the opposite, those standards and awards are a measurement of your success at the end but not the other way around.

Process of sustainability reporting

Internal and external stakeholder involvement

- Are external stakeholders involved in the process of building the sustainability report and other sustainability disclosures?

We have the external auditor. And then for the sustainability report, you need to gather information within the company and outside the company about what we have done. So it is a kind of feedback loop and participation of stakeholders. There is stakeholder engagement internally and externally. That is critical to validate where we go. It goes from board members to patients to physicians directly etc. For example we have a special call with the physicians, we ask them if they would recommend UCB to their colleagues that is the kind of thing that we do to get feedback to know what we can improve. This is stakeholder management.

Reporting on labour practises within the company

- To which extent do you report on labour practises within the company?

In the report we just have a general sentence about the fact that we comply on all the local labour practises because it is not like there is a worldwide regulation. Of course we obey and we comply on human rights, child labour etc. What I would call transversal things but in our industry we are far above this, we don't really have factories, we are not really exposed to that problem.

- What are the biggest challenges when reporting on the company's labour practises?

The data collection for labour practises is a challenge. The complexity of this reporting is that we are operating in 30 different countries. And labour laws and expectations vary from one country to the other. So usually what we do is that we follow the main trends of Europe,

North America and Asia so at least we can see what is going on. It is a little bit complex to be a generalist of the labour conditions in every country. We comply with what is written for Europe, in the US it is not written, the Anglo-Saxon is not written, so we comply by avoiding any litigations and in Asia or particularly in China where we have a thousand people, we comply with the regulations because it is mandatory and very controlled and also it is changing very rapidly. When the Chinese government decides that by tomorrow morning you should have this kind of practice or this kind of practice, you don't have much time to comply.

I think it is a very dynamic field, the aging population for example will bring a lot of challenges in the work force, how long will people have to stay at work so that they can get a pension, that is going to be a big challenge. Also the migration of populations, in the next ten years we will encounter in Europe a lack of resources that means that we will need to address it one way or the other by bringing people in. How are we going to select these people? There will be scarcity of the qualifications of people. Those are critical challenges for the future. We need to anticipate all these challenges and that is where sustainability plays a role. Are there enough physicians today in school that will help the industry to develop their medicines? If not we need to do our jobs with the authorities to make them understand which kind of manpower we need for tomorrow so that they ensure that the education system is producing the adequate people. Even if our role is to train them when they enter but at least that they got the basics.

Now on the reporting side, the difficulty in an international organisation is to sort out what is true and not true and there are some people hiding some practises at local level. For example, if you have ten people in Hong Kong, how do you ensure that they live the values of UCB, that they don't bribe. For this we need to have a strong control system in place, so we have a lot of activities around compliance, it starts with awareness and training, then you have to create systems and process everything through systems in order to control practices and then you do random controls, audits and then if they are not compliant, you have to take appropriate measures and sanctions. That is the only way to ensure that it is well done. Of course the role of talent solution leads which report locally and centrally are critical to raise those kinds of issues and we have a hotline.

Reporting on labour rights in the supply chain (human rights restricted to the company's supply chain)

- What are the biggest challenges when reporting on labour practises throughout the supply chain?

We operate in a network with more and more sites, which are directly working for us but do not belong to UCB. I think that what is critical is that we make sure that these sites have the same discipline as UCB. How do you ensure that an outsourced facility stays at the right and appropriate level of sustainability in terms of labour. That is probably the most critical part, so we have integrated in our relationship contract a full dimension on how they should comply with our internal regulations. I cannot think that a blue collar at UCB should be treated differently than our suppliers' workers even though the salaries and conditions can be different. We cannot work with companies that are not respecting the labour law, that is not possible.

Conclusion

- To sum up, what would be for you the biggest trends in HRM sustainability reporting for your organisation and in general?

I think that the digital world exposed us more. So the transparency is probably the challenge of tomorrow. Everything will be known and data will be accessible. Transparency imposes a self-regulation, which is good but it exposes you also to having to justify sometimes. This is not always optimal, you may have good reasons of why you do something, which might be different than other companies and then you need to explain. This is the "comply or explain" philosophy. That is what I see for the future. For example, there are some regulations that impose you to have in a certain amount of time a certain number of women on the board, one year because you have a candidate that did not yet arrive, you might miss the point, then you need to be able to explain, while the GRI says you comply or you don't comply and I see that also with all the external company ratings. Sometimes it is a little bit mechanistic. I don't think it is the optimal way to make a company progress.

- Do have anything to add that I might have not asked you?

It took me a long time to understand what sustainability was. This world of sustainability is not in the vocabulary of the company. And sustainability in itself is not an obvious concept for non-Anglo-Saxon people. Don't underestimate the level of knowledge needed about sustainability. Not everybody understands it. It is quite recent. It is still in evolution and as long as it is evolving it is ok. The day it will become static that will be a challenge.

HRM is a sub-part of sustainability and first you have to understand the whole picture.

Appendix 15: Interview with Mr G. (Umicore)

About the interviewee

- Can you tell me a bit about yourself and your role at Umicore?

Currently, I am the Senior Vice President of Human Resources (HR). This means I am responsible for HR globally. I am not that involved in labour laws and other HR specifics. Some of your questions, I will not be able to answer. I look more at the global picture, the vision and priorities for the company from a HR perspective. My background is in business. I am a business engineer. Before joining HR, I managed business units.

- How do you see your individual role as regards sustainability reporting?

One of my team members is more “instrumental” in contributing to these reports (Mr H.). I have not written anything in this report. However, as a Senior Vice President, I am interested in every aspect of this report. However, I am specifically looking at the social part of this report. This is an integrated report so we have three parts: the economic part, the environmental part and the social part. A long time ago this did not exist, it was only finance. It was a whole evolution, the next step was that you had a financial report and there was a separate social and environmental report. And now we issue an integrated report. To come back to my contribution to this report, I have an impact first of all on what kind of company we are from a social point of view, so the HR processes and policies we have in place. Secondly in this report of course there is a lot of data (headcount, a lot of KPIs that we have set, etc), this is important because these indicators give us the evolution on how we are working towards our new objectives. We have a number of social objectives such as ‘people development’, ‘preferred employer’ and ‘engagement in local communities’. These are a number of objectives we had in our vision that we keep an eye on and follow.

Overview of social sustainability in the organisation

- What is HRM sustainability for your organisation and how important is HRM sustainability for the organisation?

I don't think about ‘HRM sustainability’ and I think this is very important to know. ‘Sustainability’ is valid within the company. Of course we have social aspects and environmental aspects but we will not say ‘HRM sustainability’. So we do not segment the different parts of sustainability. Of course there is a lot of interaction, there is interaction on the social dimension. I cannot say how important HRM sustainability is for the company,

sustainability in general is very important for our organisation. Sustainability is at Umicore driven by the kind of business that we are in. We do not do sustainability for the sake of having good indicators; we do it because it is our business. Umicore does not have a sustainability manager for example. Sustainability is something we all have to carry as employees and believe in the businesses too. And so if you look at Umicore, we are active in recycling of metals, automotive catalysts, energy materials, etc. A lot of our businesses are related to creating a more sustainable society. For me sustainability in the first place is the business we do. The second point is that you also do sustainability because you want to make sure that the people that work in the company feel that they are part of a company that provides them with development and growth opportunities, a company that is a good corporate citizen and from an environmental point of view, it is also important for the employees to know that they are part of a company that is conscious with resources (minimization of emissions to air and water for example). We operate in a clean and respectful way.

Sustainability is our business, our people and our environment (planet, people, profit). But HRM sustainability for me is more “people sustainability”, “people development”, “preferred employer”. Going forward it will continue to be important but we may not be stressing it as much as we did in the past. We have to go to a next level.

- What are the HRM sustainability material issues of the organisation?

I mentioned before ‘preferred employer’ and ‘people development’, these are two cornerstones in our HR policies that are supporting our sustainability venture. These are for me the two key material issues. Umicore wants to have engaged people. How do you engage people? You engage people by providing them development and growth opportunities and by being a preferred employer meaning that compared to other companies you have a good reputation, good business and good practises.

- Who is responsible for sustainability in the organisation?

My first answer to this question would be, sustainability is the responsibility of everyone. My second answer would be that sustainability at least should be owned by our leadership so all the people that have a leadership position, that have an impact on the decision making in this company have to have a sustainability component in their thinking. And then when I narrow it down further, the sustainability is also driven by the CEO and a team that is working around these sustainability objectives and that is Communications, Mr F. responsible for

Health and Safety, myself for HR together with Mr H. who is looking at the HR development processes.

- What process do you use in order to identify the HRM material issues of your organisation?

We defined our objectives five years ago as part of our vision for the organisation. From a social point of view, the two key items that came out were people development and preferred employer. It is true that 'preferred employer' is very broad and conceptual, we decided that we were going to use the people survey as a tool to measure the employee's satisfaction and we want to make steady progress during the next five years. Going forward, we will likely rethink what our new objectives will be. But in fact, the people objectives and certainly in the future, they will be tied to the priorities we set ourselves in the business. We are not in the business just to make our people happy, we are in the business to make our business successful and sustainable. And the people, the employees are there to make that happen, they are very important in that process and we need to think about what we need to accomplish in order to make people engaged in this process.

- Are any external stakeholders involved in the process of identifying these HRM material issues?

Yes. We have done that in the preparation of the current set of objectives, we worked with NGOs, other companies and external advisors and I would say people that have a say in society. Going forward, will we do this the same way again? Not necessarily but we work with external views in order to understand how we can tie external view on the social dimension with the business priorities that we have.

- Who is responsible for HRM sustainability in the organisation?

The whole corporate HR team is responsible for the sustainability of our workforce. Mr H. takes the lead in the sustainable development approach from a HR side.

Overview of reporting in the organisation

- What are the key reasons for choosing integrated reporting?

On the one hand there was a trend, I think we have been and certainly in Belgium one of the first to do integrated reporting. An integrated report, is a very strong evidence of transparency, consistency and to explain what we do as a company. Of course financials are important but it is not financials and then "something else", no it is the global picture that

matters. The social and environmental dimensions are there to support the business case. I think that we were early in this process also because of the decisions that were made by the leadership and in particular thanks to our current CEO.

- What are the key reasons the company chose to use the GRI Standard Disclosures and Reporting Principles?

We benchmark what we report against GRI but this is a topic that you should discuss with our communication manager as this is purely reporting technic. Of course when you do an annual report you always need to benchmark. Of course I say we do sustainability because it is our business but when you do an annual report, you want to build credibility towards the market be it investors, analysts, they want to know to which extent you comply to certain external references and GRI is one of them.

Corporate Knights 100 most sustainable companies

- Umicore was taken up in the “100 most sustainable companies” index 5 years in a row (2010-2014) and awarded the most sustainable company in the world in 2013, why do you think this is?

I don't know exactly and also here our communication manager could provide you with an explanation. However, we are in this index, because everything we do has a tie to sustainability and I think that one of the main impacts is the fact that we have a business portfolio, our products and our markets are very much into making a more sustainable planet. Secondly, we want to operate in a responsible way and we measure ourselves. Our processes our responsible, we want to limit the ecological weight the company has on the planet. And now another element that played in the ranking, because we were a few years ago number one, is the turnover, so the sales, that are taken into account in this index. Our sales are also affected by the price of the metals. If the gold prices are very high, sales go up. So we have very high revenues, very good business portfolio tied to sustainability and a very conscious and sustainable operational thinking.

- According to you, how much did the “people aspect” of sustainability in your organisation play into this?

I cannot reply to that. I would say that it is all a bit equally based.

- I noticed that Umicore was not taken up in the “100 most sustainable companies” index in 2015. Is there any particular reason for this that you know of? If not, what could be the possible reason?

I think maybe the drop in metal prices reduces our sales. However, you need to check this with Mr F. and our communication manager.

- Were you working towards this award?

No we are not working towards any awards, that doesn't drive us. I mean it's nice to have, but we do not take action in order to be high in the ranking of these reports. We do our business, as we believe we should do our business.

Process of sustainability reporting

Internal and external stakeholder involvement

- Who is involved in the process of building the sustainability report and other sustainability disclosures within your organisation?

The communication team

- Are external stakeholders involved in the process of building the sustainability report and other sustainability disclosures?

Not really. They were involved in the definition of some of our objectives and there may be contributions from some external people but I guess it is mostly internal.

- If so, during which phase are these external stakeholders involved?

- What is the role of these external stakeholders in the reporting process?

- Are your suppliers involved in this reporting process?

Our supply chain is part of our sustainability and so we also have in the sustainability team people from our supply chain, so they are also involved. We measure ourselves against certain supply chain benchmarks. But it is not that we involve suppliers in writing this report, we also do not include data from the suppliers in our report. We evaluate our suppliers, we assess our suppliers but they do not have a direct impact on the report.

- Which other players (e.g. distributor, consumer, waste manager) in the product lifecycle are involved in the process?

No, not that I know but ask the question to the head of communications.

Reporting process

- What are the different steps of the process of building your sustainability reports and disclosures?

Firstly, we have regular reporting on the progress we are making on certain objectives and then actually everything is bundled let's say during the end of September when the third quarter is done. Then we start identifying some sustainability stories linked to Umicore, we also have a very intensive internal audit of the data as well as an external audit (PWC). Both audit a number of sites, that is called the 'site verification', we typically do about 8 to 10 sites. From the beginning of January everything is collected and translated into the final report. It is a very very intensive effort.

- During which steps of the process are the above-mentioned stakeholders including suppliers and other members of the product life cycle involved?

It is better if you ask Mr F..

Information disclosed

- What kind of data is gathered?

It is a combination of stories and hard data. Hard data you will find more in the back of the report and then you can find in the front, combined with the business, the stories. Each business group has a chapter and in each chapter, you find comments about eco-efficiency, external relations or preferred employer etc. You have then a number of other small stories.

- Do you use industry benchmarks in your sustainability report?

I have of course within HR different KPIs but when it comes to HR sustainability, for the 'preferred employer' aspect we use the people survey and for that we benchmark with global chemical companies or other high performance companies. So we do benchmark our results. For the 'people development aspect', we report the percentage of people that get an early appraisal meeting (96%) as well as voluntary leavers in the company (very low). We do this more ad hoc but we do not report a benchmark here.

Reporting on labour practises within the company

- What are the biggest challenges when reporting on the company's labour practises?

We were one of the first companies to sign a sustainable development agreement with the international union bodies. So we have an “international frame agreement” with the international unions on sustainable development. And a part of that is related to labour practises e.g. union membership, freedom to be part of a union etc. So this is an agreement that we have in place. Mr H. can certainly also elaborate on that.

I don't see any major challenges in this area, I think that within Umicore we are quite consistent globally in the practises we apply. I think what is very important also at Umicore is also what we call our Umicore values and these values drive the culture of the company and they are also translated in the labour practises we have. Also the international union does an audit on a site each year and usually it goes quite well so I would not say we have major challenges there.

In terms of reporting on labour practises, we report the percentage of people that are unionized and then the second thing is our agreement on sustainability development and it is described, we renewed this agreement in 2011 and we will renew it another time this year for four years. And Umicore is committing itself to a number of principles such as the ban on child and forced labour, recognition of the right of employees to organise themselves and to negotiate collective labour agreements and we visit each site, etc.

Reporting on labour rights in the supply chain (human rights restricted to the company's supply chain)

- What are the biggest challenges when reporting on labour practises throughout the supply chain?

It is better if you ask Mr H. or Mr F.. That is why we assess our suppliers, so we expect our suppliers to be responsible and we are not taking materials from suppliers that do not conform to our standards in terms of labour rights. Actually there is also a whole part of the annual report about this in the report and as a company we are also assessed by ecovadis. Ecovadis is a company that evaluate how we deal with our supply chain.

Conclusion

- What are the major HR challenges for your organisation?

Firstly we have to deal with an aging workforce, people have to work longer. So on the one hand we are asking ourselves “how can we deal with an aging workforce?” and on the other hand we are asking ourselves “how can we integrate a new generation in the company?” We have an aging population on the one hand and a new generations coming in at the same time.

Going forward this is one of our major challenges. Another challenge is that as a company we have to become more cost efficient, this means there is a lot of pressure on cost, on doing more with less and that creates pressure in our organisation also with the unions. How can you create jobs in a low growing economy? The growth in Europe has been mitigated for years now. At the same time we have more and more digitalisation in order to reduce costs often at the expense of jobs. So that is a very big challenge for us in the years to come.

- To sum up, what would be for you the biggest challenges in HRM sustainability reporting for your organisation and in general?

I think the big challenge is first to close 2015. That is the end of our “vision 2015”. We are currently preparing a new strategy. Based on that updated strategy, we are going to redefine our priorities. What I see as these future priorities is that firstly our sustainability will be focussed on sustainability that brings us a competitive edge that is adding to our competitiveness because that is crucial. If we are not competitive going forward, we will not survive meaning sustainability should be there not for the sake of having good stories but should be there to support our competitiveness. Secondly, people engagement will continue to be a key challenge/focus of attention in the way we work because it is the people that make the difference. The third thing that I see as a big challenge going forward is that we need to focus on a culture of performance. By that I mean making sure that internally we have clear accountability, that also we are focussing on efficiency and productivity so that is performance but it translates also into people performance. Finally, agility is important. Having an organisation that can quickly respond to new challenges. Because if you are not agile, flexible and responsive as an organisation, then you harm your sustainability. I am sure that this is what I will have to focus on.

Appendix 16: Interview with Mr H. (Umicore)

About the interviewee

- Can you tell me a bit about yourself and your role at Umicore?

I am one of the key members of the HR corporate team. We have a global HR team with seven regions and each of the seven regions deal more with the operational HR matters, and here at corporate globally you could say we have two main functions. Mine in the field of HR development and systems and then my colleague in charge of compensation and benefits. And then the two corporate people together with the seven regions they are headed by a global SVP human resources who is my boss as well but I take in my role the lead in the sustainable development approach from the HR side. Later you have a question about who is involved in sustainability management; as a matter of fact, we have multifunctional team in which basically three functions are represented. That is the environment health and safety (EHS) which is very important in Umicore, the second one is HR, myself, and the third is communications/investor relations and they also have a coordinating role for instance in making the annual report but also in dealing with a lot of external stakeholders like investors etc. And so with these three functions basically the centre is a four people two from EHS, one from communications and myself from HR but depending on the topic there are of course more people involved. So this is the virtual team that deals with the sustainable strategy and implementation in the company. And I would say the lead is taken by the person in charge of EHS.

- How do you see your individual role as regards sustainability reporting?

So first of all with the team, as I just mentioned I am an initiator for setting the objectives. Of course the objectives will need to be validated by the executive committee but we take the lead in reflecting on how the new objectives will look like and we do this typically on a five year scale so we did it in 2005 for the objectives 2006-2010, we did it in 2010 for the objectives 2011-2015 and we are now starting the process for the next five years. So setting the targets by listening to the stakeholders, looking how the GRI evolved etc. Then a second step, it is very important to organise the reporting accordingly and we will speak about how we do it exactly later on. Communicating about the approach in the annual report but also in other contexts. And for instance for HR, and we can also come back to that later, an important or specific stakeholder are the unions and Umicore is one of the only companies who has signed an international agreement with the unions related to sustainable

development. I have a yearly monitoring meeting with representatives from the global union in Geneva and most of the years we also do one site visit to check locally if (and it is always the case) and to what extent the principles are respected in practice. For instance in March we did a visit to the Philippines together with representatives from the unions to see how well it is put in place.

Overview of social sustainability in the organisation

- What is HRM sustainability for your organisation?

Again as you pointed out in the introduction, there is an internal focus and an external focus. From the internal focus, the last couple of years were about being a preferred employer so to be able to attract the right talent and also to keep the right talent on board. A second big objective, which is a bit related to that is also to give the good development opportunities to our people and to make sure they can progress and that they can grow from a career perspective in the company. Those are the two main topics up to date. A third one, which is maybe not yet formulated as an objective but we are thinking about it is certainly also to contribute to a bigger diversity in the company and so to make sure that we are doing the right things on gender diversity but also towards minority groups and maybe even towards disabled people etc. in order to be an inclusive employer.

And then the second part, is a bit less HR, that is also to make sure that we do the right thing towards the local community and so to make sure that we are a well respected corporate citizen in every area where Umicore is present and that of course has also let's say, if it is managed well and which is the case, it has also a positive benefit on the attractiveness as an employer so indirectly it is also supporting the internal approach. If you are known as a good employer in the area then it is also easier to attract a good workforce as well. But this is not the main benefit of this external action but it is a side effect.

- How important is HRM sustainability for the organisation?

Well, it is very important in the sense that Umicore strongly believes in the principles of sustainability. On the one hand Umicore has a role in the world to be a sustainable company but also we believe that it will contribute to success of the company to behave in a sustainable way. And in that sense the HR sustainability is an integral part of this approach although originally our sustainability concern started more from an EHS perspective where we at a certain point in time had a historical legacy that we had to deal with especially the pollution around some of the old industrial sites. In the meantime that has been addressed in a

large extent and we are now becoming much more proactive on the environmental side also by putting products on the market which make a positive contribution or aim to have a positive contribution to the world. In HR we did not really start from a negative legacy so to speak, but we think it is an integral part of the sustainability approach of a company like ours.

- Who is responsible for sustainability in the organisation?

The four people team mentioned before. I would also say the end responsibility is with the CEO and the executive committee of course. However the preparation work and initiating the work and follow up as well as communication is with this team but the end responsibility is with the CEO and executive committee.

- What are the HRM sustainability material issues of the organisation?

Probably the three that I mentioned: being a preferred employer, developing our people and being a diverse company. This materiality focus is relatively new, as you know. So we are much guided by the GRI in our focus and now with the G4 guidelines, materiality is much more important as a focus. So it is a focus from reporting on everything to reporting on what is material for your strategy and we still have to conclude on this materiality approach. We were not the first to move to the G4 so we are thinking about it and working on it. However, from an HR perspective these will probably remain the three important topics. So diversity will become stronger in the materiality focus compared to the past. And so the other two, preferred employer and development of people, we are a technology company and in order to stay competitive we need to have good talent on board to make the strategy work so in a way it is a support for the talent management of the company.

- What process do you use in order to identify the HRM material issues of your organisation?

In June we had a workshop with the team guided by PWC who gave us a lot of benchmarking data and we were looking at other players in the industry (e.g. BASF, DSM) at a certain moment in time too and we will further have discussion with the team and with HR expert. They will guide us further. In 2009, when we defined the current set of objectives we had a quite broad stakeholder panel also from a lot of NGOs and gathering their expectations. I see that a bit further you have specific questions around that as well. It is not so easy to repeat that because in a way Umicore has not that much global visibility from global organisations. We can have the Belgian representatives of global institutions like Amnesty International or the WWF etc and this is what we had in 2009. But really to have global representatives from

those organisations, there probably Umicore is not such a big fish in the ocean. It is tough to find the right balance between very local stakeholders, the neighbours around a certain plant but then they are more focussed on the performance of that one plant and to have global stakeholders and I suppose that a company like Shell or BP probably has an easier job in gathering global stakeholders compared to Umicore that is pretty well known in Belgium. We are a niche player, in our niche market we are a very important player but it is a relatively small niche compared to some other industry sectors.

- Who is responsible for HRM sustainability in the organisation?

That would be me.

Overview of reporting in the organisation

- What are the key reasons for choosing integrated reporting?

This was driven by the representative from communication/investor relation department who is very close to external stakeholders, he gets a lot of requests and a certain moment we saw that more and more, it was expected from companies to report in an integrated way and we were quite quick to also do this. In a way, integrated reporting was from the start already embedded. I still remember, in the years before 2005 Umicore published two reports a financial report and a EHS report and then in 2005-2006 the previous CEO had the idea to broaden the existing report to a sustainability report and then we working on the first version of it and at that moment the CEO decided well we will not have a financial report and a sustainability report, we will integrate it from day one in one report. But at that moment it was still a report with two chapters a financial one and a sustainability development one. Then in 2010, we took the step to integrate it more and so you will see when the business segment are reviewed, it's a combination of financial information and sustainability information so let's say the integration went a step further in 2010 but from the start, the CEO at that time say we should have only one report. It is so key in the business that the sustainability reporting has to be integrated in the financial reporting as well.

- What are the key reasons the company chose to use the GRI Standard Disclosures and Reporting Principles?

Again in 2005-2006 when we started preparing sustainability reporting GRI was maybe still in version two but it was for us quite clear that we should apply it because at this moment still there are still no official standards in sustainability reporting. I mean in financial reporting,

you have to follow reporting Standards, in sustainability development it was not the case. However GRI seemed to us a very credible institution for creating a standard. For us also it is important to have a credible reporting and not only report on what you are successful on, I mean you can only be credible if you have a set of parameters or indicators and you are not afraid to show bad indicators and I think this is key in the credibility of the approach. By using a set of indicators that are recognised as being quite representative, then I think it adds to the credibility of the report. And also from day one when we started reporting based on GRI, we also opted for a certified report so had always the “+” in our report because we had an external verifier checking the reliability of the data.

- Does the company follow any other sustainability Standards?

Standards no. Of course we are in contact with some rating agencies etc and sometimes they ask in our view quite strange questions but GRI is I would say the only real standard that we follow. A long time ago when Umicore was still part of the metals and mining association there was some idea to follow some of their standards. Especially the mining industry has some specific requirements, which are not really relevant for us and some of them are mentioned a bit lower in your questionnaire, I will come to that.

Forbes 100 most sustainable companies

- Umicore was taken up in the “100 most sustainable companies” index 5 years in a row (2010-2014) and awarded the most sustainable company in the world in 2013, why do you think this is?

First of all we did not apply for it, it is not like some of the other recognitions where you have to prepare a file etc. so to be honest we were a bit surprised the first time we were taken up in the top 100 and a few years later we even saw ourselves in the number 1 position and now we are no longer part of it as you mentioned. We are no longer part of it because of the financial performance, it has nothing to do with the sustainability performance. So a certain criteria also has to be met on financial growth and this is probably the reason we are not part of the top 100 this year but the person that is following that closest is our communication manager. So it is not like some of the other awards where you have to complete a file, this one is purely based on public information.

- Were you working towards this award?

No we were not. We even had mixed feelings about being on the top one position because although there is a strong support from a management approach, some of the business units say “should we always be the front runner?” And the fact that we were then seen as the most sustainable company in the world they said “ok we could do with number 10, we do not need to be number 1, you can stop with some of your initiatives” so that was sometimes kind of counterproductive even.

Process of sustainability reporting

Internal and external stakeholder involvement

- Who is involved in the process of building the sustainability report and other sustainability disclosures within your organisation?

So we start with setting the objectives of course and then once the objectives are set and the KPIs are determined then through our seven regional HR teams, each site inputs its data, this is on a quarterly basis and on the objectives it is on a yearly basis and then the data input is done locally and we generate reports from the centre through a specific software and actually today even actually this is an example of Q1, so actually I have to headcount figures and I am doing the last cross check to see what does it mean and for example last quarter we saw a growth of 62 employees on a total of a bit over 10 thousand people, I try to understand what happened in which site etc. If something is not very clear I go back to the site or the region to cross check. And then for the annual report we do the same but then with a lot of these types of documents on training, on sickness etc. Sickness we stopped reporting but on other things and we first check the consistency, then in the meantime our verifier, PWC, visit a few sites and they really then see how the sites are coming to this figure. If we take an example like the Philippines, where I was recently, PWC goes into the employee files and they go in details into the system to check how the site calculated the figures of headcount, training hours etc. So they spend a full day or even more to look at the traceability of all this information that ends up in our reporting system. And then when we have consolidated all the information they also come and do cross checks and ask questions on how things evolved and why etc. So it is reviewed very critically and then when all the numbers are done, then our communication manager and the communication department write the text, also I do a part of the text on the social part sometimes in an interview with him etc. The text is then read again by the verifiers to make sure that we just don't do story telling, it always has to be fact based.

- Are external stakeholders involved in the process of building the sustainability report and other sustainability disclosures?

We are inspired by their expectations to set the objectives. And then I would say that the stakeholder that I am most in contact with is then the global union. On our website you can find also a signed copy of our declaration. Actually when we signed our first engagement with the global union in 2007, it was with two federations it was with the metals industry and with the chemical industry because Umicore is a bit between metals and chemicals. So in Belgium we are more in the metal industry and in Germany we are more in the chemical industry but the good thing is that those two instances, chemical and metal, in the meantime merged to one global union, which is called Industriall. So global union of course want companies to respect legislations related to HR, I mean working hours, child labour etc but these legislations only exist on a national level. Of course on a national level, if a company is not respecting the rules, unions can take legal actions in most of the countries. Now for global matters, since there is no global regulating body in the sense of legal responsibility, there is now a strategy to have a kind of a voluntary global commitment from global companies. That is a tactic way to make global companies accountable and also you could say, if they don't respect if even to go to court because then they have an global agreement and they can prove that the global company is not respecting it's engagements. That is their main driver for creating these global agreements. I think Insustriall which is the biggest industrial union has still less than a 100 companies that have signed such an agreement and Umicore is one of them. I that sense we are still one of the few examples so to speak and for a long time we were the only company in Belgium but Solvay merged with Rodia and now they also have the agreement because Rodia had the agreement and Solvay not. So for us Industriall is an important stakeholder but again it is not the national union it is the global unions. And in terms of other stakeholders, yes I mean especially the people from investment relations and communication, they are in regular contact with rating agencies for instance who are evaluating the sustainability performance of the company and more and more, it is a growing trend, we are also contacted by customers who want to look at their supply chain and as Umicore is a supplier of theirs, they ask us critical questions and of course we do the same with our supplier. For this we found a few years ago a kind of independent rating agency who does that for us. It is a French based company, which is called Ecovadis. They help us to screen some of our suppliers and funny enough on a regular basis, they also question us for our customers too. So very recently we also completed the new questionnaire on Ecovadis in order to give a profile of Umicore to our customers. But also other customers, I am invited by

Ford Europe to give a presentation on diversity early May, they have a European gathering of all their suppliers and we were chosen to give a short presentation on some of our initiatives for instance. And so we have a feeling that sustainability and human rights are getting more visibility through the supply chain. For us, as the sustainability development team, this is also very good new internally to prove that we are also contributing to the business success of the company of course. At a certain moment it becomes important to meet certain standards in order to be selected for doing business or not and it is really adding to the bottom line of the company too. But it is still an emerging trend I mean for instance for Umicore, some of our materials go into batteries for mobile phones and we take very strict measurements in order to make sure that these materials are sourced in an ethical way but I do not see a lot of advertisements if you go to a shop to say this is a mobile phone which is produced according to ethical standards and these are not. So the customer does not see it and the customer is not prepared to pay an extra premium for it so maybe one day these things will evolve. It is the same thing we have seen with the clothing industry, I know our contact persons from the unions, some of the people I know, were heavily involved in the follow up of the catastrophe in Bangladesh, when this factory collapsed and many hundred textile workers died in the accident and so they are now creating a platform to which some of those big retailers can adhere to to make sure that the clothes are manufactured in an ethical way but even then they have difficulties in really bringing that to the public in the shops but I think in the end if customers know how their clothes or their mobile phones are produced and they are either prepared to pay more for an ethical one or they will choose not to buy the unethical one. Then I think you can really make a strong business case. And then there will be another level of certification.

- You talked a lot about how you report hard data in your annual report, I saw there is also some storytelling what is the process to report these stories?

Yes so beside the numbers the sites can put in text and so on the objectives they have to say if they fulfil them, if they are still in progress or if they still have to start and then they can enter some text in the system and that text is certainly also verified when the auditors go on site and also then we pick and choose some of those texts to make a bigger narratives and then we can raise additional questions of course.

Reporting on labour practises within the company

- What are the biggest challenges when reporting on the company's labour practises?

To be honest, internally, we did not have any let's say difficulties. I mean, for instance in our factories, I really do not think we have had any history of child labour for instance but it's hard to gather the data. So we make each plant testify that they do not employ anybody under the age of 18 and when we go locally it is verified by our auditors but for instance we do not have one global database with the ages of all our employees so have to do it in a two step approach. And so I think internally we did not face any issues but it's not always easy to prove that to the outside world. When we started issuing our first EHS report, stakeholders started asking about human rights, child labour etc because we are active in China and then people sometimes have the idea that because a company is active in a third world country, they do whatever they want but we are in the chemical industry we know we have dangerous operations be it with chemistry be it with weights handling etc. It is so evident that we don't employ 12 year olds in such circumstances, I mean even if we would have bad intentions, I don't think there is an economic benefit for us to use a 12 year old behind a leaching tank or whatsoever. It is not like in the textile industry, I can imagine that if you have bad intentions, you can have an economic benefit from it. In our case, you have to realise the danger of the operations and you have to have a certain education to be able to run operations. We did not have to correct a wrong situation I think.

The other aspect is our supply chain indeed this is more difficult to have a full understanding on what is happening there and also it depends on how far you go in the supply chain. The riskiest part is certainly for some metals the link to the mining, and there for instance in some countries we have defined some specific internal minimum guidelines on working conditions but also on ethical sourcing. Some metals can be mined from grounds, which are not yours and so we do check who is the owner of the land who sells us the metals. But that is more difficult to implement and to follow up but then again there we did some extra efforts. And also there, we involve external certifiers to check the reality on the field.

Conclusion

- To sum up, what would be for you the trends in HRM sustainability reporting for your organisation and in general?

Well, the trend will maybe change now with the materiality focus of the G4 guidelines, but with the GRI and the previous generation we saw sometimes a bit of an over sophistication of the reporting, like for instance it was not only sufficient to publish the number of training hours per person but you had then to have a breakdown by age brackets of people and I wonder how interesting it is for the reader compared to all the effort it takes to generate that

information. Of course we are now investing in a software that we are deploying globally to handle training but it will still take some years to fully implement it and then you can generate probably statistics more easily but if you have no completely central database which is the case in many multinational companies especially if you are going to production then there is a lot of number crunching for sophistication for reporting standards which sometimes creates some resistance internally, because especially in small sites they don't always have professionals to handle HR. I mean on a site of 30 people they don't have a full-fledged HR manager and so if you ask a lot of sophisticated statistics it is quite cumbersome to gather all the data. This is why, I am pretty happy to see this trend of materiality so that we can become a bit more selective in the details we publish and to make sure that we publish what is relevant for us and not just because we need to tick the box of 20 indicators etc.

- To sum up, what would be for you the biggest challenges in HRM sustainability reporting for your organisation and in general?

The challenge is indeed to formalise the materiality approach and then to adjust for the next 5 years a new coherent approach.

- What is the company working on to improve its sustainability reports from a HRM point of view?

I think for the reporting again, a difficult point is the diversity issue. We feel that it is needed to quantify this more. But it is very difficult to set the right benchmarks for instance. We are an industrial company, and we have about 20 per cent of female workforce. Is that good? Is that bad? I really do not know. What I see is that the proportion of female managers is now getting extremely close to the overall percentage of female so intuitively I think that this is a good thing. If we have 20% of the workforce that is female that we also have 20% of the managers that are female but again it is rather a gut feeling. And then if we then compare to the real senior female managers, we see that we only have 7-8%. So if we say that we have 20% of female managers, are long term goal should be also to have 20% of senior female managers. There is some internal logic but still it is very hard to benchmark this. The same, for instance I did for one specific or for two are three specific countries, sometimes we get the question "What is the wage difference between female and male employees?". But there of course it depends a lot on the function that they are doing. For instance, we see that women are much higher represented in office work than in shop floor work and the office work is typically is a bit better paid than the shop floor work. I mean it is hard to not fall in the trap to

compare apples with oranges and so this is still a difficult area. And especially if you come now to minority groups, in some countries it is mandatory to report on minority groups but in other countries it is forbidden. So then how can you come to global indicators etc? Some of those elements are not that straight forward to measure and certainly not to benchmark them.

When it comes to preferred employer, we are measuring that through our people survey on a regular basis and we are making progress, but yes there is always further progress that can be made and that we can strive for.

Also for development, we still have a few things that we can further improve especially in giving access to the learning through IT support.

But all in all I think we are on a good track. We have a quite good report that has been recognised a few times as the best Belgian sustainability report as well. We are at a level, I think that we can more or less strive to stay at the same level while still adapting to the G4 guidelines. That is I think what the organisation expects from me, the organisation I think believes that a company should behave in a sustainable way and also that sustainability trends are helping to implement our strategy and so everybody in the company is supporting this but we should not improve just for the sake of improving. I mean if you are at a very good level, keeping that good level is I think a good target. It is as I said, the year that we were selected as the most sustainable company in the world, then we say that is maybe a bit over where we should be. We should be among the recognised companies for sustainability globally and especially in Belgium but we should not per se strive to be the best. It all has a price. On some aspects we have very ambitious targets, in safety for example our target is to have 0 lost time accident and there, I think any additional investment to avoid any accident is worth it. But I would say for training, if we do 55 hours of training per person a year, we should not per se aim to reach 60 hours. So not every indicator is important enough to do much better than we already do but for instance safety is definitely one.

Appendix 17: Interview with Mr F. (Umicore)

About the interviewee

- Can you tell me a bit about yourself and your role at Umicore?

I am senior vice president Environment Health and Safety (EHS). I have been in the company for 14 years in that job, so now I have a bit of experience with Umicore in this function. I have been working on sustainability approaches and policies for this company since day 1. I have been involved in migrating our reporting from EHS reporting to a associated report with our financial data and now what we try to have is a joint report of sustainability, which includes the environmental aspect, the social aspect and the financial aspect. I have a long career outside of Umicore as well but I will leave that aside.

- How do you see your individual role as regards sustainability reporting?

I usually say as a joke that I am either the godfather or the grandfather of sustainability reporting in our company. So I have tried to make things evolve when it comes to reporting at Umicore. It is also very much a team effort made of some of the people you have met or have to meet. And today communications is the owner of reporting at Umicore, so they are behind the stirring wheel, HR plays a role for issues that are related to the social aspect of reporting, the one you are actually interested in, and EHS, my department we are involved in the reporting for the environment, the impact of our products on the environment and on the people that are using them and the health and safety. Health and safety is very much about the work site. HR deals with what I would call traditional HR policies and we deal with the safety policies, safety approaches and health as well as protection of the workers that deal with our materials on our work sites. So when it comes to your “human capital” interest, health and safety is quite important. And then we have to other legs that are important in this approach on reporting. There is purchasing and transport and there involvement in our sustainability is about procurement and sustainable procurement of products. This has a people component on making sure that we buy products that have been developed and produced in appropriate fashion for the workers of our suppliers. The other component is finance, which is more the financial aspect of our reporting.

Overview of social sustainability in the organisation

- What is HRM sustainability for your organisation?

Well, first of all our report is very much an outshoot of objectives we have set for ourselves. We call this vision 2015 in which there are 9 objectives plus one financial objective and those objectives are divided in three basis categories: “great place to work” and that is right into your human capital management, “eco-efficiency” which is more the environmental part including the environmental impact of our products, “community involvement” and part of this is a more “philanthropic” part but we don’t like that word here to be honest with you and then the other part is the “procurement” portion. So if you ask me what I mean by the “human capital management” for our workplace it is the first pillar “great place to work”. In “great place to work” there are two components, one is the more HR type “how do we retain our people?” and our focus there is that we attract good people, how do we keep good people and then “how do we train and develop good people?” This is the theme around HR objectives. And then we have objectives on safety which is also very much related on people and there our philosophy is that we don’t want anybody to be injured in the workplace so we have an objective of having 0 accidents that result in lost time and then the other portion is that we don’t want people to have their health impaired by exposure to some chemical and metals that we are handling. So we monitor those metals that we are concerned about and make sure that nobody has their health impacted by these materials. So that is how we are structured in our reporting. Now we have a lot more indicators, you know that sustain and our underneath those objectives. But these indicators are very much a dashboard in order to evaluate those objectives.

- How important is HRM sustainability for the organisation?

I would say that sustainability in general is very important for our organisation. Interestingly enough, the company makes sustainability its strategy. It is not something we do to look good, it is something we do because we think that is the right thing to do to make sure that we are sustainable, that we are there for growth, that we are there to increase our revenue to our shareholders so it is very credible. And HR is very important I would say, we have one pillar of our objectives, which is “great place to work” and for us it is very important that we have people that come to work, that are having fun, that are happy in doing what they do, that they can grow, that they can develop in their job and that they can do the best they can and that they can go home at night not being injured or having their health impaired by the job they are doing so all of this is very critical to make a company successful. All of this goes together. So it is very critical.

- What are the HRM sustainability material issues of the organisation and more specifically concerning health and safety?

Well I guess for us one material item are accidents that result in lost time. If you have an accident and cannot come back to work the next day, it is not good. Any accident is not good I should say but those ones in particular. So we monitor accidents that result in no lost time, for example somebody that goes to the medical centre to get a band-aid or some cure, we monitor that. We monitor people that cannot come back to work the next day as I said. So that is very material for us and our objective is to have zero accidents and we have a huge programme in place to raise awareness about accidents and their consequences. Like if you get injured and you cannot play your favourite sport and you cannot go on holidays with your family, it is not good. I mean that is the reason why we do this, I mean we don't do this because we want to look good, we do this because we want the person who works at Umicore to be able to go home at night and enjoy the rest of their lives. It is only so many hours a day that the worker is at Umicore, the rest of the time is with your family so this is quite important for us. And also obviously, for the company if we have accidents it is impairment to the company because we have to replace that person, we have to train somebody else to do the job, the effectiveness goes down so there are some reasons from a company point of view to be focussed on that as well but the real reason is for the people. The same thing with health, we don't want people to be injured or suffer chronic effects of being exposed to chemicals so we put in place first of all what is necessary on the workplace to avoid exposure and protective equipment. So that is also very material for us, we monitor those, we have a follow up system and we make sure that if people are impaired that they are put on a job that doesn't impair their health more and that they can recover for a certain period of time. And we also have another parallel exercise, which is not very objective now but it is related to what we call process safety, and that is also very material; we want all our processes to be such that they don't constitute a risk in themselves. On our sites we have areas which constitute of pressure, things to explode and we don't want that to happen so we spend a lot of effort and resources in keeping our process very much in control so it does not constitute risk for our workers.

Overview of reporting in the organisation

- What are the key reasons for choosing integrated reporting?

We went from a separate report to a joint report to an integrated one. So now we think we have an integrated report, there is some improvement that can be done but we do think we

have an integrated report. The reason for this choice is that we don't think that sustainability is something that can be talked about in a separate fashion. It is part of our DNA, it is part of our company policy and business structure, so it is as important to have good environmental performance because it reduces your costs, as producing products that are safe, as producing products that are meeting customer expectation, as having people coming to work with a smile and doing their best on a daily basis and not being injured when they are at work etc. So all of this goes together so for us it just makes sense that we integrate reporting. And talking about these things in a silo fashion we don't think it makes the right emphasis. Because the emphasis then could be on financial performance, on safety or workers education but these things are not separate they are together as a team. That is what makes the success of the company. So starting reporting EHS back in the late 90 for Belgium to start with, then for a while we had a pretty structured EHS report annually as well as a financial report annually and there I think we were quite successful, we won best report in Belgium for many years. I think that is because we were communicating on the things that people were expecting: the good and the bad news. Then we migrated that, because for us it did not make sense to have an integrated report and an EHS report, we decided to combine the two. In Belgium it was complicated because for the stock market there are some obligations about financial data, there are some dates and mechanisms for general assembly reviews. The first report was a combined one, we called it "report to shareholders and stakeholders" then we had a few years of that where there was a section on EHS, a section on social matters and a section on finance. We then decided to change that because for us it did not make sense we were managing our company worrying about all those issues together. So now everything is combined. However, we still do report the data at the end separately and that is just because that is the way the financial market rules about public companies are, you need to have those sections. But we try to report in a much more intertwined way. The message of our CEO and chairman for example are addressing all of those elements together.

- What are the key reasons the company chose to use the GRI Standard Disclosures and Reporting Principles?

We chose this reporting standard because it was, and I say it was, when we started reporting more systematically in the mid-90s, it was the only standard that was really recognised. We wanted to choose one and stick with it. We also had given ourselves an objective to be GRI B+ at the time. Now we are sort of looking at G4 and seeing how we are going to talk about materiality, stakeholder engagement, etc. Some of the key elements of the G4 which has gone

away from the very structured tables for B and A classifications. We never went to A classification because we thought that some of the elements in the A category were expecting us to talk about things that were not relevant for our company, so it made no sense going there. We use GRI but in a consistent way of what stakeholders told us they want to hear from us and not just to tick the box and we avoid doing that. We avoid checking the box even for Dow Jones. Because one thing you could ask yourself is why we are not picked up in Dow Jones, we respond to the Dow Jones questionnaire and SRI and others but we do this in the context of our company and we resist to creating work just to answer questions. Sometimes it is not that we do not have the answer, it is that it is not relevant and if it is not relevant to our business, we do not answer the question. Now if there is a question of which we do not know the answer but that is relevant to our business then we will go and find the answer. And over the years we have actually adapted our reporting to things that we have discovered that were relevant but we did not have the answer. But there are areas where we might have the answer but we don't think it is relevant and we are not going to make the extra effort just because people are asking us to check the box, we don't want to do a game of checking the box. We want to be relevant to our stakeholders and a few times we consulted our stakeholders to ask them what they think and we try to answer their questions as opposed to just checking the box exercise.

- Does the company follow any other sustainability Standards?

We are self-engaged in the integrated reporting initiative, the IIRC initiative. We are now trying to have another standard parallel to GRI for integrated reporting but I wouldn't say we follow the standard because the standard really doesn't exist. Our colleagues at Solvay, if you see them are quite involved there. So they are a little bit more advanced in their discussions with this integrated reporting organisation. We don't report for checking the box. We get inspired by this organisation and we respond to the CCRC the global climate questionnaire. But we do it as a supply, so when our customers ask for it we do that. We respond to questionnaires coming from rating agencies, Dow Jones being one of them but apart from that no.

Forbes 100 most sustainable companies

- Umicore was taken up in the "100 most sustainable companies" index 5 years in a row (2010-2014) and awarded the most sustainable company in the world in 2013, why do you think this is?

It is probably better you ask directly Corporate Knights this question. But what we understood is that they rate companies very much in relationship to their valorisation and stock value so you know in some of those years we were valorised some way high and some lower so that has an impact. What they had identified that we were doing right and liked about us is the way we deal with climate change that we have an objective on improving our energy efficiency. To be honest with you, I have never read anything that they said about us that was related to HR, negative or positive. I remember them talking more about the environmental aspect, that we have a good environmental management systems and that our reporting was consistent and they were particularly interested in our climate change approach and policy.

- Were you working towards this award?

Of course not, don't even ask that question.

Process of sustainability reporting

Internal and external stakeholder involvement

- Who is involved in the process of building the sustainability report and other sustainability disclosures within your organisation?

I gave you the list of the department that are involved in the reporting at the beginning of this interview. There are tons of people involved in the reporting, every site is involved in data collection at site. So we have a process of data collection and then all of the data goes into a company database where people report on all of the indicators that are at the end of the report. And that is HR at site level or regional, that is for me the site EHS managers and in some cases there is even the people on the shop floor who are entering the data into the system so it's a long chain of data collection and then the people responsible in my department, in HR and others sort of review this information, collect it and assemble it for reporting purposes. We also have a verification system to verify the data, the way we collect the data is that we collect the data for 3 quarters out of four, in order to be able to issue a report in April we have to do that and the 4th quarter is forecast for the smaller sites and then we ask them to check on the forecast at the end of the year. This is for the less material sites. For the material sites, the large sites, we report 4 quarters out of 4 so they have less time to do the reporting. The data is then verified by PWC, they do on site verification of the data for a selected number of sites, they also verify our process here in Brussels where we do the data collection, the data analysis and everything and they finally verify the report in its final form

and the statement that is in there somewhere is their evaluation of that report. And the evaluation of the report is very much for the integrity of the data as opposed to conclusions. They don't express themselves about if we are too high or too low on some indicator they just state that we have collected the data the way it needs to be collected and that what we report is actually a true reflection of our operations. The process starts in October and ends in February, it is very intensive, the people here, you do not disturb them during that period because they have got nothing else to do I mean they just focus on that. And then the write up of the report is done by the different departments I have described: we are responsible for the EHS section, corporate communications does the more generic communication, HR takes care of the HR text, the business units take care of their own text and all of this is collected by communications, they make sure there is a consistent story across the report. So it is a very intense exercise.

- Are external stakeholders involved in the process of building the sustainability report and other sustainability disclosures?

Honestly, no, not on a yearly basis, we try to do this sort of on a 5 year cycle. And now the other thing that I have to say though is that many of us make presentations on this report yearly and like it or not you get feedback on those presentations. Even talking to you is a mechanism for feedback.

Reporting on labour rights in the supply chain (human rights restricted to the company's supply chain)

- To which extent do you report on labour rights throughout the company's supply chain?

We have a sustainable procurement charter that describes what we expect from our supplier. We ask our suppliers to assess themselves when it comes to these criteria and to certify that they indeed meet these expectations and then we have a tool to analyse supply risks. Sometimes it is a supplier that supplies us a product that is so indispensable that we would shut down if we don't get it or because they are in risky areas of the world, a supplier that is in a war zone for example. For these more vulnerable suppliers, we have an external firm that reviews those suppliers and gives us an assessment of their sustainability and then if that is a little bit too short then we work with them to improve the area in which we think they need to improve.

Conclusion

- To sum up, what would be for you the biggest challenges in HRM sustainability reporting for your organisation and in general?

I think for reporting there are none. Because I think we have a pretty good system of data collection, for safety in particular, we actually report on safety on a monthly basis as opposed to this quarterly. So every month we have number of accidents, number of lost days, number of injuries to contractor, etc. So for reporting we don't have any challenges. When it comes to health effects, same thing, I mean we have a pretty good system, we know exactly the substance of concern we have, we have medical surveillance for those workers that are exposed or could be exposed. We have challenges on the results, we still have lost time accidents, so we are still searching for the best way to make sure that people don't get injured at work so there we have huge challenges. But on the reporting side no and I am quite confident that what we report is a true reflection of what happens on the sites.

- To sum up, what would be for you the biggest trends in HRM sustainability reporting for your organisation and in general?

This is an interesting question and I am sure that my HR colleagues might have a different opinion than I have but for my me the trend in sustainability reporting is actually not in that field. I think that this is a field that is pretty much, in the western world and in our company in particular well established. I don't think we have a lot left to invent there. Personally, I think for sustainability reporting in companies of our type, which I think are well positions, we could do better in supply chain, value chain, reporting. I think we can be better at understanding our procurement sources and reporting on that. I think we can be better in engaging with our customers to make sure that our products meets their expectations and that their lifecycle are better taken into account. That we integrate even better in a circular economy, I think this is where the sustainability future resides. The rest of it I call operational excellence. We are just supposed to do our job well with happy people, no accidents, salary in accordance with performance etc. But where the future resides for me is very much in products and in value chain analysis. We have a very complicated value chain, I mean we are a B2B business. Our products are probably in your mobile phone, but we don't interact with you and you don't even know our product is in your mobile phone. So that is very complicated and how does your mobile phone at the end of it's life come back to give us back the metals that are in there so that we can you the next mobile phone. For me that is where the future of sustainability resides. When I talk about supply chain and the value chain in general of course I also include not only the environmental aspect but also the suppliers'

practises. For the moment we are working on providing our customers with a product that comes from a supply chain where there is no child labour, people are treated fairly, remunerated adequately. Ideally all of the actors in the value chain should be able to talk to each other and share information about the future. They should find a way to integrate better. It is probably a bit idealistic from my part but I think that is where the future is and when people will be able to report on that it this kind of report I think we will really reach sustainability for the world and for companies because everything will be in balance then.

Appendix 18: Interview with Mr I. (Solvay)

About the interviewee

- Can you tell me a bit about yourself and your role at Solvay?

Within the human resources (HR) department, I am reporting to the head of compensation and benefits who himself is reporting to the head of HR of the Solvay group. My basic role is function evaluation for the whole group, I apply a system called Hay and we have other grading systems. On top of this, I have a second role that is called “Solvay way champion”, which makes me the interlocutor between the corporate social responsibility department and the HR department. This type of structure can also be found in other functional departments, global business units and zone organisations.

- How do you see your individual role as regards to sustainability reporting?

We have several types of reporting. The backbone of external sustainable development reporting is based on the annual report. In the annual report, there is a part regarding sustainable development. On top of that we still have a sustainable development report that completes the annual report regarding CSR issues and information. The communication department also had some sustainability disclosures for particular issues or events. For that they follow their usual channels. When it comes to CSR related HR external publications, we did not have any last year. We also participate in surveys, this is considered as a kind of reporting as well. For instance we participate in the DJSI, there are several others as well in which we participate but they are much less HR related and they require much less investment of time and resources. With respect to the DJSI, my role is to coordinate with the respective HR colleagues to ensure that they have and provide the information necessary, to give advice and I think also to give ideas as to what and how to report in the DJSI. More and more we have a certain routine, we are participating since six seven years in the DJSI so it is not reinventing the wheel every year but still there are changes, there are new developments that need to be integrated and therefore it is necessary to really review the text. My role is also to have the validation of the information ensured and to circle around the final draft and things like that. It is a more coordinative and advisory and accompanying role. For internal communication, there I have an objective for myself for this year to do a little bit more about internal communication about HR related sustainable development issues. I just had a conversation with my colleague who is responsible for communication for HR and we have

agreed on a series of articles that will appear in different channels that he will use to address the internal public.

For the actual sustainability report, it is a little bit like I have described for DJSI. I am the interlocutor. There is the sustainable development department, who is in the driver seat and they have to coordinate between the different functions that provide input. So they will have connections with the financial department, purchasing and every other department that should provide input for the report. My role is to ensure that the data is provided, so I will make contact with the people that report internally on this data and to ensure that the different issues are answered. Now this may take very different forms, it may just be an update of last year's section, it may be that the section needs to be re-written. In all cases I take contact with the person responsible in the HR world and depending on the issue it may be this person or me writing the draft and then either I would review that person's draft or the other way round to then have final draft that then would be circled around by me for final validation by normally the superior level of both of us which in this case are the members of leadership team of the HR community.

Overview of social sustainability in the organisation

- How do you think you perform in terms of HRM sustainability?

We are the 93rd percentile for our social dimension in the Dow Jones sustainability index, so we are very good. Now do I think that there is room to improve? Yes, there is very much but I think we have a nice benchmark compared to other companies with respect to HR.

We are maybe less excellent on the reporting part. I think that we are good compared to other companies of our size and complexity because I think we are able to provide data for many issues for the whole population, which is still not so very common. We get it out from one database. As you know Solvay has acquired Rodia and of course a merger of activities need a transition period to align systems, they are not yet completely aligned, this means that we will only have a very good picture on for instance non cadre population in September or October this year but we still have a nice coverage of information about basic data even today, we know where people are working, how many people are working where and in which activities, what type of job they have so we can talk about the structure of our company, we know whether the people are female or male and we have some holes in our knowledge with respect to salary but I think aside from that we are not so bad.

- Who is responsible for sustainability in the organisation?

There is a sustainable development CSR department and then there are sustainability champions in different departments, business units and sites.

- What are the HRM sustainability material issues of the organisation?

Each year, the material issues are revisited and there are the key group material issues. For instance, this year we have two axes. One is occupational health and the other is engagement.

- What process do you use in order to identify the HRM material issues of your organisation?

The process for the group issues is described I think in the new annual report. It involves a top management decision of the executive committee. The materiality discussion for other issues is not so much formalized but guided, it is guided for instance by our so called Solvay Way approach. Solvay Way is a process that requires from different actors essentially from the sites in the group to make a self-assessment against criteria that are provided. There are criteria for HR that are then consolidated. With this we can make some statistics. The idea is that thanks to this self-assessment, employees can say where they are at for the time being and ask themselves how they could improve. The idea is to have this continuous improvement cycle implemented and it is clear that the underlying considerations of people that have developed this was a materiality consideration. They have asked themselves what is really important within Solvay. For our employees we have elements that are really relevant and they are classified around five what we call commitments. For instance we commit that we are ensuring the employee health and safety, we are ensuring that we respect employee fundamental rights and guarantee social rights, we are ensuring quality social dialogue, we are developing employability and we are motivating employees. On the next level we then have the practises for instance to ensure employee health and safety we have the practice “preventing occupational accidents” and it is clear that behind that there is a materiality consideration. For a chemical company, as we are handling really dangerous processes, therefore safety and security is really key, if we want to have people on board and also to make sure that they stay. For this you do not need a big materiality consideration. It is obvious. So the choice of material elements is based on an expert consideration and validated by the management of the group. That summarizes our process for the materiality today. We have a decision every year about the group high materiality issues for the year and we have a guidance for the sites through this model that implicitly provides them with the consideration on the materiality or a decision on the materiality. The executive committee has validated the Solvay Way as well. This is a group programme; every site has to follow this programme.

Then there are materiality considerations that we are making within the DJSI report, these are materiality considerations that are either by the Solvay Way or executive committee decisions or the materiality consideration of the person responsible for the respective field for instance for the performance measurement programme, this person needs to be answerable on the materiality of his programme and if it is part of a policy like for instance for hiring, then in the hiring policy, there will be a consideration about the rationale of the policy. And policy means it has been adopted by the management of the company as well.

The decision on the material issues is internal. External stakeholders may be involved in the process of developing and validating for instance for elements like social dialogue, we will of course involve the European workers council and or our union partners in the decision on this question. But even the European workers council is an internal stakeholder because it is our organisation so it's not that for HR issues we would partner with an external organisation. We will seek inspiration but not involve them in the decision.

Overview of reporting in the organisation

- What are the key reasons that you have a separate corporate sustainability report from your annual report?

The effort is too high to bring these two reports together today. The objective is to have one integrated report. But before we can do that, it is necessary to have at least an integration of the definitions. Financial reporting follows another logic than for instance HR reporting. In HR reporting, you are looking at the people you are managing from a HR perspective. In the financial reporting, you may have a logic where you look at what is consolidated or not consolidated for example. Already if you start with the headcount, you have to make choices. For example the company for the time being is selling parts of its activity, but it is not finalized yet and this means that on the payroll that we are managing we have 30 thousand people, in the financial parameter we have 27 thousand and this is a considerable difference. Now a simple figure like that already shows that there are different horizons to be reported and two have two different logics of reporting in one booklet is not very good. On the other hand, someone who wants to know something about the sustainable aspect of the company will look probably at all people managed and the one who simply wants to know what is the expected financial health of the company will just look at the 27 thousand. Also the level of quality of data for financial data is by far higher than the quality and reliability of data around issues like HR or other sustainability issues such as environment and therefore we consider that today we are not yet far enough to integrate these reports. If you look at what other

companies are doing, they are just combining both reports, which I think for the reader is not necessarily an advantage. We are giving it already a similar layout. Next year or the year after that we will merge them and ultimately we will reach something that corresponds to a integrated reporting philosophy in the sense that we can start to make statements on what the figures mean as a impact on the different stakeholders. For the moment we are reporting the data but we are not making any statement about the impact on stakeholders because we do not feel mature enough to do so.

- What are the key reasons the company chose to use the GRI Standard Disclosures and Reporting Principles?

We have followed the development of the GRI from the beginning. At the time we started sustainability reporting this standard was the first reasonable one that we detected and we think that it is today the state of the art for companies like ours compared to other standards. We also see that a lot for other companies are using it as well so finally what we want to reach is to align with a standard that is also used by other companies because this is what potential shareholders or other stakeholders will look at and they will like to have the answers given in the same type of canvas in different companies.

- Does the company follow any other sustainability Standards?

We committed to the UN global compact. The ISO26000 is a source of inspiration. I would not really call it a reporting standard it goes beyond, it gives very much insight into the way you can organise around sustainable development. I don't think we have implemented it.

Dow Jones sustainability index

- Solvay was listed in the 'Sustainability yearbook RobecoSAM' in 2013 why do you think this is?

We have not made it into the index last year. We used to be in the index as part of the index companies in 2013 for Europe but in 2014 we did not succeed to enter into ten per cent of the best sustainable development rated companies of our industry. I do not see the complete picture because there are three parts in the DJSI, there is the economic, environmental and the social part. For the social we have considerable gains in percentile and in score whereas for the other two parts we have lost points. I think that is was not so much that we have become worse but essentially the others have progressed faster than us and so we didn't make it. The social part in the DJSI accounts for 1 third and within social you have HR. And I would say

HR counts for 20% of the points you can get for the DJSI. Even though we did not make it in the index in 2014, we very much improved in HR from 2013 to 2014 and HR alone would have been clearly in, which I sell to the HR people as something we should be proud of.

- Were you working towards this award?

Yes. I think that the whole company, Solvay has very much changed in HR over the last five years. I think we care much more about people development than we did in the past and we can demonstrate it. I think that we have made nice progress in providing data. We have also made progress in providing materiality considerations. And I think that our policies have become more complete. The award was an objective for the whole organisation but it is not the only recognition that was taken as an objective. There are other indexes where we have entered that were also taken as an objective but DJSI was one of them and it was an incentive to go there and I think it is good to define such an objective because it's not so easy to make people understand that they should invest time to fill such a form if they don't have such a trigger.

- Can you tell me a bit about other awards that Solvay received (FTSE4Good Index, Euronext Vigeo World 120 Index, Ethibel EXCELLENCE Investement)? Why do you think Solvay received these awards?

These awards do take into account HR (Vigeo for example) but I am not involved or just to answer some questions.

Process of sustainability reporting

Internal and external stakeholder involvement

- Who is involved in the process of building the sustainability report and other sustainability disclosures within your organisation?

It is essentially the instances that I have mentioned. In the driver seat is the sustainability department. They have to liaise with all internal stakeholders and external stakeholders of the Solvay Way. So the sustainable development department is contacting all internal providers of information and text so the industrial department with the HSE organisation has to provide information about health safety and environment, then the information about suppliers is essentially coming from purchasing, the information about employees is essentially coming from HR and information surrounding the communities is coming from public affairs. When this content is brought together then it will be put in form by the communication department.

Ultimately the leadership council so the first line of people below the executive committee and the executive committee will validate the report before it goes out for publication. Of course we also have external validation for the report.

- Are external stakeholders involved in the process of building the sustainability report and other sustainability disclosures?

There is for HR an agreement with a association called IndustriALL, it is an association of trade unions and within these trade unions are quite a lot of the major trade unions we are working with at our sites. This contract foresees that a certain audit is made by IndustriALL representatives at some sites of Solvay on issues around how we behave with regards to respecting employees' rights.

Information disclosed

- How is the data collected for the HRM aspects of your sustainability reports throughout the product life cycle?

A part of the data is captured in the HR IS systems. This covers 80-90% of the population. These are the basis data that you need like headcount, gender, kind of job, etc. This type of data, the hard backbone data that you need to manage people, is in that system. Some of the data is directly available in the system while other information such as data around compensation needs a specific report. This is what is in the IS system. Now there is a part of the data that is not in those systems (e.g. lay offs) or that are not consolidated and for this data I make a survey every year that provides me with a valuable impression of what people are doing at sites. For example DJSI asks about lay offs and lay offs as such cannot be retrieved in the database because we do not have a clear indication on lay offs in the system and that is I have the survey. The survey covers 18 thousand of 27 thousand employees on different sites. This survey helps me complete my knowledge about the company so that I can answer questions about sustainable development. Finally there is a third type of information where I need to address my self to the network of HR people. Precise examples of activities should be provided. For instance if I want to know what type of communication plants are using to address health issues, then I would contact people in the organisation to have this information. So there it is classic information gathering. In order to gather this information, I can make use of different networks. One network is the network of HR managers of the sites and the other network is the network of these Solvay way champions that are in the different entities of the group so in the business units, functions or zones.

- Do you use industry benchmarks in your sustainability report?

We are just starting to benchmark to other companies. Thanks to these GRI and similar initiatives, it is easier to get such data because we can find it online in the report given by other companies. The sustainability development department has provided some benchmark data that has been published by other companies for instance on the engagement index that other companies have achieved. We are just about to analyse the results of our last engagement survey so in the coming weeks we will make such a benchmark analysis. However, we would not communicate benchmark data today in our sustainability reports. We would not say, let's say "with 75% of engagement index, we are better than BASF". We would not do it because that is not polite and secondly it may even raise legal concerns. Because the companies we would be comparing ourselves to are competing with us for investment. This would have to be done in close collaboration with the legal department. If the information comes from an official source, then we might put a footnote saying that we think that we are in the upper-range, let's say, compared to this dataset published by this source. I am not aware of any case where we would have already done this in the past externally, at least not for HR.

Reporting on labour practises within the company

- What are the biggest challenges when reporting on the company's labour practises?

The first challenge is still to get good data. The data needs to be complete, valid and reliable. This means data that covers the whole workforce. We have realisable data for cadre, we have good reliable data for non-cadre except for compensation that is not always present yet. All indicators are not easily accessible, for instance absenteeism, we do not consolidate absence on a group wide basis for the moment although we will start this in the coming weeks but with not enough precisions about why the people are absent. The second challenge is materiality, to have a good link between the data and their meaning and why they are relevant.

- According to you what are the biggest trends in the reporting of the company's labour practises?

We are going to data that covers the whole work force: cadre, non-cadre and beyond the fence of the company for some aspects. We have not arrived at that level yet. The second trend I would say is social life cycle assessment. We are starting to contribute to develop standards

and approaches for social life cycle assessment. We will participate in pilot case studies around this and I think it will become a kind of standard approach comparable to the environmental life cycle assessment. The idea is to look at the social impact of our products from cradle to grave. The third trend that is not yet arriving but that is in the logic of the two first. Today if we are talking about social life cycle assessment, the impact categories that we are using are very much inspired by sources like global compact, the ILO convention, European Union regulations etc. which explicitly means that it is mainly driven by compliance, by risk avoidance and by the underlining assumption that what we are doing is essentially hurting. I think that this is not only dangerous to focus on negative aspects of the life cycle of our products and activities but it is also misleading because in the end, we are producing value for the stakeholders. The value that we are producing for stakeholders is not captured by all these sources. The value of someone working as an employee for Solvay is not that Solvay does not have children on its payroll, this question simply is irrelevant for us, because we would not even have the idea to do so and it is not necessary and not possible to do this. The essential element is that the person will get a salary to make his family grow and that the kids can go to university and can find a job afterwards themselves and that the community around that person is able to flourish and the product itself is contributing to the fact that some people are able to make something even more valuable with it like a car and therefore, I think that this will be the next step of social life cycle assessment, to assess the true value that is produced through the life cycle of our products.

Reporting on labour rights in the supply chain (human rights restricted to the company's supply chain)

- To which extent do you report on labour rights throughout the company's supply chain?

Reporting about labour rights in the supply chain is tricky because it is not our responsibility. As a matter of fact we need to be aware of what is happening in the supply chain as well regarding the social LCA but we do not want to get into a situation where we get fined because one of our suppliers is not paying the minimum wage to some of his employees. But it is true we will care more about what is done in the supply chain but reporting on labour rights throughout the company's supply chain, today we would not do that. I think that our purchasing department together with other companies has developed a questionnaire that every supplier has to fill in (ecovadis). We ask suppliers to answer us on what they are doing for instance around labour rights but we would not publish the results in our external report.

This may change when we have reliable social LCAs. Then it would maybe take the form that there is a study made and we would reference to that study.

Conclusion

- To sum up, what would be for you the biggest challenges in HRM sustainability reporting for your organisation and in general?

I think the challenges are firstly to extent the view on the whole workforce and to provide reliable data for the whole workforce and secondly to really have a clear view on the materiality of the data. Maybe there is a third element which is a universal element in communication that you find the right message and the you bring it to the right person at the right time.

- What is the company working on to improve its sustainability reports from a human resources point of view?

It is the same story, the data and the materiality and the management behind. That is maybe another aspect, if you have this data you know what is relevant and then to really implement actions once you have the information. What do I do now when I learn that in some parts of the organisation the diversity is not high enough? There I think the real work starts. You are aware of the problem and then you begin to solve it.

- Is there anything that you would like to add that I have not asked you?

What you have not very much covered is the aspect of professional organisations. Companies are also communication through professional organisations and such channels. Like this social assessment cycle model, that is something where Solvay is contributing, this is developed by a professional association called the World Business Council of Sustainable Development (WBCSD) they have implemented a working group and then people like me or colleagues from BASF or other companies are gathering in Geneva and there we spend a day discussion how we can develop such a model and the professional association then will launch and publish the study. Within the study there will be data from us. It is one of the channels that we are using for reporting on specific issues and in this case with the underlying objective to better demonstrated in a trustworthy way all the good that we are doing for the planet. Other examples of professional organisations are the SEFIC and CSR Europe.

Appendix 19: Interview with Mr J. (Solvay)

About the interviewee

- Can you tell me a bit about yourself and your role at Solvay?

I am the deputy chief sustainability officer for Solvay. I am the former chief of strategy of the Solvay group. After the Rodia acquisition in 2011, I moved to sustainability to co-head it with the current chief of sustainability officer of Solvay.

- How do you see your individual role as regards to sustainability reporting?

The sustainability department generates the GRI report of the Solvay Group and also generally speaking every report that is asked from us. This includes the RobecoSAM questionnaire for the Dow Jones Sustainability Index, the different questionnaires of the carbon disclosure project and any kind of communication about sustainability is issued by the sustainability department and not by the communication department within Solvay. Of course we work with the communication department when our communication is part of the annual report or other general communications but what is specific to sustainability is done in our department. We have someone in the group who is generally in charge of it. She is based in Paris. But one person cannot do everything so practically everyone within the team takes as responsibility a specific part of the report depending on background, competencies and availability.

Overview of social sustainability in the organisation

- What is HRM sustainability for your organisation?

Generally speaking in the sustainability framework that we use, employees are one of the six stakeholders of the group, the other ones being investors, planet (governments and NGOs), suppliers, local communities and customers.

- How important is HRM sustainability for the organisation?

I am going to give two answers to that. One which is a historical answer, the founder of the company Ernest Solvay had technical progress and social progress in mind and in his time, he implemented new social models, which were absolutely new at that time. So there is a tradition within the company of paying attention to that subject. Now if I want to be really fair, sustainability started early for chemical companies because of the environmental priorities so all of the social aspects in reporting were perhaps left a bit behind and if I

compare today with what other groups and companies have developed, the chemical industry in my opinion a bit late on the social aspects of sustainability.

- Who is responsible for sustainability in the organisation?

So it is my boss Jacques Kheliff, which means also partly myself because whenever he is not there I replace him.

- What are the HRM sustainability material issues of the organisation?

Material issues have been in fact completely reviewed last year, we redid a complete materiality analysis which is described in our annual report now. There is a corporate social responsibility report, within the annual report starting from page 106. In that analysis let's say about human capital, two issues that floated on the top of the analysis: employee health and safety of course for the chemical industry and employee engagement and wellness, which for us includes also everything about labour relations and union practises. So those are the two highest material issues also recognised as priorities by our executive committee.

- What process do you use in order to identify the HRM material issues of you organisation?

The process is described in the annual report but basically we took the materiality analysis framework published by the American sustainability accounting standards board (SASB). The advantage for me is that they list about 42 different material issues so we have a list to start from, we looked at the list we said "yes it covers everything we have nothing to add to it" and some of them probably don't apply to us. And then we used their materiality test, first evidence of interest to us meaning "is that topic mention in documents inside the company, in documents about the company, agendas of management committee meetings and so on, evidence of financial impact on turnover, profitability, on risk profile or on management priorities and last criteria that I particularly like which is forward looking adjustment "is that issue going to be more important in time or not?" That for me is very important because if you look at material issues published by different chemical companies who should have the same stakeholders, some put climate change as a top priority, some put it in the middle and some put it at the bottom. In my opinion what can explain that is the time frame you are looking at. If you are looking at a time frame of 5 years, climate change may not be a top priority, if you are looking at a time frame of 30 years it definitely is. We also wanted to stick to a methodology we could benchmark against and I believe we did something very solid, we had it reviewed by PWC and they said they couldn't do any better for us. But it was a huge

exercise, we involved a lot of people, a complete network of sustainability specialists and for each material issue the function specialist linked to it, we double checked it with pilots in the business units. What we still need to do is stakeholder engagement so compare it with each stakeholder's perception of the priorities of the company.

- Who is responsible for HRM sustainability in the organisation?

Logically it should be the head of human resources and the way we work is that we have what we called a sustainability champion in each business unit or function and that person is the sustainability director of that function of business. For human resources it is Mr I. that you met already.

Overview of reporting in the organisation

- Who is responsible for sustainability reporting in the organisation?

The sustainability department is. We have one main contact for this based in Paris and then the task distribution can vary because there is a lot of work. If we add up what we put in the annual report, in the GRI report and all the different reports we have to generate for the UN Global Compact, for Dow Jones Sustainability Index, Carbon disclosure project and so on, it is a lot of reports that we have to write in the six first months of the year.

- Who is responsible for the HRM sustainability aspects of sustainability reporting?

That is what I was going to add. We coordinate sustainability reporting. However, people within specific functions fill in the report itself with the information needed in the different fields. Mr I. that will contact people within human resources to gather the data and information needed. It works in the same way for the safety and environment department as well as for corporate governance with the general secretary. That is why I say, the report is not a communication brochure, it reflects the reality as written by the specialists of our company.

- What are the key reasons that you have a separate corporate sustainability report from your annual report?

We believe in integrated reporting but we believe that integrated reporting is not ready yet. For us, integrated reporting fits what we consider being a basic need of sustainability, which is measuring responsible value creation. Are we creating value responsibly? Is that value shared in a fair way between the different stakeholders? If we look at the GRI today, the

model of the GRI is to be a report for each stakeholder of the value created for each stakeholder. If we look at the International Integrated Reporting Committee (IIRC), the way they present their framework, it is a report for investors about how value is created for investors through interaction with 6 different capitals. Today we continue to report to GRI but we believe that integrated reporting is the way of the future but IIRC talks about 6 capitals without explaining how to measure them so currently we are in a working group with the GRI precisely on evolution towards integrated reporting. Our annual report is a combined report, it is not an integrated report because the corporate social responsibility statement is still in a separate section so it is not fully integrated. Everything that is highly material has been put in the annual report. In the GRI report, there we still stick to GRI because the questions we receive from stakeholders about sustainability reporting they can be put into two families. One family is saying “there are too many pages, you should focus on what is material” and the other family is saying “I am not finding the indicator that I am looking for”. So the compromise between being exhaustive and being just focused is not ready yet so we still believe that we need to deliver both reports. But we do not call it a sustainability report anymore, we call it a GRI report and it is more and more just a technical report. We publish the parameters, why they have evolved in one direction or another, what are policies are in that area and example of best practises. We believe that that report is more for specialists that are looking for specific information.

- What are the key reasons the company chose to use the GRI Standard Disclosures and Reporting Principles?

It is used by more that 80% of the 250 largest companies in the world. There is an excellent publication from PWC on that. GRI were the first, it is now their fourth edition, it is quite well prepared even if it could be refined a bit and the dialogue with GRI is excellent. In my opinion they will be also probably the framework that will remain as the sustainability reporting framework and they will probably integrate the concept of integrated reporting.

- Does the company follow any other sustainability Standards?

We follow the UN Global Compact. There is a table in our GRI report where we try to link it all together.

Dow Jones sustainability index

- Solvay was listed in the 'Sustainability yearbook RobecoSAM 2013' why do you think this is?

Solvay was listed in 2013 and ejected in 2014 and in fact for very valid reasons. The first point is that the Dow Jones Sustainability Index is of course one way of being recognised by representatives of the investor stakeholders for what we do so it is important but it is not the only one. We answer every questionnaire. We particularly look at the Dow Jones Sustainability index, FTSE4Good, Carbon disclosure project, Oekom and Vigeo. The Dow Jones Sustainability Index, FTSE4Good, Carbon disclosure project are the most known in terms of reputation and credibility. Oekom is the fifth one, before that there is access to medicines but access to medicines is not really material for us. Dow Jones Sustainability Index and FTSE4Good have very generic industry wide questions. Carbon disclosure project has excellent questions about energy and greenhouse gas management, what I mean by excellent questions is that they are questions that may lead us to change the way we work. Oekom has the best questions regarding environment and Vigeo comes far below the list on international reputation but they were the first in Europe, there were certainly very well known in France and we are listed in France and in our opinion on the social aspects, they have the best questions. And so we believe that the number of indexes that recognise us, is a better indicator than the score in one specific index because questions change every year so you may be ejected for reasons that have nothing to do with your strategy but when 6 different indexes eject you, that is a very strong message so this is why we apply. Basically, Solvay was going up and getting close to enter the Dow Jones Sustainability Index, Rodia was in it but was moving down in the ranking, Solvay was in the index in 2013 and then we were ejected in 2014 mainly because our score remained more or less stable, we had just lost one point, but other chemical companies improved and most probably because of the Rodia integration, there are some aspects on which we did not progress fast enough but it is a reality.

- Were you working towards this award?

Not specifically, we have our own internal reference framework, which we call the Solvay Way, which we built based on what is asked in the different questionnaires, what is said in ISO26000, what we know of the requirements of our stakeholders so what we believe to be today the best way of operating it. So these questionnaires are one of the inputs in this framework. I said on the other hand, this external recognition is always good to receive.

When we had it in the company, nobody was surprised and when we got ejected it was a bit of a cold shower but a healthy one.

- If so what did you change over the past years regarding HRM sustainability reporting in order to meet the criteria of this award?

Indirectly yes because the way Solvay Way reference framework is built, it is built in different commitments which are listed by the way normally in the GRI report. Some of them are of course specific to human resources and so as human resources work in improving their score, they also indirectly work into improving the external perception of our performance. Last year the DJSI put much more focus on indicators about efficiency of training and human capital return on investment and they were all corresponding to indicators that we were already monitoring in the company. So yes we improved in HRM, which led to a better score for the social aspect of the DJSI but it was also luck because they put the emphasis on indicators that we had chosen to focus on. In human capital management, we got the best score of the chemical industry.

- Can you tell me a bit about other awards that Solvay received (FTSE4Good Index, Euronext Vigeo World 120 Index, Ethibel EXCELLENCE Investement)? Why do you think Solvay received these awards?

We are listed by FTSE4Good and we are in the Euronext Vigeo World 120 Index. Vigeo does their analysis every 18 months more or less, they do their analysis themselves, sometimes we are contacted with very little time to react and so it is more an information that we receive after hand. But in my opinion if we talk generally, where we are quite strong is in the way we have implemented sustainability from an operational point of view so within the plants at the shop floor. There if we look at our internal self-assessment, the Solvay Way, we do our self-assessment every year, last we had 38% of the workforce of Solvay involved in action plans to improve our score, which I think is excellent. Where we have progress to make is more at corporate level, in our current communication it is very difficult to prove that our board of directors, our executive committee and our leadership council integrate sustainability in every decision about the strategy of the future group. I will show a symbol of it, we currently have financial targets at 2016, sustainability targets and 2020. This is the first symbol of not being connected. If we look at the way we present our financial targets reaching them rests on organic growth, operational excellence and innovation without an explicit link with what we do in sustainability. Today the perception of sustainability has

evolved, ten or twenty years ago, it was about reducing environmental footprint without compromising profitability or social achievements. Today sustainability is being part of the solution and showing that being aligned with sustainability gives us a better growth or a better profit or a better risk profile. This is the part that we need to accelerate currently.

Process of sustainability reporting

Internal and external stakeholder involvement

- Who is involved in the process of building the sustainability report and other sustainability disclosures within your organisation?

Many people of which mainly three persons within the sustainability department and then for each of the topics we report on, as I said, we will contact first the sustainability champion within the specific entity and if needed they will bring other people around the table. When it is about HR it is Mr I. so you can say certainly a group of 10 to 20 people are systematically involved. It is really a collaborative work.

- Are external stakeholders involved in the process of building the sustainability report and other sustainability disclosures?

No not really except that we have the GRI report checked by GRI themselves so that they confirm that we are GRI index certified and our auditors check environmental and social indicators. We implemented an initiative called 'together for sustainability' (TfS) with five other chemical companies. The scope was basically to say "if we need to audit suppliers, it would be better to agree on an audit questionnaire and including an external consultant to assess the sustainability elements so that the suppliers don't get different questionnaires from customers that they need to supply for the same product. We started that really 2 years ago and we still have limited indicators on that.

Reporting process

- What are the different steps of the process of building your sustainability reports and disclosures?

It starts with a kick-off meeting around September or October with the communication department to agree on the basics of the annual report and from that, we know exactly what we should add in the sustainability report in comparison. It is basically about assigning responsibility. Already before the end of the year, we try to gather information, at least text and qualitative information where we say that it is information that will be there more or less

every year and that is not directly linked to the value of an indicator. We get those indicators in January. This fills everything for the annual reports by the end of January so that the board of directors can approve it in February so that it can be published by end of March. The annual report has to be issued 6 weeks before the general assembly. As the general assembly is in May, the annual report needs to come out in March at the same time in English, French and Dutch. Having the translation done is a work that demands 3 weeks. That is the calendar for the annual report. For the GRI report we do not have a constraint in time and we make it just in English. Usually it is ready about a month after the annual report. We cannot disclose it before because some of the indicators we need to put in the GRI report are linked to economic performance and we cannot get those figures before they are published for confidentiality reasons.

Information disclosed

- How is the data collected for the HRM aspects of your sustainability reports throughout the product life cycle?

For that specific HRM data, it is Mr I. that provides us with the HR data. He works with somebody more in the IT part of HR to get the data. For suppliers there it is not in HR, it is in the purchasing department and so we contact our champion within the purchasing department and we see with him what indicators we can put, what we are missing, action plans to improve it if we can. But I mean generally speaking for us the scope of the report is to present a image of the current situation so we don't work for the report. The report just discloses the situation.

- What kind of data is gathered?

So we have indicators that I have already mentioned and we try to get stories for many reasons. The first reason is that we are a chemical company and a multinational company, which basically mean people hate us. A chemical multinational company that would try to say today "just trust us" that will never work. In our opinion there are two ways that work, the first way is to accept the external challenge and to seek the external challenge. We have signed a global social agreement with industriALL, a federation of unions in the chemical, mining and metal industry, they represent about 50 million workers throughout the world, we have an agreement with them where we commit to respect international labour organisation standards additional safety and environmental standards that are specific to the chemical industry, they can also come and visit a plant of their choice every year and check that what

we say is really deployed on the floor. That is what we mean by external challenge. We believe that whenever we commit to something, we need to be ready for someone to check that it is accurate. It is the same reason why we use auditors to check that the figures we report are correct. The second way and this is general in communication today “listen to what say does not work”, “look at what we do” does work so when we can present a specific example about what a certain plant is doing on a certain topic, it works better than describing policies. It is also important with rating agencies because rating agencies don’t just make a mathematical assessment, they basically want to know if we are preparing correctly for the challenges of the future so having a pilot that works very well is sometimes more important than having a policy that is very slowly deployed. The sustainability champions within the company communicate these stories to us. This is again totally a collaborative work.

- Do you use industry benchmarks in your sustainability report?

We benchmark but we do not report these benchmarks. There are two ways of benchmarking. The first way is to take the scores of the Dow Jones Sustainability Index and the Carbon Disclosure project where we know where we stand compared to the average of the industry in score, quality of reporting and performance. The second way is by taking specific indicators such as accident rates and compare them to other players in our industry. We can get this information from the GRI reports of other companies. We use relative indicators and we use EBITDA as a denominator. So basically it amounts to saying, to generate 1 billion of EBITDA does Solvay have more accidents than another company? It is more difficult to benchmark for social indicators. For the engagement index it is possible as the way to calculate it is fairly normalised but if you look at our peers in the chemical industry, they do not all publish it. We have definitely less information on the social aspects; the other difficulty is that non-financial accounting is still not as precise as financial accounting. That is an improvement required to move into fully integrated reporting, it is to have a full list of indicators that can be benchmarked and that are shared throughout the industry. Reporting on benchmarks would certainly be a way of progress. For me the best in class today report an indicator and report on how they compare to the average of the industry. But then you need to find the right value of the average of the industry. The difficulty is to find what to benchmark for our indicators because they are not published. On the other hand, using the Dow Jones Sustainability Index and the Carbon disclosure project as benchmarking tools is in my opinion an efficient way of benchmarking also.

Reporting on labour practises within the company

- What are the biggest challenges when reporting on the company's labour practises?

My answer may be different from the one from Joachim. As head of sustainability, I mean taking a distance; we really believe that there is a correlation between the quality of social dialogue and productivity. We are unable to prove it, there are no indicators of quality of social dialogue. What you can measure is the number of representatives of employees that are unionised however a high number of representatives can mean an excellent dialogue or can mean strong confrontation. One of the reason that lead us to believe there is a strong correlation is when you look throughout the world the industrial models that currently are considered the most efficient are the German one and the Japanese one. Both are the ones where employees have the most to say. In Germany through the fact that there are representatives of employees in the *Beirat* of the company and in Japan through their quality circles that give a very fast feedback from the base to the top about what works and what does not work. This is why we work towards unionised workforce but today we are absolutely incapable of reporting on this subject.

Another challenge is to define the correct indicators. For example, should we include pregnancy leave in absenteeism? How do other companies calculate absenteeism? This is important so that we know if we can compare with other companies.

- According to you what are the biggest trends in the reporting of the company's labour practises?

This varies depending on the country. Social dialogue works very well in Germany and is not that bad in Belgium. In France, it is more of a social confrontation. In the US there is still a gap between management, who believes that unions are bandits and unions that believe that managers are all there just to exploit the workforce. If you go to China, there is just one union. One of the challenges is that it is very different from country to country also in spirit, if you are in Europe you can talk about increasing diversity, if you are the US you should speak about equal opportunities, to get the same result.

- According to you, which improvements still have to be achieved in the reporting of the company's labour practises within your organisation and in general?

We need more social indicators and an improved social reporting. We are back to what I said in the beginning, I believe that now there are some banks, some insurance companies and some software companies that have considerably improved on their reporting practises, also

because they were specifically attacked on that. Apple was not attacked on their environmental footprint, they were attacked on the way they treat their subcontractors in China and so they had to improve their practises and their reporting. It is very comparable to the way the chemical industry had to improve their environmental reporting 20 years ago. Today, the chemical industry needs to catch up with other industries on social reporting.

Reporting on labour rights in the supply chain (human rights restricted to the company's supply chain)

- To which extent do you report on labour rights throughout the company's supply chain?

We do not report on labour right in the supply chain currently. However, we are working with other chemical companies as I mention early on the "together for sustainability" project and we already audit some suppliers.

- What are the biggest challenges when reporting on labour practises throughout the supply chain?

The first difficulty is to obtain information because the reality is whatever you say about your supply chain has to be checked. You have some companies that send their policies to their suppliers and they ask for the policy to be signed and prefer not to know if the company follows them or not. Some companies say "We have this policy and all our supplies follow it" and then when you ask them if they have ejected some suppliers because they do not comply with the policy, they answer that they haven't so credibility decreases. We use Ecovadis as a consultant to assess this so now we receive some reports. But what is the best way to put it all together and what should we report about what is happening in our supply chain is not yet clear and it is a huge work.

- According to you what are the biggest trends in the reporting of labour practises throughout the supply chain?

Trends that I see are that companies will not be expected to have two different policies for their employees, subcontractors and purchases, the trend I see when I read other report is that you should have one policy that applies to everybody including your suppliers. The difficulty is also that what we want to have with suppliers is a dialogue about shared value and not to impose our conditions on them.

- According to you, which improvements still have to be achieved in the reporting of labour practises throughout the supply chain within your organisation and in general?

We need better reporting standards because today in sustainability one of the problems we see is that there are too many frameworks and standards. GRI is the largest one but on supply chain they also suggest very few indicators of performance. I hope that GRI will dominate them all. What we certainly need to improve is more reporting about what we do with key suppliers. Key suppliers can be very large suppliers or a supplier that produces a product that is very critical in the supply chain.

Conclusion

- To sum up, what would be for you the biggest challenges in HRM sustainability reporting for your organisation and in general?

Integrated reporting is the main challenge. This also means connecting indicators and an example of that is “if we improve employee engagement by one point by how much would the profit improve?” Logically there should be a link because if employees are more engaged, they will be more productive and if they are more productive it should be measurable. There are some companies like for example SAP that at some point published that for them increasing the employee engagement by one point it is worth 65 million of EBITDA. The difficulty for me is connecting that, it is already hard enough to measure the indicators and then having that connection that can say, if we do improve employee engagement or other social indicators what will be the effect on growth, profitability or risk profile. For this we lack indicators and relations between the financial indicators and non-financial indicators.

- Is there anything else you would like to add that I have not covered with my questions?

Establishing these relations between non-financial indicators and financial indicators is difficult. However it is part of the work because we will never be able to do that fully mathematically. If you look at the basis definition of sustainability where we need to balance people planet and profit, the ideal view is that they all go together, the reality is that it is a struggle between the three. What is good for the environment may not be good for employment and finance and the other way around. Sustainability is a lot about making compromises that you need to review regularly depending on progresses of science, of social models or stakeholder expectations and so on. Balancing the three mathematically is impossible. If you want to do this you have to ask yourself the question at what point “a human life is worth how many euros and how many trees?” and in whatever way you look at

it, it is immoral. Part of sustainability is also applying common sense in the way we define compromises at each step of our progress and another part of it is feeling that you are doing the right thing. It is purely emotional. There is an important part of ethics to sustainability and I would say within Solvay, we are lucky that we have the support of the legal department as they have a perception of governance based on ethics and they help us take more accountability.