



# Sustainability Reporting Scorecard

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Deloitte Touche Tohmatsu has developed a **Scorecard for Sustainability Reporting** that allows evaluation of the value and quality of Sustainability Reports for the reporting organization and for its stakeholders.

The **Scorecard** is both a benchmarking and a learning tool for continual improvement. It can assist report providers to better design their reports, and report users to evaluate and compare reports with current best practice in Sustainability Reporting.

## The value of reporting

Today corporate enterprises, and other organizations, are paying closer attention to their sustainability reports and for good reason. Companies are taking a more comprehensive approach to reporting than usually seen in traditional financial reporting to shareholders. There is also a move from isolated reporting on environment or health & safety towards sustainability, including environmental, social, and economic aspects and including direct and indirect influence on the economy and on society.

More and more stakeholders - from regulators, to customers and investors - are using sustainability reports in their decision-making. Business executives are reading them to decide on potential partners, consumers to choose whose products and services to purchase, students to evaluate prospective employers. Investors and financial analysts are using sustainability reports to support their investment decisions as they are increasingly interested in non-financial information, such as social, economic and environmental impacts and related risks and opportunities.

Standards and benchmarks are being developed to compare reports and better evaluate the performance of companies and entire sectors. The *Sustainability Reporting Guidelines*, published in June 2000 by the *Global Reporting Initiative (GRI)*, reflect the status of that work in progress. The guidelines also ask organizations to report on their environmental, economic and social sustainability.

## What makes a good report

Stakeholders' demands for sustainability information have grown more exacting. Business enterprises are asked for information on their vision, values and principles, governance structures, objectives, past and current performance in comparison with their peers and their targets, and the management systems and actions they have in place to support these.

What counts, of course, is whether or not a report reaches the targeted audiences and can help create acceptance for the activities and behavior of the reporting company. It is then also of key importance that the report provides the information that stakeholders are requesting and captures the organization's relevant issues and impacts on economy, society and the environment.

To date, Environmental and Sustainability Reports have been largely experimental. Reporting awards have led to the development of scoring criteria for particular purposes. GRI is making progress in developing a common framework for sustainability reporting and in formulating criteria that reflect current thinking or best practice of reporting. However, there is still a long way to go in making such reporting criteria widely accepted and broadly applied.

The ***Deloitte Sustainability Reporting Scorecard*** is a step towards filling this gap.

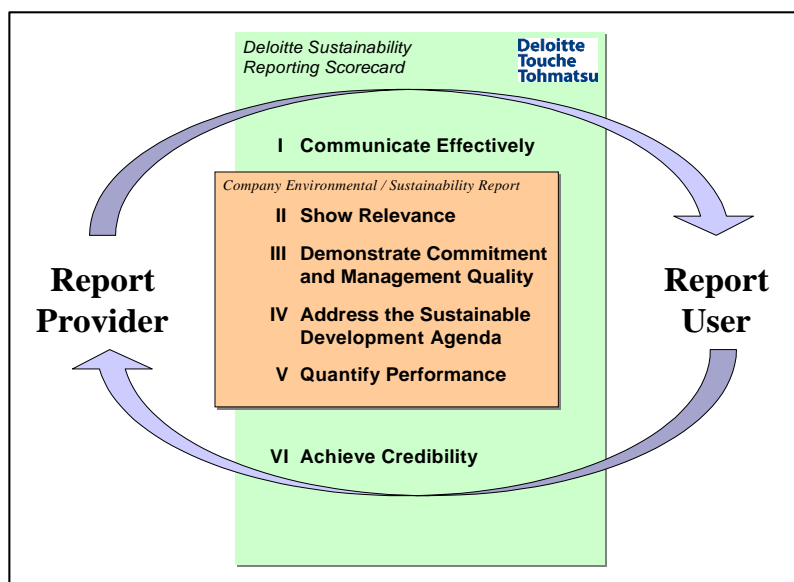
## A Scorecard to assess the quality of reports

The **Deloitte Sustainability Reporting Scorecard** concentrates on reporting quality and effectiveness. It aims to provide guidance on the content on which it is relevant to report and on those principles and characteristics that make reporting effective and credible.

The Scorecard first of all evaluates the effectiveness report providers can expect to achieve with their communications to report users and the ability of the report to create credibility with the report users. These criteria seldom refer to particular chapters in a report. They rather need overall evaluation.

Most importantly, the Scorecard focuses on the relevant issues that a reporting organization has to identify and build into its management and reporting. The Scorecard then follows a logic of argumentation that starts with the identification of the relevant issues and respective stakeholders, covers commitment and management quality, addresses relationships to key stakeholders and concludes with quantifying performance.

The 30 criteria evaluated by the Scorecard are grouped into six parts as visualized in the chart, illustrating the interrelationship between report provider and report user, the key elements of a report, and the six sections of the tool.



We believe that a high quality sustainability report - whatever it is called, e.g. corporate citizenship reports or triple bottom line report - should be designed to communicate a compact story on the reporting organization's strategy and commitment, and its progress and contribution toward a more sustainable economy, environment, and society. This should become visible as the "red thread" tying together the organization's aims throughout the report. We also believe this approach is equally important where reports are restricted to certain aspects, such as environmental, social or ethical reporting.

The Scorecard tool provides detailed information and guidance on evaluating reports on each of the 30 items. Such information - explanations, characteristics, and examples - is most valuable to better understand reporting practices and development trends.

## The meaning of the scores

Each of the 30 criteria of the **Deloitte Sustainability Reporting Scorecard** is worth a score between 0 and 4 points corresponding to a level of fulfillment between "no mention" or "very insufficient" and "pace-setting creative approach" or "outstanding".

Scoring should be rather conservative. We believe that this can better encourage learning and leaves more room for improvement than a more generous scoring. The score of 4 points is reserved for truly extraordinary/innovative disclosure and explanation. The theoretical overall total of 120 scores or 100% would refer to a rather unrealistic maximum for ideal reporting of complete satisfaction.

In the chart below, the five scoring levels from 0 to 4 and respective percentages for the overall score are described with general qualification statements.

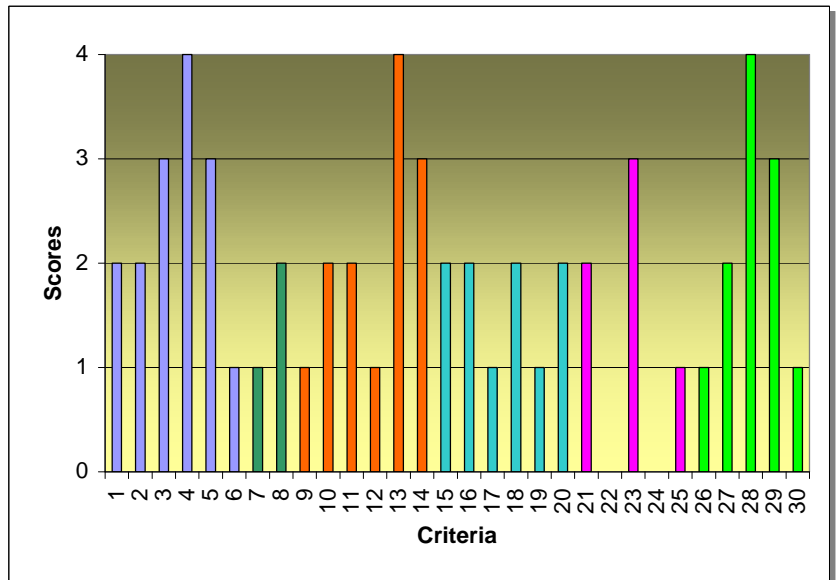
Scores	Generic Scoring Levels	Total (%)
0	No mention or very insufficient / very little	0%
1	Some / little / partial mention or coverage, below average	25%
2	Most important aspects covered, average	50%
3	Better than average, current state-of-the-art practice of several leading reporters	75%
4	Pace-setting creative new approach, outstanding, best practice	100%

## What results are able to tell

When evaluating a report with the Scorecard, Deloitte Touche Tohmatsu specialists work together in a team. They carefully read the report and mirror it with their experience and knowledge of Sustainability Reporting and with the detailed description provided in the tool for each of the 30 criteria.

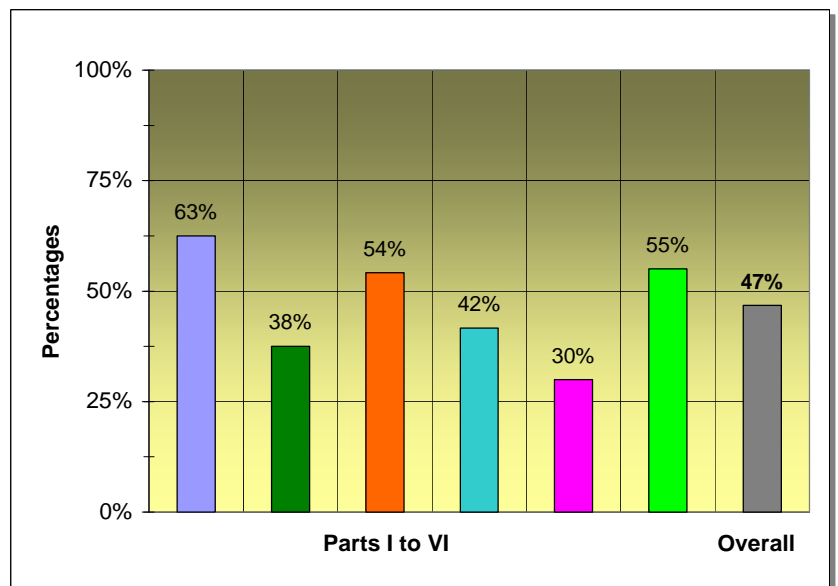
A practical spreadsheet guides Scorecard users - in conjunction with accumulating the scores - in comprising comments and elaborating recommendations for improvement on each of the 30 criteria.

A summary of the individual scores for all the 30 criteria is visualized through a **Scorecard Chart**. The chart shown in this brochure is an example to illustrate the results of an actual evaluation.



The criteria on which a report scores 3 and 4 referring to “above average” and “pace setting” respectively are easily identified in the chart. So can be criteria scoring 1 and 0, referring to “below average” and “very little”. This chart - illustrating the relative strengths and weaknesses as described - can form an ideal basis of a discussion with the reporting organization.

In a **Summary Chart**, the results for the six parts of the Scorecard are presented as percentage of the maximum possible in each of the six groups of criteria. The overall score is the arithmetic average (mean) across the six parts. Again, the reporting organization can identify those areas that score the lowest and opportunities for improvement are the greatest.



In fact, it depends on the individual results and circumstances which one of the two charts can serve the company better in the discussion to identify and define improvements.

Deloitte Touche Tohmatsu specialists can - in addition to the scoring and recommendations for improvement - also comprise a gap analysis that lists the measures to be taken for a certain level of quality, e.g. to achieve a scoring of a state-of-the-art report, referring to a scoring of 75% overall.

A description of the overall quality of the report and a benchmark comparison with

e.g. a sector or another type of average complete the assessment package Deloitte Touche Tohmatsu can deliver with the Sustainability Reporting Scorecard world-wide.

The Deloitte Sustainability Reporting Scorecard focuses on improvement potentials rather than on comparing reports and ranking them. Recommendations for improvement and measures to be taken for future reporting can be easily explored and specified by means of the tool.

To develop a more comprehensive reflection of the quality of Sustainability Reporting, Deloitte Touche Tohmatsu from time to time conduct surveys based on the Scorecard. Some surveys may be intended for public use and may include the most recent reports - environmental, health & safety, corporate citizenship or sustainability - from major companies of a sector. The global database formed from the results of these surveys will provide Deloitte Touche Tohmatsu as basis for evaluating current reporting practice and for characterizing a best in class benchmark, as well as for collecting best practice examples and learning.

## The 30 criteria in brief

I) Communicate Effectively	1. Provide <b>Corporate Context</b>
	2. Follow <b>Basic Principles of Reporting</b> (reporting period, scope and entity)
	3. Cover <b>Qualitative Reporting Characteristics</b>
	4. Design an effective <b>Report Structure</b> (a "red thread")
	5. Optimize <b>Readability</b> (language, pictures, charts, explanations, navigation tools)
	6. Allow for <b>Quick Reading</b> (executive summary, key indicators)
II) Show Relevance	7. Identify and address key <b>Stakeholders and Report Target Audience</b>
	8. Identify and describe key <b>Relevant Issues</b> (significant aspects)
III) Demonstrate Commitment and Management Quality	9. Include <b>Sustainable Development Vision and Strategy</b>
	10. Formulate <b>Top Management Commitment</b> (principles, values, policy)
	11. Characterize <b>Responsibilities and Organizational Structures</b> (including corporate governance)
	12. Demonstrate <b>Action</b> (objectives and programs)
	13. Describe <b>Management System and Integration into Business Processes</b>
	14. Describe <b>Management of Risks and Opportunities</b> (Contingency Planning, Compliance Management, etc.)
IV) Address the Sustainable Development Agenda	15. Describe <b>Innovation</b> for more sustainability (design, operations, markets)
	16. Demonstrate a sustainable <b>Value/Supply Chain</b>
	17. Describe <b>Financial Implications</b> (costs, savings, investments, liabilities, wins)
	18. Demonstrate <b>Employee Involvement/Relationship</b> (knowledge management)
	19. Include interaction and partnerships with <b>Civil Society</b> (communities, consumer groups, NGOs, authorities)
	20. Describe working on <b>Framework Conditions</b> and <b>Public Policies</b> for Sustainability (local and global developments)
V) Quantify Performance	21. Use effective and meaningful <b>Metrics and Indicators</b> (absolute figures and ratios)
	22. Specify <b>Data Quality and Accuracy</b>
	23. Show <b>Trends</b> (performance over time)
	24. Provide <b>Targets</b> (level of achievement and envisioned future performance)
	25. Include <b>Interpretation and Benchmarks</b> (context and comparability)
VI) Achieve Credibility	26. Describe <b>Engagement with Stakeholders</b> (dialogues and outcomes thereof)
	27. Optimize <b>Balance of Issues</b> (relevant aspects, usefulness)
	28. Demonstrate <b>Connection to Reality</b> (stories, people)
	29. Enable <b>Accessibility and Interactivity</b> for contacts, feedback and for further information
	30. Use <b>Assurance Services</b> (verification)

## About Deloitte & Touche Global Environment and Sustainability Services

Deloitte & Touche Global Environment and Sustainability Services is a global business line of more than 180 dedicated practitioners in more than 20 countries world-wide that are closely interlinked with Deloitte assurance services, risk and management consulting, and corporate financial services. The global firm can leverage our services with global coverage and in-depth industry knowledge.

We offer a comprehensive approach to managing risks and opportunities related to environmental and social issues. With our global business line for **Environment and Sustainability Services**, we partner with clients to develop leading-edge tools and methodologies on a global scale in the areas of Sustainable Business Strategy, Corporate Sustainability Reporting, Management Systems, Risk Management, and Corporate Social Responsibility.

Our multi-disciplinary teams offer a business-focused approach to managing the risks and opportunities of Sustainable Development. Our group has been involved with Sustainable Development issues since the Earth Summit in 1992 and has been working with industry, governments, and international organizations alike. Several of our clients have won reporting awards with their environmental or sustainability publications.



### Deloitte & Touche Global Environment & Sustainability Services

Find further information on our web site [www.deloitte.com/sustainability](http://www.deloitte.com/sustainability)

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