
Waiting game



PwC's Corporate Responsibility Barometer reviews Finnish corporate responsibility from three perspectives: strategic corporate responsibility, management and reporting.

What is the Corporate Responsibility Barometer?

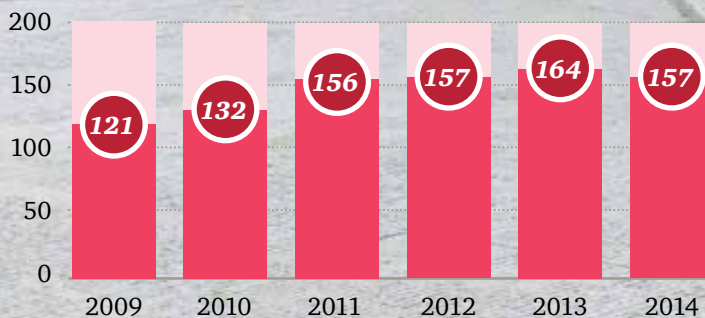
- the most extensive corporate responsibility study in Finland
- 579 companies assessed
- corporate responsibility information published by 157 companies analysed
- websites, corporate responsibility reports and annual reports assessed
- trends over the course of five years (2009–2014) can be gleaned from the information.

Why is reading the Corporate Responsibility Barometer worthwhile?

The Barometer

- provides a snapshot of the current state of Finnish companies' corporate responsibility
- reflects current trends in corporate responsibility
- highlights interesting topics and developments
- maintains a discussion on the quality of corporate responsibility management and reporting
- challenges companies to develop.

Companies reporting on corporate responsibility in Finland (number of companies)



A total of 579 companies and organizations were assessed for the Corporate Responsibility Barometer: All 500 companies listed in the magazine Talouselämä's annual list of Finland's largest companies* and 79 other companies or public organizations. A total of 157 companies that publish information about their corporate responsibility were assessed more closely. Information reported for 2014 was assessed.

Please contact us to learn more about your company's score in the latest Corporate Responsibility Barometer!

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*Every year, Talouselämä lists Finland's 500 largest companies based on net sales.

Introduction

The PwC Corporate Responsibility Barometer offers yet another look at the state of the strategic dimension, management and reporting of Finnish corporate responsibility. This barometer, being the sixth in succession, indicates trends that form the basis of our conclusions.

This year's barometer indicates that companies can more clearly be divided into leaders and more steady-going organizations when it comes to corporate responsibility.

Our key findings in the 2015 PwC Corporate Responsibility Barometer can be presented as follows:

The field of Finnish corporate responsibility is becoming divided

Whereas a small vanguard of Finnish companies are taking ambitious steps in terms of corporate responsibility, another group of companies is content with fulfilling only the necessary requirements. This is particularly related to the consideration of reporting requirements. The underlying reasons can only be guessed at but, in financially challenging times, focus is often placed on what is concretely visible from the outside; that is, on reporting.

Within corporate responsibility, reporting is rather a minimum requirement which cannot be compromised, even if cost savings are made in all other areas. Some probably feel that a report, the existence of which is easily verifiable, is enough to satisfy investors.

However, some companies have chosen a path where target-oriented corporate responsibility serves to secure sustainable growth and, therefore, the interest of investors. For these companies, corporate responsibility signifies both new business opportunities and an increase in efficiency through more streamlined processes and new cost savings.

Companies want to understand how corporate responsibility creates added value, but they are still on a learning path

This year, a small group of leading companies in the field of corporate responsibility have reported which capitals they need in order to successfully carry out their business operations.

Identifying various capitals helps to understand which the significant associated stakeholders are. Continuous interaction with such stakeholders produces valuable information about specific capitals and any preconditions of their availability, both now and in the future.

Leading companies have reported on the impact of their operations and the added value they have created for various stakeholders. The quantification of impact is not highly advanced, but there is bound to be development within this area as well.

The analysis of what added value corporate responsibility can create is probably based on two factors. The framework of integrated reporting has challenged companies to take an ambitious path, along which investors are expecting to hear news of value creation. The other factor is a highly practical one: companies have reached a point where they are truly starting to challenge corporate responsibility and see what it has to offer in terms of value creation. This is a highly welcome state.

Any risks in the supply chain are dealt with more eagerly

Risks associated with the supply chain are being controlled by setting requirements for suppliers and monitoring their fulfilment. This seems to be preparation for the ever-increasing expectations of transparency throughout the supply chain. The supply chain development is challenging, demanding various practical development measures. Being subject to tight requirements, suppliers need to perform additional work in order to meet their clients' expectations, especially when each client has different requirements and associated electronic tools.

Tax footprint reporting is increasing

A growing group of companies has responded to expectations of more open tax reporting. However, the range of reporting is wide and probably does not satisfy all related stakeholders. Current tax footprint reports do not offer direct comparability between companies. Companies write reports on slightly different tax types, depending on their field of business, geographic scope and development stage. It may be challenging to begin tax footprint reporting and organize the collection of information. However, tax reporting is not only performed for external stakeholders; understanding the overall tax footprint produces additional information to support internal decision-making processes.



Conclusion

The PwC Corporate Responsibility Barometer depicts the overall situation without listing companies in any order. We chose to apply this principle six years ago because, instead of pointing out the success of individual companies, we wanted to focus attention on overall development in three selected areas of corporate responsibility: Strategy, management, and reporting. During these six years, there has been development in all of these areas.

Sirpa Juutinen

PwC's Sustainability & Climate Change

Key findings

1. Leading companies are widening the gap

The field of Finnish corporate responsibility is being more clearly divided into two: leading companies that are looking for sustainable growth, new business opportunities, and cost savings from corporate responsibility, and companies for which corporate responsibility is based on compliance with requirements and the fulfilment of new reporting requirements. Leading companies take the trends of sustainable development into account in their business strategies and prefer new reporting practices, such as the integrated reporting framework.

2. Finnish companies are taking steps towards more integrated reporting

A number of Finnish companies are focusing on what is essential in terms of integrated reporting: They have defined material aspects, identified their stakeholders, set their long-term goals, and reported on corporate responsibility KPIs. Only a few companies are reporting exhaustive information according to

the model of integrated reporting, and reporting associated with value creation remains as rare. A notable number of reports on basic elements suggest an increase in integrated reporting in the future.

3. Management practices for corporate responsibility are developing

More and more companies are developing their corporate responsibility management practices. Companies are also able to define what is material in terms of corporate responsibility. For example, an increasing number of companies set responsibility requirements for their supply chain and are committed to the principles of the UN Global Compact. From the three assessment viewpoints of the Corporate Responsibility Barometer, the group of companies doing well in terms of corporate responsibility management has grown the most from the previous year.

4. G4 is stabilizing its position

Reporting applying the GRI G4 framework has increased significantly from the previous year. While

some twenty companies had shifted to using the new guidelines last year, this year the number of G4 reports exceeded the milestone of 50 reports. As the G4 transition period is approaching its end, it should be assumed that the number of G4 reports will continue to increase next year, as well.

5. Tax footprint reporting continues to increase

The number of companies reporting on their tax footprint has grown by more than 40 percent from last year. The public tax debate and established practices have increased the level of reporting. Among state-owned companies, reporting has increased through the guidelines issued by the Ownership Steering Department of the Prime Minister's Office, but reporting has also increased among other companies. However, only some reports include information about tax administration, tax strategies, or tax limitations.

Leading companies focus on understanding how value is created

Jussi Nokkala

PwC's Sustainability & Climate Change



The ability of a company to communicate its social impact and value creation practices to its stakeholders is what makes leading companies stand out from their competitors. What is needed is a solid understanding of the opportunities presented by corporate responsibility and their inclusion in the business strategy, R&D and risk management.

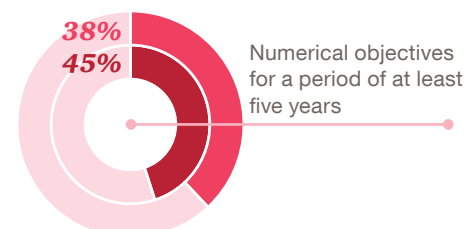
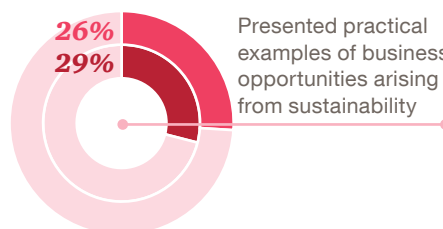
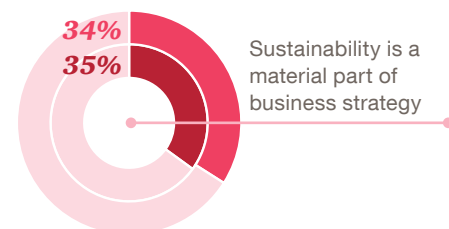
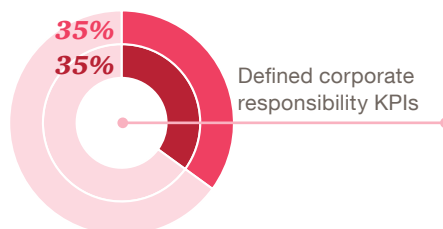
The number of companies reporting on their strategic corporate responsibility has not changed significantly from last year, but the gap has widened between the leading companies and others. On the basis of the assessment, the leading companies are utilizing the benefits of integrated reporting, such as the definition of capitals, the wide-scale evaluation of risks and opportunities, and the consideration of corporate responsibility and sustainable development in business strategies.

The ability of a company to communicate its social impact and value creation practices to its stakeholders is what makes leading companies stand out from their competitors.

Even though companies have decided to focus on the fulfilment of new reporting requirements, there is fierce competition among the leading companies over the added value created through corporate responsibility. The examples shown by the leading companies offer a good frame of reference for companies that have not yet realized the importance of corporate responsibility in the improvement of business operations.

Strategic corporate responsibility

2013 | 2014



A responsible company as a target in responsible investment

Sanna Pietiläinen

PwC's Sustainability & Climate Change

The significance of responsible investment has increased rapidly in investment activities. In 2012–2014, the amount of investment assets under management following the principles for responsible investment grew by 55 percent in Europe to more than USD 13 trillion* (GSIA 2014). Responsible investment refers to the evaluation and consideration of environmental, social and governance (i.e., ESG) aspects as part of the investment decision process. ESG factors affect profit and risk management, while ensuring that investment activities are acceptable from the viewpoint of the investor's operating environment and that of society.

Investors make up companies' key stakeholders and they set requirements and expectations for responsible business operations. For investors, it is of utmost importance to obtain correct and sufficient information about investments for the investment decision process. Investor communications of companies remain the most important source of information for investors, also in terms of corporate responsibility. The task of the management level is, through investor communications, to reveal how long-term operations will be developed sustainably and how the set targets have been reached. The objective of integrated reporting is to draw an understandable picture of what is important in terms of value

creation. As a result, investors can more easily understand the impact extending to future business operations and any factors associated with value creation.

Currently, only a select few companies follow the aforementioned integrated thinking in their reporting. Company management representatives need to identify how their companies create value for their investors, how the value creation process is being led and followed, and how their companies ultimately report on their successes to external stakeholders. We challenge companies to illustrate their value creation reporting so that investors can obtain the responsibility information they need for their investment decisions. Valuable investor information helps in the selection of profitable investments and, at best, leads to increased value among companies that manage their corporate responsibility successfully.

*1 trillion = 1.000 billion



9%

of all the companies assessed in the Corporate Responsibility Barometer describe how they create value for different stakeholders.

Defining what is material helps to manage the material aspects also from the strategy point of view

Anne-Maria Flanagan

PwC's Sustainability & Climate Change

Finnish companies are able to define material corporate responsibility aspect based on their operating environment and the views of their stakeholders. From the three assessment viewpoints of the Corporate Responsibility Barometer, the group of companies doing well in terms of corporate responsibility management has grown the most from the previous barometer.

Companies have been excellent at defining the material aspects and setting at least qualitative goals for all areas of corporate responsibility. To a reasonable extent, incentives are also based on these goals. Individuals responsible for the management of corporate responsibility are often members of the regular or extended management team.

In terms of defining what is material, a large group of companies are still analyzing the matter mostly from the point of view of reporting. There may be themes based on reporting requirements on the agenda. There may also be themes, the presence of which is justified because of stakeholders, which is the other factor of the two dimensions when defining what is material. However, some companies are clearly looking to strengthen and base material aspects on their business operations. Considering the development of companies and the actual progress of corporate responsibility, this is very important because this is how to identify what management should be focused on.



Some material factors have an impact not only on operations but also on business strategies. Within the current operating environment, matters related to corporate responsibility play such a large part that no company can afford to ignore them when defining their business strategies and long-term goals. Corporate responsibility simply must be present. It should become a managed whole for which goals are set, which the management team and various policies are committed to, which employees are rewarded for, and which is a topic of personnel training.

From the point of view of reporting, companies should stay in the driver's seat, define a unique way to lead reporting, and utilize the different reporting frameworks. Frameworks should be utilized so that the information reported, be it internal or external,

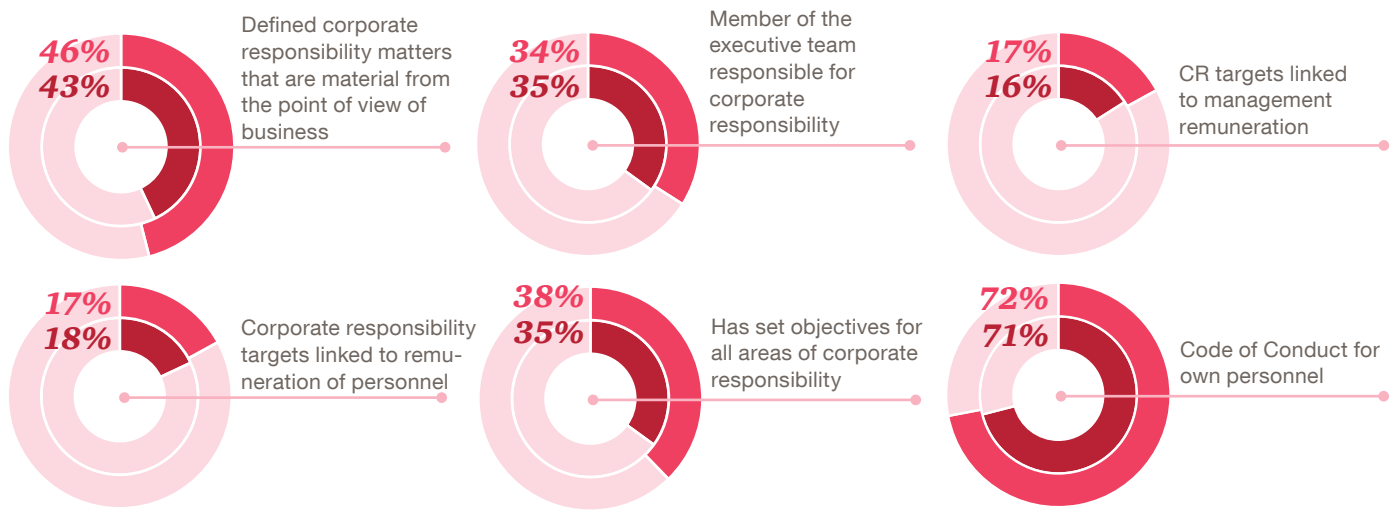
serves those stakeholders that are interested in that particular information and need it in their decision-making processes.

Here, companies are aided by a reporting strategy which ensures that they do not jump from one thing to another, but follow a specific line in their reporting. In this case, stakeholders can rely on the company's ability to lead its corporate responsibility in a high-quality manner and to report on material factors in a reliable, balanced and transparent way.

The process of defining material factors seems to be a functional one: It is able to raise corporate responsibility aspects to business agenda and themes from the business agenda to corporate responsibility programs and goals.

Corporate responsibility management

2013 | 2014



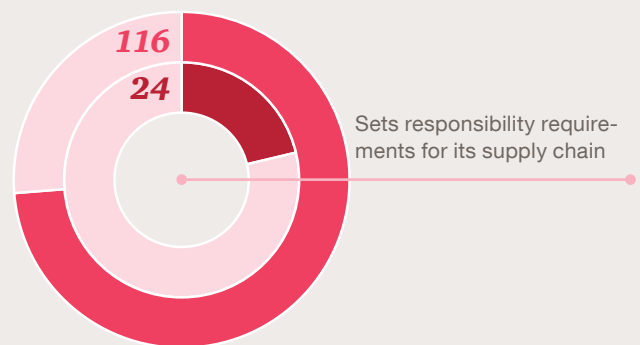
2013 n=164 | 2014 n=157

With regard to the supply chain, progress has been rapid over the past few years, especially when reviewing guidelines and requirements related to the responsibility of the supply chain. In 2009, a total of 24 companies set responsibility requirements for their supply chain, while the corresponding figure in 2014 was 116. In addition to requirements, monitoring has improved, with more than half of all companies systematically monitoring their compliance with requirements and the fulfilment of responsibility in the supply chain.

An increasing number of Finnish companies are committed to the Global Compact and, therefore, to reporting of their annual progress. This is caused in part by the focus of the Global Compact on human rights issues and labour rights. What is more, commitment to the UN Global Compact comprises part of ESG requirements for many investors. Within this area, the Global Compact acts as a valuable tool.

Management of the supply chain (pcs)

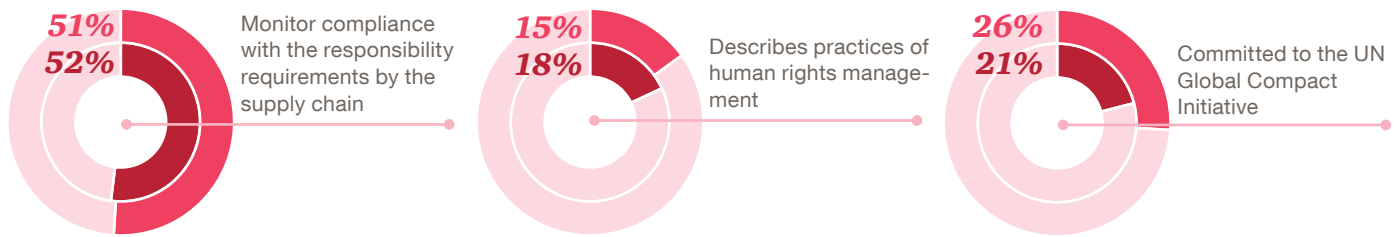
2009 | 2014



2009 n=121 | 2014 n=157

Supply chain management and human rights

2013 | 2014



2013 n=164 | 2014 n=157

Of the companies evaluated for the barometer:

- 41 are committed to the UN's Global Compact Initiative
- 23 report that they are following the OECD Guidelines for Multinational Enterprises
- 5 apply the UN Guiding Principles on Business and Human Rights ("the Ruggie Principles")
- 10 have used ISO 26000 as a guide to integrate social responsibility into their values and practices.

G4 is stabilizing its position

Annika Virtanen

PwC's Sustainability & Climate Change

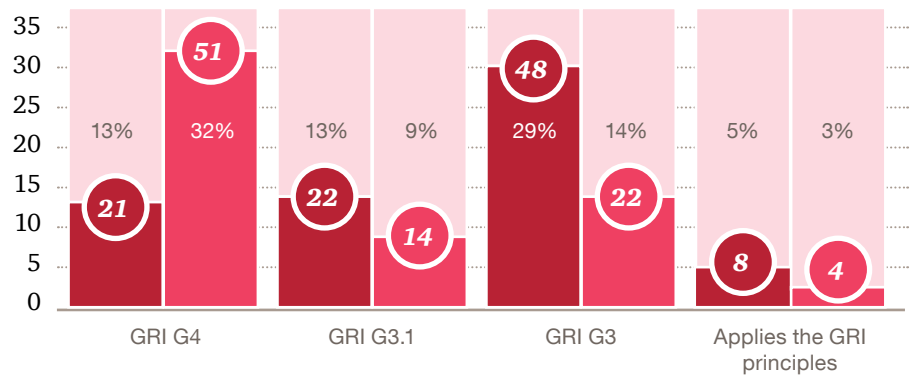
The Global Reporting Initiative (GRI) G4 guidelines were launched in May 2013. GRI has continued to recognize G3 and G3.1 reports for two full reporting cycles afterwards. This transition period will end by the end of 2015 and, in reports published after December 31, 2015, companies should select one of the two GRI G4 "in accordance" options and fulfil the requirements defined in the selected option.

In last year's review, the new G4 reporting guidelines were applied by approximately twenty Finnish companies in their corporate responsibility reporting. Many companies were still wondering when and how the transition would take place. Some companies were also considering whether or not to adopt the application of the G4 guidelines. Everyone was anticipating how strong a position the new guidelines would achieve in Finland and what kinds of changes it would bring about.

This year's barometer shows that last year the G4 guidelines gained a strong foothold among reporting companies in Finland. In 2014, more than fifty companies applied the guidelines to their corporate responsibility reports. This equals more than 30 percent of all reports assessed in the barometer. This is a large figure, and it will be interesting to see what the situation is one year from now.

GRI reporting

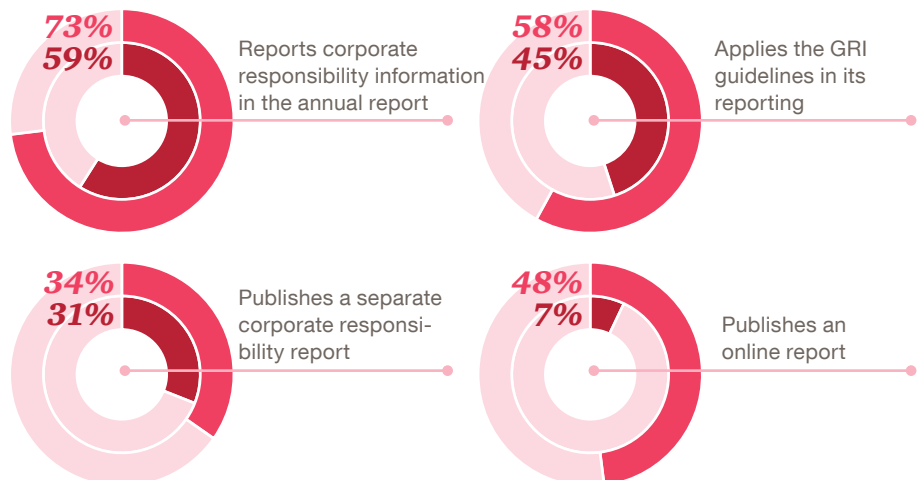
2013 | 2014



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Corporate responsibility reporting

2009 | 2014



2009 n=121 | 2014 n=157



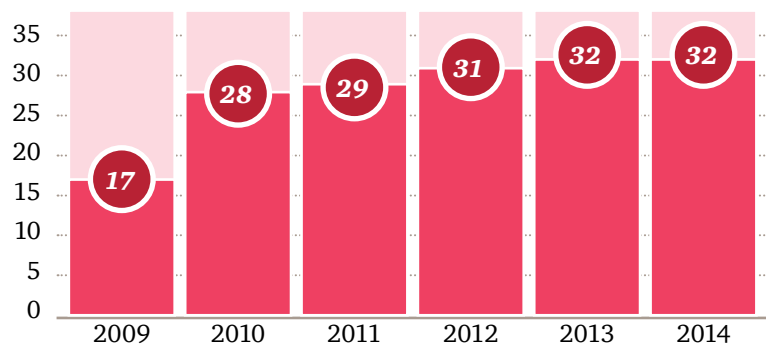
Annika Virtanen
PwC's Sustainability & Climate Change

In the previous barometer, we discussed whether or not the G4 guidelines will guide reporting in the correct direction, i.e., towards more concise responsibility reports that focus on material issues. This question still stands. The G4 guidelines offer detailed descriptions of the content of indicators and present new requirements in some areas. The burden of all of these requirements may seem heavy. However, the G4 guidelines also offer plenty of scope to report what is material for each specific company, and allow for the elimination of outdated and insignificant information. All in all, companies should be brave and utilize these opportunities offered by GRI G4.

32 %

of all the companies assessed in the Corporate Responsibility Barometer state that they are applying the GRI G4 guidelines.

During all the years when the barometer has been published, the number of reports with a third party assurance has increased significantly, albeit more slowly in recent years. (Number of companies)



2009 n=121 | 2010 n=132 | 2011 n=156 | 2012 n=157 | 2013 n=164 | 2014 n=157

Integrated reporting is approaching

Jussi Nokkala

PwC's Sustainability & Climate Change

Integrated reporting has raised much discussion in the field of corporate responsibility for several years. Until now, clear instructions for implementing integrated reporting and good practical examples have been scarce. The recent international implementation instructions published by PwC for integrated reporting help companies to revise their reporting practices. How prepared are Finnish companies to respond to their recommendations?

Content elements in integrated reporting include a description of the organization and its operating model, administration, and risks and opportunities in the operating environment, and an assessment of business results and future outlook. It is important to describe how the company creates added value for various stakeholders.

The barometer shows that, a significant percentage of Finnish companies is already utilizing some basic elements of integrated reporting.

A notable number of companies report information about the monitoring of

the operating environment. In other words, they identify their key stakeholders (75 percent), define material aspects (68 percent), and review the impact of megatrends (63 percent). One-third of all companies have included sustainability trends and aspects to their business strategies (34 percent), and many companies have also set long-term goals (43 percent). Additionally, one-third of all companies report CR-related figures in their key figures (35 percent). The majority of all companies report non-financial information in their annual reports (73 percent).

Even though the basic elements of integrated reporting exist in reports of many companies, so far only a few companies describe the added value they create to various stakeholders or define the most significant capitals considering their value creation.

The PwC implementation manual offers support for integrated reporting. The first stage requires the top management's commitment to the process, but later stages may proceed fairly quickly – after all, the basic elements are already in good condition/present in most companies.

Content elements of integrated reporting

- Description of the organization and its business model
- Governance
- Risks and opportunities
- Business results
- Future outlook

Source: IIRC

Five steps towards integrated reporting

1. Look at the outside world and engage with your stakeholders
2. Determine your stakeholder value proposition and refresh your strategy
3. Align your internal processes to your strategy
4. Develop your integrated dashboard
5. Integrate your reporting for more effective and complete investor dialogue

Source: *Implementing Integrated Reporting – PwC's practical guide for a new business language*

Tax footprint reporting continues to increase

Petri Seppälä
PwC's Tax Services



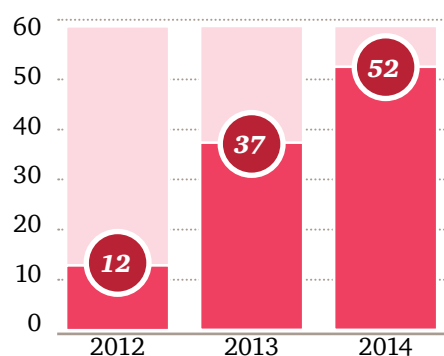
companies, the ownership of which it governs. According to the guideline, companies with majority interests are obligated to report their tax footprint for the first time over the 2014 financial period, and companies with minority interests are recommended to report their tax footprint. Among the companies publishing reports on their tax footprint, a total of 24 are fully or partly owned by the state, but not all of these companies are governed by the Ownership Steering Department, thus not being within the scope of the guideline.

The number of companies reporting their tax footprint has continued to increase from the previous year. This is a clear trend: there were 12 reporting companies in 2012, 37 in the following year, and a total of 52 companies in the 2014 financial period.

The Ownership Steering Department of the Prime Minister's Office has issued instructions for subsequent tax footprint reporting and its content for

Furthermore, other companies are also increasingly reporting their tax footprints. When it comes to the content of reports, specific trends can be identified. However, only some reports include information about their tax management, tax strategies, or how they have defined the taxes to be reported. Correspondingly, there are only a few mentions of the nature of business operations and their impact on the amount of payable and debited taxes.

The number of companies reporting their tax footprint has increased by more than 40 percent from the previous year. (pcs)



The most consistency can be seen in tax types and in debited and collected taxes. However, most companies are satisfied with presenting taxes as figures or adding only very brief descriptions of their taxes. Some companies have reported subsidiaries located in low-tax countries. When reviewing the number of companies offering country-specific reports, it should be noted that roughly one-quarter of all reporting companies operate only in Finland.

The most information about the tax footprint is offered by reports where country- and tax type-specific information is combined with a concise written description of the specific company's tax strategy, tax management and the impact of the company's nature of activities on the tax footprint. Understanding the specific situation of business operations of companies is important in order to come to enlightened conclusions of tax footprints.

	2013		2014	
Taxes itemized by tax type	43%	18	75%	39
Taxes reported by country	35%	13	15%	8
Taxes reported by area	8%	3	17%	9
Paid taxes and taxes collected and paid for shown separately	27%	11	50%	26
Only income tax and/or few main taxes reported	22%	6	21%	11
Taxes as a total sum without itemization	16%	8	2%	1
Tax strategy and/or tax management described	n/a	n/a	29%	15

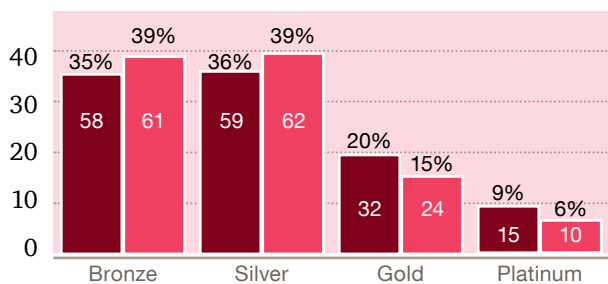
Companies reporting tax details 2013 n=37 | 2014 n=52

Corporate responsibility in Finland

Finnish corporate responsibility has taken leaps forward in all areas over the past five years. Compared with the previous year, the most development has taken place in the area of management. Considering strategic corporate responsibility, few companies meet the requirements of the platinum or gold class.

The Corporate Responsibility Barometer reviews the current state of corporate responsibility from three viewpoints:

Strategic corporate responsibility



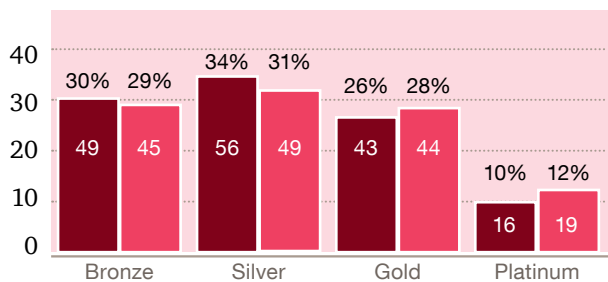
- Sustainability trends
- Sustainability as part of business strategy
- Sustainability-related risks and opportunities
- Long-term targets
- Key performance indicators of sustainability
- Corporate responsibility as a factor in management remuneration

The evaluated companies were divided into four categories on the basis of how the evaluation criteria were met:

Platinum: $\geq 75\%$ Silver: 25–49,9%
 Gold: 50–74,9% Bronze: $\leq 25\%$

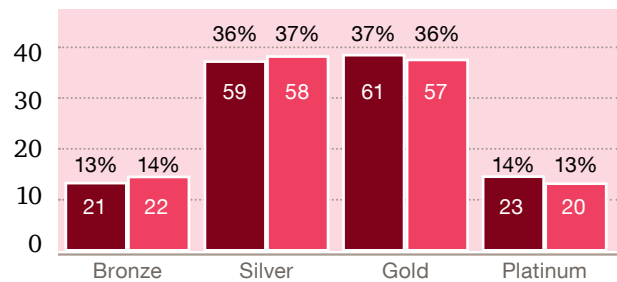
2013 | 2014

Corporate responsibility management



- Materiality
- Guiding principles and policies
- Organisation and follow-up of corporate responsibility
- Targets and results
- Supply chain management and follow-up

Corporate responsibility reporting



- Balance and completeness
- Stakeholder cooperation
- Performance indicators (environmental, social and economic responsibility)
- Independent assurance of information

2013 n=164 | 2014 n=157

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