
Closer to business

PwC's Corporate Responsibility Barometer 2013



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

***Further information on the publication
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Corporate Responsibility Barometer!

Introduction



PwC's Corporate Responsibility Barometer reviews the corporate responsibility (CR) activities of Finnish companies using publicly available information. We do not, for example, send questionnaires or interview corporate managers or CR professionals about their views. This is a deliberate choice.

Interviews would most likely yield higher percentages with respect to the importance of CR activities and their expected benefits to the business. Such surveys have their place, but at PwC we want to find out what activities companies have actually carried out and what stakeholders can learn about the business through publically available information. Often, such information is best obtained from annual reports, company websites and corporate responsibility reports.

An increasing number of Finnish companies are including corporate responsibility as part of their target-setting. Our latest barometer shows that as many as 75 companies have

defined the material aspects of their corporate responsibility, while the corresponding number in the previous barometer was 58 and 34 in the one before that. After the material aspects are defined, they can be managed to achieve targets and results can be measured and reported. Incorporating all these activities into business processes takes some time. Some Finnish companies, however, have already achieved this goal.

Despite my prediction, the number of companies reporting on CR has not yet exceeded 200 this year. However, more than ten companies started reporting CR information during the year. Simultaneously, some companies have taken a year off from CR reporting. With several upcoming changes to CR reporting and the reform of the CR reporting framework, there is a climate of anticipation in Finland.

Companies with a longer history of CR activities should ensure that they have mapped the key CR activities through their value chain. Furthermore, I would

like to emphasise the importance of human rights issues, which Finnish companies often consider something that does not concern them. However, human rights may become an issue at some stage in the value chain, and therefore companies should take a proactive approach to human rights-related risks.

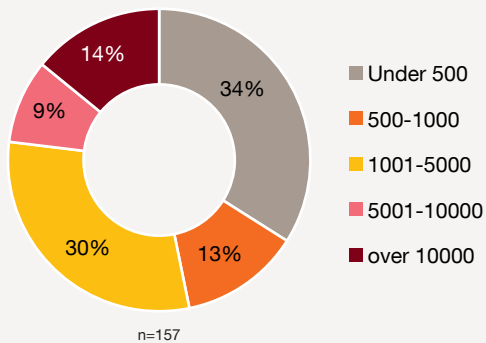
The figures in the reports for the last year look backwards, to something that has already happened. To look forwards, companies need visions and the willpower to achieve those visions. Hopefully, corporate responsibility is included as a key area in those visions.

Sirpa Juutinen
Partner, PwC's corporate responsibility services

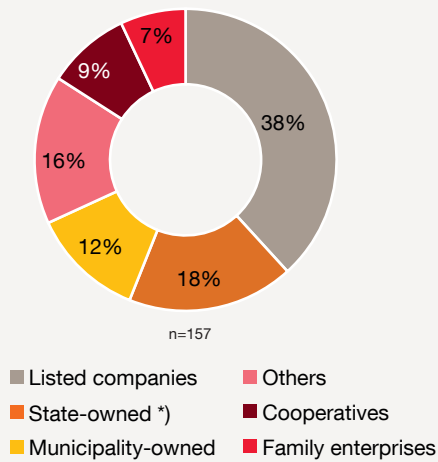
CR information is
mainly published by
large companies.

Companies assessed for the barometer

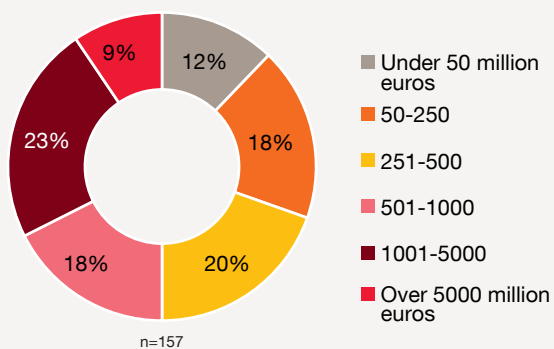
Number of personnel



Ownership structure



Net sales



*)wholly state-owned companies and companies with a state-owned majority

Corporate responsibility barometer

PwC's Corporate Responsibility Barometer, now published for the third time, maps the current state of Finnish corporate responsibility. The Corporate Responsibility Barometer looks at CR from three perspectives.

The strategic CR perspective surveys how responsibility is taken into account as one factor in business planning. Strategic CR concentrates on the future outlook of companies and covers risks and opportunities, sustainable development challenges and long-term targets.

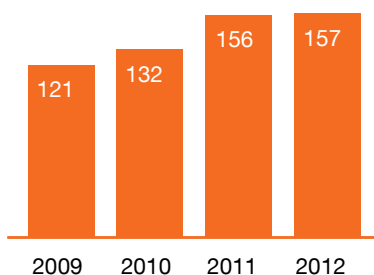
The CR management perspective looks at the ways in which responsibility work is managed. Identifying the essential issues forms the foundation of the company's responsible operations. The perspective includes CR management, setting and follow-up of targets as well as the principles and policies guiding operations.

The CR reporting perspective emphasises the comprehensiveness and balance of the reported information as well as the response to stakeholders' expectations and needs for information. External assurance allows the companies to improve the credibility of reported information.

The barometer's three perspectives on corporate responsibility



Number of companies reporting CR information



The evaluation process

A total of 568 Finnish companies were evaluated for the barometer. The survey included all 500 companies listed in Talouselämä magazine's annual list of Finland's largest companies*. In addition, 68 other companies and public organisations that publish CR reports were taken into account.

A total of 157 (2011: 156) Finnish companies and organisations publishing CR information were analysed for the barometer in closer detail, 119 (2011: 121) of them from the Talouselämä 500 list and 38 (2011: 35) from elsewhere.

The barometer results are based on information available in the public domain. Corporate responsibility was evaluated on the basis of information obtained from the companies' websites, CR reports and annual reports.

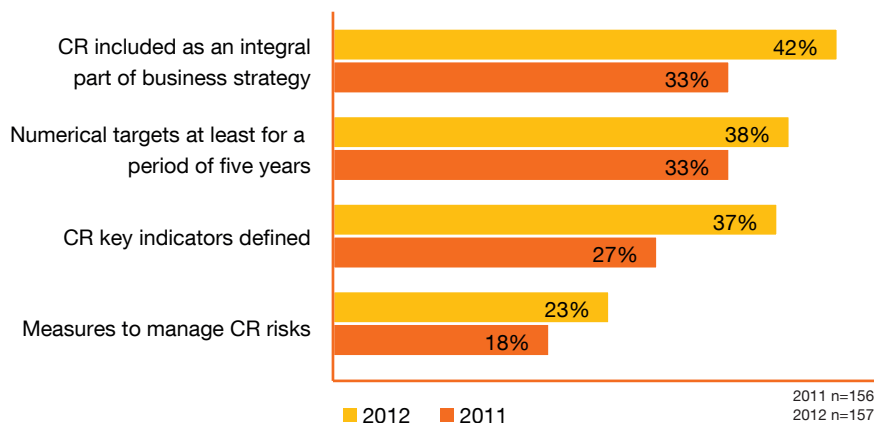
The barometer evaluated information for 2012. The comparison data are based on information for 2009–2011. The evaluation was carried out in the spring 2013.

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

Strategic corporate responsibility

Many Finnish companies are bringing corporate responsibility closer to their business. Nearly half of the companies have incorporated CR activities into their business strategy. Additionally, an increasing number of companies have set long-term goals and defined the key indicators to monitor CR management results.

Strategic corporate responsibility



View:

Interest in responsible investing increases

Finnish institutional investors are increasingly requiring that the companies they invest in are committing to responsible practices. These companies must consider the social and environmental effects of their activities, commit to principles of good corporate governance, and manage their CR issues.

In addition to risk management, investors make investment decisions based on the companies' ability to create value; for example, through new markets or new products or by increasing the brand value.

Along with institutional investors' increasing demands, an increasing number of asset managers have also incorporated ESG (Environmental, Social and Governance) issues into their investment process. This trend is further promoted by the UN Principles for Responsible Investment (UNPRI), of the signatories of which 60% are asset managers.

Investors and asset managers have a need to understand even better the different elements of the company's value generation. This in turn increases the pressure to improve the reporting of non-financial company information. In addition to environmental and social responsibility management and the related results, companies should also report on how these issues are connected to their financial performance.

The results of this Corporate Responsibility Barometer provide an indication of which areas are well managed by companies and which require further attention. Investors should also utilise the results of the barometer when updating their own ESG criteria.

Johanna Raynal
PwC's corporate responsibility services

Corporate responsibility management

Half of the assessed companies are now defining the CR issues material to their business. In every third company, the responsibility for CR lies with the management team. On the other hand, nearly half of the companies have not described how the management of the different corporate responsibility areas is organised.

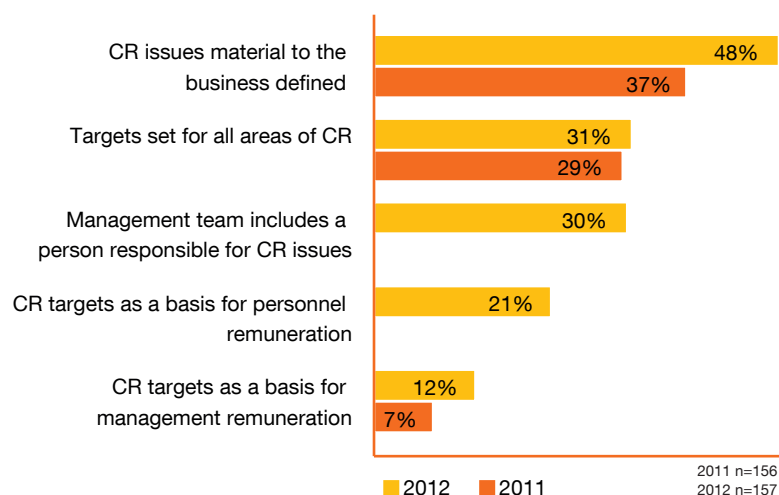
Only a fifth of the companies describe how CR targets affect staff remuneration and even fewer how they affect the remuneration of management.

Supply chain management and human rights

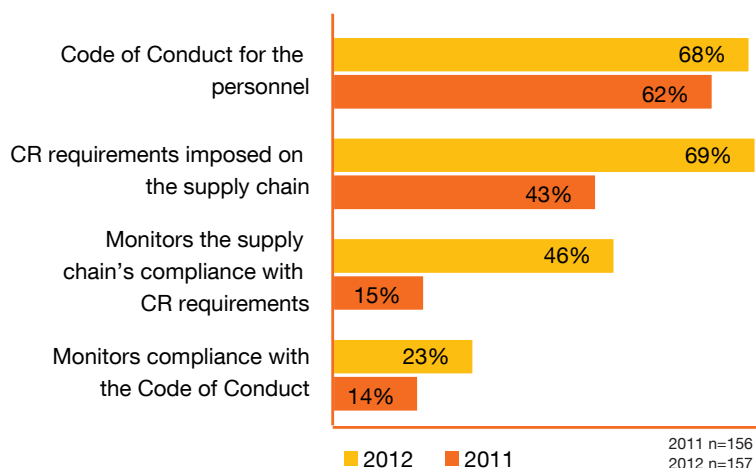
In the global operating environment, the significance of supply chain management becomes highlighted. Stakeholders are interested in any infringements in the supply chain related to the working environment, human rights or the environment.

As many as two-thirds of the companies practice their business according to their Code of Conduct. An increasing number of companies also impose responsibility demands on their goods and services suppliers. Follow-up of these demands is gaining popularity. Yet, only a few companies report on their practices if the follow-up results do not meet the demands imposed on the suppliers.

Corporate responsibility management



Supply chain and Code of Conduct



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Finnish companies are committed to the UN Global Compact initiative

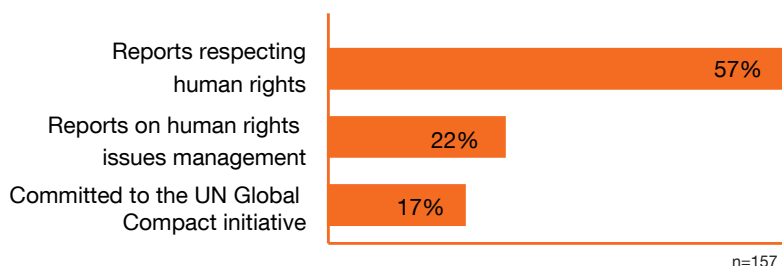


Suvi Kuusi, Anna Heinonen and Casimir von Frenckell from PwC's corporate responsibility services

So far, human rights have gained scarce attention in Finnish corporate responsibility. The importance of human rights increases in the future along with, among other things, the national implementation of the UN Guiding Principles on Business and Human Rights. At present, only a few Finnish companies apply these so-called Ruggie Principles, which provide guidelines to businesses on respecting human rights.

According to the principles, companies should have in place a human rights policy, due diligence process, and processes allowing them to address adverse human rights impacts. Only a fifth of the companies report on their human rights-related management practices.

Human rights



The core elements of the Guiding Principles are also included in the OECD Guidelines for Multinational Enterprises. The Finnish Government is preparing a plan for implementing the Guiding Principles. In addition, the Guiding Principles are also considered, for example, in the UN Global Compact initiative, and they influenced the contents of the ISO 26000 standard.

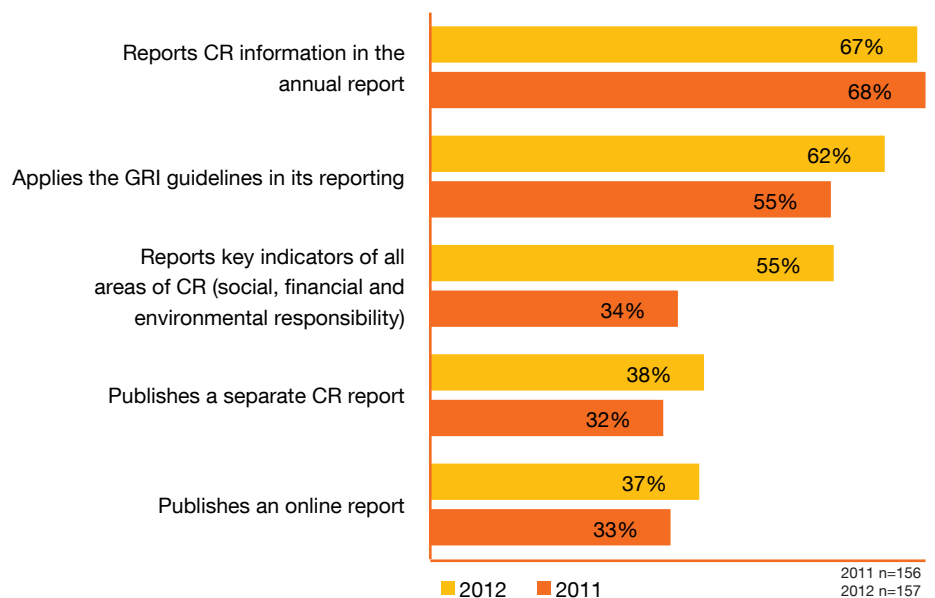
Of the 25 largest Finnish companies,

- **14** are committed to the Global Compact initiative
- **10** report that they are following the OECD Guidelines for Multinational Enterprises
- **3** apply the UN Guiding Principles on Business and Human Rights
- **1** follows the ISO 26000 standard in the development of its CR activities.

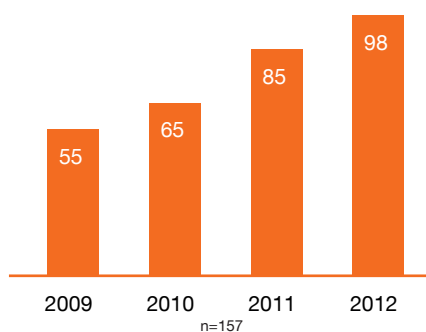
Corporate responsibility reporting

The year 2013 brings significant changes to CR reporting. In May, the Global Reporting Initiative (GRI) published its new G4 guidelines for responsibility reporting. The International Integrated Reporting Council (IIRC) will publish its Integrated Reporting Framework in December 2013. Furthermore, the proposal for the new Accounting Directive, already approved by the European Commission, also increases transparency in terms of social and environmental issues.

Corporate responsibility reporting



The number of Finnish companies reporting according to the international GRI guidelines has nearly doubled over the last four years



The new G4 guidelines and the Integrated Reporting Framework create pressure for companies to assess their material CR issues from new perspectives. The G4 guidelines encourage companies to review the impacts of their business activities throughout their value chain instead of just focusing on the direct impacts of their own activities. The Integrated Reporting Framework in turn steers companies to adjust their corporate philosophy through assessing how the company creates value and maintains it. These changes increase the significance of reporting non-financial company information in the future.

Casimir von Frenckell, PwC's corporate responsibility services

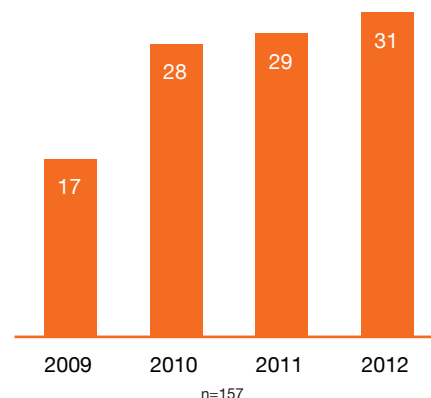


The results of the barometer indicate that the trend of utilising external assurance services in Finland follows the international trend, which is wonderful to see. Of the ten largest Finnish companies, eight already have external operators assuring their CR reporting, and the number of assurances performed has nearly doubled since 2009. Both the GRI and the IIRC acknowledge the importance of external assurance. It can be expected that external assurance continues to gain popularity and, particularly, that companies just starting CR reporting will adopt external assurance as part of their regular CR practice right at the onset or at least during their first reporting years.

Maj-Lis Steiner, PwC's corporate responsibility services

CR reporting assurance gains popularity

As CR reporting gains popularity, external assurance of CR information also increases. The popularity of CR assurance is motivated by, for example, improving the credibility of reported data in the eyes of stakeholders, keeping up with competitors, meeting investors' expectations, and standing out as a forerunner in CR reporting.



Corporate responsibility and taxation

This year, the barometer reviewed how transparently companies report on their taxes. Only a few companies have published their tax footprint. Stakeholders, however, are expecting more transparent reporting.

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companies reported their tax information by country

Information about the tax footprint was first time included in the barometer this year. Although only a handful of companies publish this information, we believe that many companies are considering doing so as the transparency requirements keep increasing. We encourage even more companies to consider publishing this information despite the fact that such information is challenging to compile. The tax footprint can, however, provide useful information for both internal use and stakeholders.

Participating in the public discussion about corporate taxation, for example, by reporting on the tax footprint helps to steer the discussion towards essential facts instead of beliefs. It is challenging to try to simplify such a complicated issue. Nevertheless, we believe that companies should endeavour to develop good practices.

*Sirpa Juutinen, PwC's corporate responsibility services and
Petri Seppälä, PwC's tax consultancy services*

Corporate responsibility in Finland

Compared to the previous barometer, most positive progress was made in the area of strategic corporate responsibility. According to the results, more Finnish companies are bringing corporate responsibility closer to their business and business strategy.

From the perspective of CR management, the greatest progress has taken place in supply chain management.

In CR reporting, the progress has been steadier compared to previous years. Companies are now reporting more balanced information about their financial, social and environmental responsibility. During the year, more than ten new companies started reporting their CR information.



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

Platinum: ≥75% of the evaluation criteria

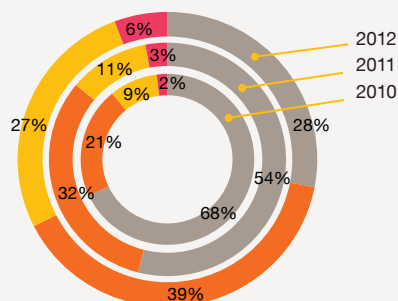
Gold: 50–74,9%

Silver: 25–49,9%

Bronze: ≤25%

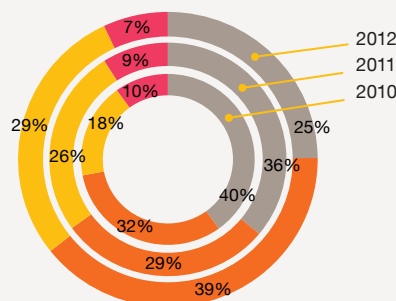
Anna Heinonen
PwC's corporate responsibility services

Strategic corporate responsibility



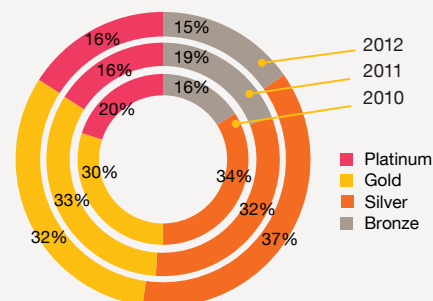
- Sustainability trends
- Risks and possibilities of CR
- Long-term targets
- Key CR indicators
- CR as a basis for management remuneration

Corporate responsibility management



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

Corporate responsibility reporting



- Balance, completeness and openness
- Stakeholder cooperation
- Key indicators (environmental, social and financial responsibility)
- Independent assurance

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