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German Ranking of Sustainability Reports: Results from a  
Comparison of Non-financial Reports of Large German  
Companies

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## Abstract

Corporate Social Responsibility (CSR or CR) puts a strong emphasis on corporate communication: Increased positive and decreased negative effects on the societal wellbeing – the externalised benefit of sustainable corporate activities – shall be internalised by “talking about it”. Thus, CR communication is about generating positive reputation and competitive differentiation that might influence buying decisions of consumers. There are several ways of “talking about it” – a prominent one is to publish a sustainability or CR report. The paper discusses current reporting practices and trends of large German companies and derives recommendations for substantiated sustainability or CR reporting.

The respective insights are derived from a joint report evaluation project of the Institute for Ecological Economy Research (IÖW) and the business network future – *verantwortung unternehmen*. On a regular basis, the IÖW/future-Ranking evaluates the content and communicative quality of sustainability and CR reports of Germany’s 150 largest companies. The project provides a platform where stakeholder expectations concerning corporate responsibility and transparency are synthesised into a set of 48 social, environmental, and integrated reporting requirements. These criteria have to be met by the companies to reliably show sustainability commitment. The evaluation of the reports not only makes the sustainability reporting practice of companies comparable and transparent to the public. The set of criteria itself also serves as a reporting framework for large companies and thus enhances directional certainty about corporate contributions to sustainable development. It is itself subject to a periodic evaluation and adaptation by means of dialogue and feedback processes with representatives from industry, politics and NGOs.

[Corporate sustainability, corporate social responsibility, sustainability reports, stakeholder expectations, reporting criteria, ranking, societal learning]

## Introduction

In 1994, the Institute for Ecological Economy Research (IÖW) and the business network 'future' carried out the world's first ranking of corporate environmental reports. The criteria, which served as the basis for the evaluation, have been continuously developed as the project has been repeated (which occurred in the years 1996, 1998 and 2000). For the Ranking 2005, these criteria were expanded to encompass a comprehensive set of reporting requirements on sustainability issues. In 2007, IÖW and 'future' carried out the sixth Ranking of the environmental, CSR, and sustainability reports of Germany's largest corporations.

The Ranking's initial range of consideration includes the 150 largest companies in the country. It identifies Non-Reporters and evaluates those reports that are available to the public. The goal of the project partners in investing in this project is to contribute to high-quality, stakeholder-oriented sustainability reporting in Germany. The reporting criteria and the periodic evaluation help provide feedback to companies and contribute to their learning processes in the area of sustainability. The transparent presentation of the Ranking's results encourages broad discourse concerning corporate sustainability requirements and their reporting habits.

The Ranking does not evaluate the companies' performance in achieving sustainability; rather, it focuses mainly on the content and communicative qualities of their reporting. Nevertheless, a positive correlation often exists between these two aspects. Companies that provide a substantial, content-focused, transparent report provide the public with information on measurable goals in the areas of social and environmental responsibility, and they present the ongoing activities and planned measures for achieving these objectives. This fact encourages continual improvement in regard to the companies' sustainability efforts. When a company sets and publishes objectives, it enters into self-binding targets. These objectives can be tracked and commented on by the

critical public, and they can be evaluated by external parties based on their degrees of ambition and appropriateness.

High-quality reporting includes various components, including the open discussion of weaknesses, unattained goals, and the corresponding strategies, policies, and mechanisms for dealing with these challenges. Transparency offers the public the opportunity to enter into discourse about business strategies and practices, and it provides the basis for constructive dialogue and critical monitoring of corporate developments.

The criteria used in the IÖW/future-Ranking help users to distinguish a high-quality sustainability report from a mere image brochure. Reports that are of lower quality can be an indication of a company's poor sustainability performance. If a company does not carry out substantial sustainability-related programming, then it will not be able to provide a content-oriented response to the various criteria. Of course, there are other reasons why a company might rank poorly among the available sustainability reports. Some companies do not provide a strategic prioritization of their sustainability-related programming or report only on selected activities. For a spot among the best sustainability reports in the Ranking, a company must provide a holistic view of all sustainability-oriented activities. To achieve this, a company can make use of the 'platform concept' and provide direct links to supporting information online or in other documents. [1]

The most critical view must be taken in regard to the Non-Reporters. When large, internationally active corporations provide no information to the public concerning their efforts to protect the environment and positively influence society, one can assume that there is little good to be said, and that social and ecological aspects play far too little of a role in corporate management

decision-making. For these reasons, the Ranking is explicit about which companies fit into the category of Non-Reporter.

The IÖW/future-Ranking is a tool to encourage competition in sustainability reporting among Germany's largest corporations. Through systematic comparison of the reports and tracking of their ongoing development, this Ranking should contribute to an overall improvement in corporate sustainability performance. The German Council for Sustainable Development (RNE) is also intensively involved in promoting socially and ecologically-responsible corporate management. In its recommendations to the German Federal Government, it attributes objective comparison of sustainability and CSR reports a central role in achieving sustainability. This objective comparison is the service provided by the Ranking. Therefore, the Institute for Ecological Economy Research and 'future' carried out this Ranking in 2007 with financial support from the Council for Sustainable Development.

#### *The Sample of Reports*

The Ranking of the Sustainability Reports 2007 takes into consideration Germany's 150 largest corporations. The selection of companies from the *Frankfurter Allgemeine Zeitung (FAZ)* has been broken down in the following way: [2]

- the 100 largest industrial and service-based corporations (including the construction industry), measured by revenue;
- the 15 largest banks, measured by balance sheet total;
- the 15 largest insurance companies, measured by the sum of premiums; and
- the 20 largest retail and textile companies, measured by revenue.

The FAZ list includes, at times, not only parent companies, but also their subsidiaries, if they also happen to be among the largest companies. The first assumption in this Ranking is that

parent companies usually produce reports that cover their subsidiaries. Some exceptions – such as a subsidiary that reports and a corresponding parent corporation that does not – do exist. One example is ThyssenKrupp Steel AG, a subsidiary of Thyssen Krupp AG. The reports of these subsidiaries were taken into consideration in the Ranking. Non-Reporting subsidiaries, on the other hand, were removed from the list of corporations. This was the case for Wintershall, a subsidiary of RWE, and Bosch Rexroth, a subsidiary of Robert Bosch. Companies that were lower on the list were then adjusted upward accordingly in order to fill the 150 spaces. At the end of the investigation of these 150 companies, 58 were identified that had a sustainability, or comparable, report. These reports were evaluated in the framework of the Ranking project.

*The Process of the IÖW/future-Ranking 2007*

The Ranking began in May 2007 with the distribution of a questionnaire to all participating companies. The purpose of this survey was to collect an overview of the type and cycle of sustainability reporting, the types of media used (print, Internet, CD-ROM, etc.), and trends in corporate reporting habits.

To prepare for the evaluation, a status paper was developed for each of the fifteen branches. These papers were to serve as a reminder of the state-of-the-art. Branch-specific challenges and developments were included so that the evaluation could better reflect whether the various companies were reporting on the most pressing issues that they are facing.

The evaluation of the reports by the IÖW/future Ranking team took place over the summer and fall of 2007 with the deadline for submitting reports having lain in Mid-October.

The evaluation of every report was documented in a detailed manner in a standardized evaluation rubric. After the reports had been closely analyzed, they went through an internal, second-party,

quality assurance check. Through this comparison of the reports and their evaluations, it could be ensured that unified standards were applied across all evaluations.

In September/October 2007, these detailed analyses with a preliminary score and a summary of the reporting on each criterion were sent to the corresponding company. The company then had the opportunity to proof the analysis and provide written feedback. This feedback loop serves transparency in the evaluation method and accuracy in the evaluation. The majority of the participating companies used this opportunity to comment on their evaluation and, in some cases, to give targeted feedback to print or online content that had been overlooked. On the basis of the feedback as a whole, the evaluations were checked again, and appropriate adjustments were made.

The results of the individual evaluations were synthesized to produce the overall Ranking results available in the Ranking Report 2007 ([www.ranking-nachhaltigkeitsberichte.de](http://www.ranking-nachhaltigkeitsberichte.de)). This report also contains branch- and criteria-specific interpretations. The results and the winners of the Ranking were presented to a live public on 21 November 2007, as well as to the general public through the *Handelsblatt*, a daily business newspaper, on 22 November 2007.

Chapter 2 of this paper looks at the formal reporting practice of German companies.

Chapter 3 gives a detailed overview of the project's methodology. In Chapter 3, the main results of the Ranking are presented. In Chapter 4, lessons (to be) learned are presented. Finally, chapter 5 provides an outlook.

### Current Practice of Sustainability Reporting in Germany

An increasing number of corporations report on their social, environmental, and economic performance, as well as on their societal engagement. The practice of sustainability reporting is experiencing an evolution. This can be seen in the scope of reporting, the chosen medium (print

or online), and the form, whether it is comprehensive or merely a short summary. While some companies focus on selected criteria, others choose to take a comprehensive approach in presenting their efforts in the area of sustainability according to pertinent criteria. Observers can note an increase in different forms of reporting, not only traditional reports but also magazines, online reports, and youth reports.

Companies are able to take advantage of an increasing number of guidelines and sets of criteria that include various stakeholder-oriented specifications and that provide a guide on what content should be included in sustainability reports. The 'standard' has become the guidelines from the Global Reporting Initiative (GRI), which are now available in their third version, the so-called 'G3'. Sustainability reporting is decreasingly a voluntary aspect of corporate communication strategies. Some countries, such as Denmark, the Netherlands, France, South Africa, and Great Britain, have already begun to require the reporting on non-financial aspects of corporate performance through regulation. Also in Germany, the development of a stronger framework for reporting on non-financial topics is being discussed. [3] This was suggested, for example, by the German Council for Sustainable Development in its CSR-based recommendations to the federal government in September 2006 (RNE 2006).

Approximately one-third of the 150 companies included in the survey produce a stand-alone sustainability, environmental, or CSR report, all of which were evaluated in the framework of the Ranking. Another third provide information on sustainability-oriented topics in another form or through another medium. These reporters can be divided into several sub-groups. About 16% of the sample's companies are subsidiaries of parent corporations that produce a report covering them. Relevant information on ecological and social topics, either online or in their annual report is provided by 13% of companies. Sustainability-oriented brochures or limited thematic

information online or in the annual reports is provided by about 4% each. The latter mostly includes banks and insurance companies, both of which often tend to limit their external communication to engagement in society, particularly projects sponsoring culture and the arts. One-quarter of the sample's companies can be classified as Non-Reporters. This group can be broken down into 16%, those that provide absolutely no information on sustainability issues, and 10% of the sample, those that only scarcely mention relevant topics online or in their annual report. More detailed information on these Non-Reporters can be found in the branch analysis section of the expanded German-language version of the Ranking Report.

The most noticeable development in German corporate reporting practice is the increasing trend toward online reporting. Currently, print-based reports are still in the majority with 76% of those reporting, but more and more companies are complementing these reports with additional information online. Integrated reporting, in which print-based reports are supplemented with online sources so that they are seen as one, integrated tool, is being carried out by 12% of the reporters. Opportunities for integrated reporting include the use of direct references, an online link list, or a GRI index with hyperlinks to the sought information.

The challenge to the use of online reporting for supplementary information is to capture the value that is provided by this method. Often, the benefits are not utilized exhaustively. In many cases, the information online is merely a repetition of the information in the printed report. In other cases, the online links lead readers in circles without providing a substantially larger base of relevant information. In general, the structure of print and online reports could be improved so that they better complement one another.

A relatively small minority of reports (7%) provide a completely Internet-based report or a CD-ROM-based report that has direct hyperlinks to relevant Internet pages. Online reports

provide a certain level of flexibility in obtaining specific information that interested readers are seeking. The sorting of available information by topics, the link to further information, and the accessibility of other published documents all show the advantages available with online reports. Nevertheless, the use of online reports is still relatively seldom. Continued development of this form of reporting is necessary in order to maximize the use of its advantages.

## Evaluation Method

### *Evaluation Criteria and Weighting*

The environmental and sustainability reports of the participating companies were systematically evaluated based on a catalogue of criteria. These criteria can be broken down into two sections: general criteria that are valid for all companies and branch-specific criteria. These criteria build upon the original requirements of the former IÖW/future Ranking of environmental reports. [4] The criteria were revised for the Ranking 2005 with consideration of research results from IÖW and future [5], as well as of various guidelines and standards from organizations such as AccountAbility, European Chemical Industry Council (CEFIC), Global Reporting Initiative (GRI), Social Accountability International or World Business Council of Sustainable Development (WBCSD).

The criteria have proven successful in the Ranking 2005, and they have come to provide corporations with an orientation in conducting their reporting. [5] The next fundamental revision of these criteria is planned for period leading up to the Ranking 2009. A certain level of continuity in the criteria is indispensable for various reasons: to provide a stable orientation for a broad range of companies, to make progress recognizable, and to encourage more companies to initiate reporting activities. For these reasons, the criteria were only minimally altered for the Ranking 2007. Nevertheless, the reporting requirements were applied more strictly in 2007. One

alteration was made, however, which was the updating of requirements for financial institutions. This is due to the current developments in the branch, and it was meant to help to place more emphasis on their products and services.

Reporting criteria are formulated for the following three areas:

- environmental requirements,
- social requirements, and
- integrated requirements.

The environmental requirements involve the ecological aspects of production, as well as those of the products and services themselves (see Table 1). The social requirements include employee interests, social aspects of products and services, and associated social responsibility. The environmental and social requirements have the same overall weight. They each account for 30% of the overall evaluation, and their maximum score is 200 points each (of 700 points in total). The purpose of the equal handling of the social and environmental requirements is to send a signal to companies that balanced reporting on both of these areas is desired.

The integrated requirements are the most heavily-weighted of the three areas. They are responsible for 40% of the overall evaluation, and they provide 300 possible points. These points are again divided equally among two sections. The first section involves salient social and environmental criteria such as management systems, the sustainability vision and strategy, and measurable objectives. The second section focuses on more general aspects of reporting, such as credibility, comparability, materiality, and communicative quality.

[insert table 1 about here]

As can be seen, the three categories subdivide into 13 criteria. These main criteria have between two and eight sub-criteria – in total, there are 48. Table 2 provides an overview of the thirteen main criteria with their weights and the maximum possible number of points. [6]

[insert table 2 about here]

#### *Evaluation of the Individual Criteria and Determination of Points*

For the evaluation of each individual criterion, there are four possible point levels. The fulfillment of the requirements is judged in the following manner:

5 points = excellent reporting

3 points = satisfactory reporting

1 point = unsatisfactory reporting

0 points = no relevant reporting

The complete criteria catalogue, which can be found in the German-language version of the Ranking Report, includes a more exact description and branch specifications of the reporting requirements for each individual criterion. In determining the point values for each main criterion, the sub-criteria are averaged to produce a result that can then be multiplied by the main criterion's weight.

#### Results of the Ranking 2007

The IÖW/future Ranking 2007 contains 58 reports. With five more reports than in 2005, this round is slightly more encompassing than the last round. [7] The number of Non-Reporters has decreased slightly, from 42 in 2005 to 39 in 2007. This illustrates the fact that, despite calls for transparency on sustainability-relevant measures and performance, more than a quarter of the largest German companies do not provide the public with sustainability-related information. [8]

When viewing the differentiation by branch, one can see that the largest number of reports come from the chemical and pharmaceutical companies. Of the 17 companies in this branch (among the 150 largest in Germany), thirteen produce a report. The second strongest branch for reporting is banks with 7 reports.

When comparing the 2007 results to those of 2005, a slight increase in the average overall evaluation score is noticeable. Over these two years, the average point total rose from 325 to 336. Also notable is that the top three reports in 2007 all have a total score higher than the top report in 2005. The first place report in 2007 achieved a score of 543 point, about 50 points more than the best report in 2005. However, the lowest-scoring report in 2007 was a mere 97 points, less even than the lowest score of 130 in 2005. It can be concluded that the differentiation in quality of reports has expanded since 2005. Not only are many reports improving, but some are declining in quality.

An overview of the results of the TOP 10 reports of the Ranking 2007 is available in Table 3.

[insert table 3 about here]

Table 3 shows not only each company's rank, but also, when available, their place in the most previous Ranking. If there is no rank for 2005 available, there could be one of several reasons.

The company could have been a Non-Reporter in 2005, it could have been too small to be included within the set of 150 companies, or it could have been ranked lower than 35. [9] The complete Ranking Report table also includes detailed information such as the final evaluation per main criterion, an overview of the points earned in each evaluation area (social, environmental, and integrated requirements), the total number of points earned, and the average number of points earned per page in the central document. [10]

*Results of the Content and Integrated Requirements of the Ranking*

In comparing the three areas of reporting requirements, it can be seen that reporting is the strongest for the integrated requirements (see Table 4). The criterion with the highest average score is “Vision, Strategy, and Management”. In this area, the majority of companies were successful in presenting a good-quality description of their sustainability strategy and corresponding management systems. This value did, however, decrease from the past. While 3.1 points were achieved on average in 2005, only 2.7 were scored overall in 2007.

In comparison to 2005, the only area that has seen an overall improvement regards the social requirements. There are only very little changes in the overall fulfillment of environmental and integrated requirements. The improvement in the area of reporting on social performance is the main positive trend.

[insert table 4 about here]

Despite being the area that is most improved, the social aspects still maintain the worst overall scores. This surely has something to do with the fact that some social reporting requirements are relatively new for some companies. These requirements, such as regional responsibility and working conditions in the supply chain, cannot be addressed through technological or efficiency improvements, and, therefore, require intensive engagement on the side of the company to score high points. These ‘soft aspects’ tend to be addressed in the reports with a written commitment to action; however, the presentation of actual activities and results are rather forgotten. Even when individual activities or measures are mentioned, the frequency and generalizability of these activities across the company is not made clear.

In the area of environmental reporting, there has been no real improvement that can be recognized. This suggests that a continuous process of improvement in these well-tested topics is

becoming increasingly difficult. Reporting on environmental aspects such as transportation and logistics, consumption of materials, and natural conservation and biodiversity are least developed. Nevertheless, several environmental aspects can be considered standard within the reports. For example, the electrical engineering, automotive, and publishing branches have solid reporting habits on classic environmental aspects like product development, emissions, and waste management.

A comparison of the top 10 reports in each of the three requirement areas can be seen in Table 5. In all of these three areas, the top two reports – those of OTTO and RWE – and that of WestLB (5<sup>th</sup> place overall) are among the top 10. This table shows that RWE's strengths are in the integrated and social requirements, while WestLB's strengths are in the area of environmental reporting. Aside from the top 10 reports, there are others that did very well in at least two of the three areas. HypoVereinsbank, which is in 22<sup>nd</sup> place overall, is well represented in the areas of environmental and social reporting. Some reports have a single strength, for example Deutsche Bahn AG and LBBW in the environmental area, Vodafone D2 GmbH, Robert Bosch GmbH and Deutsche Bank AG in the social area, and Deutsche Lufthansa AG, adidas AG, and Merck KGaA in the integrated area. [11]

[insert table 5 about here]

#### *Developments since 2005 and Good Reporting in 2007*

The best reports in the Ranking can be distinguished by their openness in dealing with social aspects of current relevance. The integration of employee concerns into corporate human resource policies, such as working time models, can contribute to the promotion of work-life balance and the management of career and family. These reports openly discuss programs for

socially-responsible staff reductions and present programs to promote diversity and equal opportunity, equality between women and men, and continuing education.

In 2005, several social topics were identified as those that would be increasing in importance. These included working conditions and fair relationships with business partners in the supply chain, demographic developments, and anti-corruption. These topics are addressed in 2007 to varying degrees.

Good reports in 2007 illustrate their superiority over average reports when describing their application of standards on working conditions in the supply chain. This involves the setting and monitoring of social standards by suppliers. Reporting on supply chain management has improved over the past two years, but it still needs considerably more attention. Those that are attempting to report more on social aspects of supply chain management include the retail and textile companies.

The public debate on demography has steadily increased over the past few years. Today, many reports include this issue in their sustainability report and present it as a challenge that the company must be able to address. Often, it is discussed in connection with other topics, such as diversity, family-friendliness, work-life balance, and working time models. There are already improvements in this area, and some good examples exist. Nevertheless, this topic remains a challenge for reporting itself.

Finally, the associated social topic of anti-corruption is increasingly often brought into focus. Most companies already maintain a corporate Code of Conduct, or they plan to develop one. Improvements that are needed, however, include a description of actual corruption risks and cases that the company is facing, a clear systematic method of preventing corruption from

occurring, and methods for sanctioning it when it happens. Even though there are some positive examples, the overall picture concerning this criterion is rather weak.

In the area of environmental performance reporting, the best reports show their strengths in dealing with climate protection, energy consumption, and environmental aspects of their products. The basis of strong reporting here is a solid data supplement. The possibility for outsourcing data to other sources (such as a status report, data or fact-filled PDF files, or key operating figure tables in a booklet or online), which can then be referenced in the report, are often used.

The aspect nature conservation and biodiversity, which was taken as a new criterion into the Ranking 2005, has received better handling over the past couple of years. The average score for this criterion rose by 0.7 points. This increase is, however, mainly to be explained by efforts of particular branches. These branches, such as energy providers, paper and publishing companies, and transportation companies, have economic activities or a resource relation that has a direct effect upon ecosystems. Overall, reporting on these topics requires improvement. When considering that negotiations on the international agreement on biodiversity will take place in Germany in 2008, and that 2010 is the UN International Year of Biodiversity, one can expect this topic to receive special attention in the short to medium term.

Also in the area of integrated requirement reporting, good reports have particular strengths. They present clearly-defined objectives, which are then linked to specific improvement measures, and they report openly about their effectiveness in reaching these objectives. They make a conceivable case for sustainability within their company. Furthermore, in regard to corporate vision and strategy or to the statement by the board of management, they go above and beyond basic sustainability-oriented statements. Additionally, the description of auditing activities is

often used as a good way to increase credibility concerning the mentioned activities. Overall, they are convincing reports because they are credible, they are transparent, and they focus on the most important qualitative and quantitative aspects of sustainability.

The economic dimension of sustainability is often understood as reporting on corporate performance, such as revenue and profits, and this reporting is often done within annual reports. Indirect value creation in the region is only occasionally considered, and it often does not surpass general statements, such as “we produce jobs in the region”. Real integration of sustainability reporting and the annual report is seen very seldom. Making the economic aspect of sustainability more concrete presents an ongoing challenge for high-quality reporting.

#### Lessons (to be) Learned: Openness, Clarity, and Commitment

The Ranking of Sustainability Reports 2007 showed that the number of companies that provide a substantial amount of information to the public on their social and environmental performance has increased. Nevertheless, there remain three main challenges for sustainability reporting in the future. These are openness, clarity, and commitment.

#### *Openness – in Selection*

Openness is an important quality of good reporting, and it is a central prerequisite for credibility. The reflective discussion of the social, environmental, and economic effects of business activities within the respective branches contributes equally to credible reporting as does the identification of specific conflicts of interest and problems of implementation for each individual company. When dealing with topics such as environmental risks, personnel cutbacks or corruption, what is needed is an open discussion of these challenges, as well as a concrete description of the measures that will be taken in order to achieve solutions. This is of particular importance for companies that have come into public criticism. In these cases, only an open and

consequential handling of the criticisms is effective in gaining credibility and getting rid of threats to their image. Challenges and unresolved problems are already being handled more openly than in 2005. Nevertheless, the reports often give readers the impression that smaller, more manageable challenges are being described openly, and larger, more relevant ones are being suppressed.

#### *Clarity – in Presentation*

If sustainability reporting is an actual reflection of corporate practice, then many of the available reports speak to a rather unsystematic and unclear process for moving forward on sustainability-relevant challenges. These reports often lack the strategic embedding of sustainability activities, a systematic derivation of purposes and objectives, and their translation into consistent programs and measures. Great improvements could be made in this area if the sustainability strategies would be linked directly to the challenges facing the individual company, as well as to the challenges facing its branch overall. Again, the central topic areas, objectives, program, and measures should be derived from this set of challenges. The consequential and comprehensive integration of sustainability-oriented corporate policy into actual corporate practice must be made very clear. Individual examples should illustrate this derivation and produce a clear link to the company's challenges. Reporting on all activities and measures is neither required nor desired.

#### *Commitment – in Setting Objectives*

The ability to understand actual corporate performance in the area of sustainability is limited to that which is included in a report. Of particular importance are, on the one hand, the statements by the senior management and their description of challenges, achievements, and failures and, on the other hand, the description of corporate objectives and programs. What is

required is a clear and comprehensive description of the corporate strategy that is accompanied by a diverse program and a presentation of goal attainment. Credibility can be produced through internal and external (performance) evaluations, such as audits, in which results and implications for changes in corporate policy are documented. Goals that are set are expected to be ambitious and well-structured. Furthermore, these objectives should be supported by appropriate packages of measures, and the documentation of goal attainment should be active, understandable, and critical.

### *Outlook*

Ranking (and partly rating) organisations play a prominent role in making the sustainability performance of companies transparent and comparable. Ideally, they make stakeholder expectations available to corporate decisions making processes via bundled sets of criteria and spread the word about respective corporate practice. In doing so, they can promote competition among companies, diffuse examples of good and best practice into the mainstream and hence raise the common standard of corporate performance. To realise this potential, ranking and rating processes and methods have to meet certain quality requirements as there are, first of all, transparency and traceability of criteria, methodology, and (reproducible) results by means of documentation, feedback processes, and publicity. The IÖW/future Ranking places a strong emphasis on meeting these quality requirements.

An overall comparison of the Ranking results from earlier IÖW/future Rankings shows that the practice of sustainability reporting has become more developed. At the same time, it is clear that the requirements and expectations on these reports have increased. The reasons for this include the increasing experience within companies, as well as the increased expectations from readers. Furthermore, more and more companies are orienting themselves toward reporting standards like

the Global Reporting Initiative's G3. This orientation often leads to an increase in the content of sustainability reports along the list of identified criteria. Herein lies a dilemma for the initiatives that attempt to provide orientation for reporting companies and to increase comparability across reports. Companies may develop reports that are merely based upon the rubric provided by the criteria, and the evaluated communicative quality of their reports may rise even though the corporate sustainability performance is not increasing.

Nevertheless, comparisons of the Ranking results with the results of performance evaluations seem to support the assumption that there is not always but often a positive correlation between the reporting on performance and actual sustainability performance. Companies that produce a strong sustainability report can typically make reference to programs, standards, and concrete performance figures. Companies like BASF, Bayer, BMW, Henkel, VW, adidas, Bosch, and Vodafone, which are in the upper third of the IÖW/future Ranking, can also be found in the upper third of the relevant performance ratings and rankings (see Good Company Ranking and scoris). [12] It is also often true that companies with poor sustainability performance publish no or only poor-quality sustainability reports. Of course, there are exceptions to this rule, as well. Companies like Bertelsmann, Deutsche BP, and Deutsche Post World Net are generally rated highly in sustainability performance reviews, but they have only managed placement in the lower third of the IÖW/future Ranking's top 50. In the other direction, there is RWE, which has earned 2<sup>nd</sup> place in the IÖW/future Ranking but is typically in the middle field in performance rankings. Companies need to continuously develop their sustainability performance and their reporting on this performance. The IÖW/future Ranking can contribute to this process by presenting evaluation results in a transparent manner and by making comparisons that spur companies toward improvements in their performance and reporting. The Ranking also offers many

companies the possibility of comparing their current results with those of previous years and tracking their improvement. Of course, the basis for the evaluation must also be continuously developed in order to anticipate the demands on companies. For this reason, the criteria will be adapted for the next scheduled Ranking 2009. This will make the Ranking prepared for the increasing demands on companies, as well as the novelties that are being seen in reporting practice.

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## Footnotes

[1] Since the IÖW/future Ranking 1998, the evaluation of reports is based on the so-called 'Platform Concept'. For a variety of stakeholders and other societal actors, a company's sustainability report is the central document for presenting its sustainability-related performance. It also serves as the starting point in dealing with a company. In order to concentrate on materiality within a report, to keep the report to a manageable size, and to prevent duplicated information, companies are encouraged to place concrete references in their sustainability reports that lead readers directly to information online or in other printed publications. References have to be explicit and qualified links to other easily-accessible sources providing the reader with a description of the information that will be found when following the link.

[2] Two additional companies – Axel Springer AG and Miele & Cie. KG – have been included in this Ranking although they no longer count among the largest companies according to the FAZ list. This is because these companies have a longer tradition as reporters and have set standards for reporting in their branches.

[3] Germany's law on corporate balance-sheet reform (*Bilanzreformgesetz*) from 2006 requires large corporations to include information on non-financial aspects in their annual reports. This should include social and environmental indicators that have an influence on their corporate success.

[4] Clausen et al. (1998), [www.ranking-umweltberichte.de](http://www.ranking-umweltberichte.de).

[5] see future (2000), Clausen et al. (2001), IÖW/IMUG (2000), Loew & Clausen (2003), Loew et al. (2004).

[6] Loew & Clausen (2005a, b)

[7] Since the various criteria have different levels of relevance in illustrating a company's sustainability reporting a weighting system was developed. For 2005 results see Loew et al (2005).

[8] Results of the Ranking 2005 are available in Loew et al. (2005). For a detailed analysis of the Ranking 2007 see IÖW/future (2007, 2008).

[9] While this percentage seems to remain rather static, there are developments – but newcomers and drop outs – within the TOP 150 and/or as reporters – are roughly equal.

[10] The Ranking Report 2005 displayed the TOP35 only.

[11] See IÖW/future (2007, 2008).

[12] See IÖW/future (2007).

[13] Kröher (2007), Mauritz & Wilhelm (2005), Wilhelm (2007).

Table 1

*Weighting of the Environmental, Social, and Integrated Requirements*

| Category  | Criteria   | Weight (rounded) | Max. Points  |
|---|--|------------------|--------------|
| Environmental Requirements                          | A.6 Environmental Aspects of Products and Services | 30%              | 200          |
|   | A.7 Environmental Aspects of Production            |                  |              |
| Social Requirements                                 | A.3 Employee Interests                             | 30%              | 200          |
|   | A.4 Associated Social Responsibility               |                  |              |
|   | A.5 Social Aspects of Products and Services        |                  |              |
| Integrated Requirements<br>Social and Environmental | A.2 Vision, Strategy, and Management               | 40%<br>(20%)     | 300<br>(150) |
|   | A.8 Objectives and Program                         |                  |              |
| General Requirements                                | A.1 Organizational Profile                         | (20%)            | (150)        |
|   | A.9 Specification of Additional Information        |                  |              |
|   | B.1 Credibility                                    |                  |              |
|   | B.2 Comparability                                  |                  |              |
|   | B.3 Materiality and Clarity                        |                  |              |
|   | B.4 Communicative Quality                          |                  |              |

Table 2

*Weighting of the Main Criteria and Maximum Points Available per Criterion*

| Main Criteria                                      | Points Available | Criteria Weight | Max. Points |
|--|------------------|-----------------|-------------|
| A.1 Organizational Profile                         | 5                | 5               | 25          |
| A.2 Vision, Strategy, and Management               | 5                | 15              | 75          |
| A.3 Employee Interests                             | 5                | 15              | 75          |
| A.4 Associated Social Responsibility               | 5                | 10              | 50          |
| A.5 Social Aspects of Products and Services        | 5                | 15              | 75          |
| A.6 Environmental Aspects of Products and Services | 5                | 15              | 75          |
| A.7 Environmental Aspects of Production            | 5                | 25              | 125         |
| A.8 Objectives and Program                         | 5                | 15              | 75          |
| A.9 Specification of Additional Information        | 5                | 5               | 25          |
| B.1 Credibility                                    | 5                | 5               | 25          |
| B.2 Comparability                                  | 5                | 5               | 25          |
| B.3 Materiality and Clarity                        | 5                | 5               | 25          |
| B.4 Communicative Quality                          | 5                | 5               | 25          |

Table 3

*The 10 Best Sustainability Reports in the IÖW/future Ranking 2007*

|           |           |                                 |   | Integrated Requirements   |                                    |                           |  |                |                  |                          |                          |                         | Social Requirements   |                                     |  |                     | Environmental Requirements                        |  |                            |             |                 |
|-----------|-----------|---------------------------------|---|---------------------------|------------------------------------|---------------------------|--|----------------|------------------|--------------------------|--------------------------|-------------------------|-----------------------|-------------------------------------|--|---------------------|---|--|----------------------------|-------------|-----------------|
| Rank 2007 | Rank 2005 | Company Name                    | Report Title / Weight   | A1 Organizational Profile | A2 Vision, Strategy and Management | A8 Objectives and Program | A9 Specification of Additional Information | B1 Credibility | B2 Comparability | B3 Materiality & Clarity | B4 Communicative Quality | Integrated Requirements | A3 Employee Interests | A4 Associated Social Responsibility | A5 Social Aspects of Products and Services | Social Requirements | A6 Environmental Aspects of Products and Services | A7 Environmental Aspects of Production | Environmental Requirements | Final Score | Points per Page |
| 1         | 3         | OTTO GmbH & Co. KG              | Unternehmen(s)verantwortung. Bericht 2007   | 3,0                       | 5,0                                | 5,0                       | 4,0  | 3,0            | 3,7              | 5,0                      | 2,3                      | <b>255</b>              | 3,6                   | 2,4                                 | 5,0  | <b>153</b>          | 3,0   | 3,6                                    | <b>135</b>                 | <b>543</b>  | 7,5             |
| 2         | 6         | RWE AG                          | Unsere Verantwortung. Bericht 2005. Statusbericht 2006.                               | 4,3                       | 5,0                                | 4,0                       | 5,0  | 4,2            | 5,0              | 4,0                      | 4,3                      | <b>270</b>              | 3,3                   | 3,8                                 | 3,0  | <b>132</b>          | 3,0   | 3,3                                    | <b>126</b>                 | <b>528</b>  | 6,5             |
| 3         | 13        | BASF AG                         | Zukunft gestalten. Unternehmensbericht 2006   | 3,7                       | 4,3                                | 4,0                       | 5,0  | 3,8            | 3,0              | 4,0                      | 3,7                      | <b>240</b>              | 3,0                   | 3,0                                 | 4,3  | <b>140</b>          | 3,0   | 2,9                                    | <b>117</b>                 | <b>497</b>  | 5,9             |
| 4         | 2         | KarstadtQuelle AG (Arcandor AG) | Nachhaltigkeitsbericht 2005   | 3,7                       | 3,7                                | 5,0                       | 5,0  | 2,6            | 4,3              | 4,0                      | 3,7                      | <b>246</b>              | 2,1                   | 1,6                                 | 3,7  | <b>103</b>          | 3,0   | 3,4                                    | <b>129</b>                 | <b>478</b>  | 10,0            |
| 5         | --        | WestLB AG                       | Fragen stellen. Nachhaltigkeitsbericht 2007   | 5,0                       | 3,0                                | 4,0                       | 5,0  | 3,4            | 2,3              | 4,0                      | 3,7                      | <b>222</b>              | 3,0                   | 3,0                                 | 2,3  | <b>110</b>          | 4,0   | 3,4                                    | <b>144</b>                 | <b>476</b>  | 7,7             |
| 6         | 19        | Wacker Chemie AG                | Nachhaltigkeitsbericht. Wacker Chemie AG 2003-2006                                    | 5,0                       | 3,7                                | 5,0                       | 5,0  | 2,6            | 4,3              | 4,0                      | 3,0                      | <b>250</b>              | 3,9                   | 2,2                                 | 2,3  | <b>115</b>          | 2,0   | 3,0                                    | <b>105</b>                 | <b>470</b>  | 1,9             |
| 7         | 31        | Bayer AG                        | Science for a better Life. Bayer Nachhaltigkeitsbericht 2006                          | 4,3                       | 3,7                                | 2,0                       | 5,0  | 3,0            | 5,0              | 5,0                      | 3,0                      | <b>212</b>              | 2,7                   | 3,0                                 | 3,7  | <b>126</b>          | 3,0   | 3,3                                    | <b>126</b>                 | <b>464</b>  | 5,3             |
| 8         | 4         | Axel Springer AG                | Nachhaltigkeitsbericht 2005   | 5,0                       | 2,3                                | 3,0                       | 5,0  | 3,0            | 4,3              | 4,0                      | 1,3                      | <b>194</b>              | 1,4                   | 3,0                                 | 3,7  | <b>106</b>          | 3,0   | 3,8                                    | <b>139</b>                 | <b>439</b>  | 4,2             |
| 9         | 7         | Volkswagen AG                   | Nachhaltigkeitsbericht 2007/2008<br>Wir bewegen uns verantwortungsvoll in die Zukunft | 4,3                       | 4,3                                | 3,0                       | 4,0  | 2,8            | 5,0              | 3,0                      | 3,7                      | <b>224</b>              | 2,7                   | 1,8                                 | 2,7  | <b>99</b>           | 4,0   | 2,1                                    | <b>113</b>                 | <b>436</b>  | 5,2             |
| 10        | 9         | BMW Group                       | Sustainable Value Report 2007/08  | 2,0                       | 4,3                                | 3,0                       | 5,0  | 2,6            | 4,3              | 4,0                      | 3,0                      | <b>215</b>              | 2,1                   | 2,6                                 | 1,3  | <b>78</b>           | 4,0   | 3,1                                    | <b>138</b>                 | <b>431</b>  | 3,8             |
| 10        | 26        | HochTief AG                     | Lebensräume gestalten. Nachhaltigkeitsbericht 2005                                    | 3,7                       | 3,0                                | 3,0                       | 4,0  | 2,2            | 1,7              | 5,0                      | 3,0                      | <b>187</b>              | 3,0                   | 3,0                                 | 4,3  | <b>140</b>          | 4,0   | 1,8                                    | <b>104</b>                 | <b>431</b>  | 7,3             |

Table 4

*Average Points Scored and Rate of Fulfilment of the Individual Requirements*

|                                   | <b>Integrated Requirements<br/>(maximum 300 points possible)</b> | <b>Social Requirements<br/>(maximum 200 points possible)</b> | <b>Environmental Requirements<br/>(maximum 200 points possible)</b> | <b>Total<br/>(maximum 700 points possible)</b> |
|-----------------------------------|--|--|---|--|
| Average Points (%)                | 164,6<br>(55%)   | 77<br>(39%)  | 94,1<br>(47%)   | 336<br>(48%)                                   |
| Highest Score (%)<br>fulfillment) | 270<br>(90%)   | 153<br>(77%)   | 144<br>(72%)  | 543<br>(78%)                                   |
| Lowest Score (%)<br>fulfillment)  | 45<br>(15%)  | 0<br>(0%)  | 18<br>(9%)  | 97<br>(14%)                                    |

Table 5

*Top 10 Companies by Requirement Area*

| Rank | Environmental Requirements      | Points out of 200 | Rank | Social Requirements | Points out of 200 | Rank | Integrated Requirements         | Points out of 300 |
|------|---------------------------------|-------------------|------|---------------------|-------------------|------|---------------------------------|-------------------|
| 1    | WestLB AG                       | 144               | 1    | OTTO GmbH & Co. KG  | 153               | 1    | RWE AG                          | 270               |
| 2    | Axel Springer AG                | 139               | 2    | BASF AG             | 140               | 2    | OTTO GmbH & Co. KG              | 255               |
| 3    | BMW Group                       | 138               | 2    | HochTief AG         | 140               | 3    | Deutsche Lufthansa AG           | 253               |
| 3    | Deutsche Bahn AG                | 138               | 4    | RWE AG              | 132               | 4    | Wacker Chemie AG                | 250               |
| 5    | OTTO GmbH & Co. KG              | 135               | 5    | Vodafone D2 GmbH    | 131               | 5    | KarstadtQuelle AG (Arcandor AG) | 246               |
| 6    | KarstadtQuelle AG (Arcandor AG) | 129               | 6    | Bayer AG            | 126               | 6    | BASF AG                         | 240               |
| 6    | LBBW                            | 129               | 7    | Wacker Chemie AG    | 115               | 6    | adidas AG                       | 240               |
| 8    | RWE AG                          | 126               | 8    | Robert Bosch GmbH   | 113               | 8    | Merck KGaA                      | 231               |
| 8    | Bayer AG                        | 126               | 9    | WestLB AG           | 110               | 9    | Volkswagen AG                   | 224               |
| 10   | HypoVereinsbank                 | 122               | 9    | HypoVereinsbank     | 110               | 10   | WestLB AG                       | 222               |
|      |                                 |                   | 9    | Deutsche Bank AG    | 110               |      |                                 |                   |

