

## APPENDIX A - Additional examples of good practice in sustainability reporting

### Business model

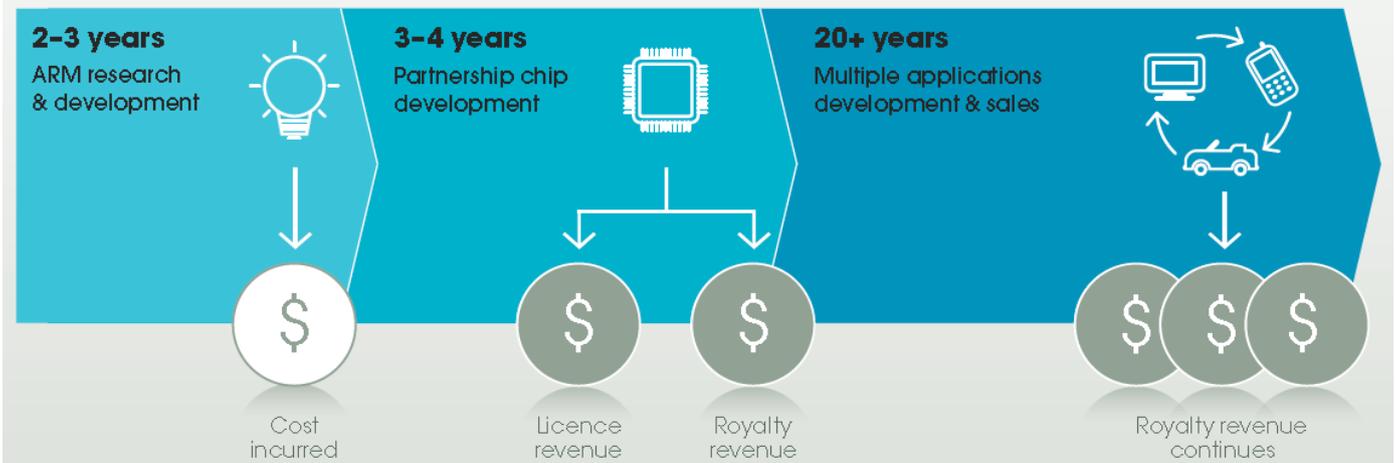
**ARM Holdings Plc**, the world’s leading semiconductor intellectual property supplier, in its Annual Report 2011<sup>1</sup> shows how description of a business model can be both comprehensive and concise. There is a clear and informative representation of the business model, value creation strategy and core business as well as the timing between investment, the creation of competitive advantage (e.g. the acquisition of a patent), and the collection and utilisation of revenue (e.g. royalty and new investment).

#### Our business model

ARM designs technology to go into energy-efficient chips. A processor design can take 2–3 years to develop. In most years, ARM introduces 2–3 new processors that have been designed with a range of capabilities making them suitable for different end-markets.

The companies who choose ARM technology pay an up-front licence fee to gain access to a design. They incorporate the ARM technology into their chip – a process that often takes 3–4 years. When the chip starts to ship, ARM receives a royalty on every chip that uses the design. Typically our royalty is based on the price of the chip.

Each ARM processor and physical IP design is suitable for a wide range of end applications and so can be reused in different chip families addressing multiple markets. Each new chip family generates a new stream of royalties. An ARM design may be used in many different chips and may ship for over 20 years.



Source: ARM Holdings, [Annual Report 2011](#), p. 14

Furthermore, the *Business model* section provides information regarding the location of revenues and consumption, indicating the locations in which the benefit of the value creation have been realised.

The Business model has been cross-linked with the following *Strategy and performance* section (pages 16-24). By ensuring that KPIs cross over the two sections, it gives the reader a holistic view of how the entity manages its economic activities.

<sup>1</sup> ARM Holdings Annual Report and Accounts 2011

<http://phx.corporate-ir.net/External.File?item=UGFyZW50SUQ9MTI4Nzk3fENoaWxkSUQ9LTF8VHlwZT0z&t=1>

**Schiphol**, the main international airport of the Netherlands, in its Annual Report for 2012<sup>2</sup>, (prepared according to GRI G3) devotes several pages to the description of its business model, the relationships with stakeholders, governance, and the key financial and non-financial indicators. All this issues are described in an informative way. These aspects are treated concisely and yet still contain detailed information.

Describing its risk management approach, Schiphol’s Annual Report outlines that its core business is subject to considerable risk. The Report makes it clear how the risk elements could impact on its business model, even to the point of projecting a hypothetical daily loss in case of flight stoppage (2.9 million euro).

# Business model

The core activities of Schiphol Group are split into aviation and non-aviation, which both contribute to the revenue. The total revenue of Schiphol Group encompasses airport charges, retail sales, concession income from shops and catering outlets, rents, media, property development, car parking charges and income from international activities.

**Dual till regulation**

For Amsterdam Airport Schiphol, the charges for aviation activities are regulated, whereby the maximum return for these activities is determined periodically in accordance with legal provisions. The non-aviation activities are not regulated. These are all the activities in the area of shops, restaurants, property rentals, media, real estate development and car parking. They also include the international activities. The financial result of the non-aviation activities offers opportunities for realising economic profit. This is called the dual till system.

**Regulated income**

Airlines pay airport charges for each take-off and landing and a passenger service charge and security service charge for each departing passenger. Schiphol sets its charges each year, after extensive consultation with the airlines and under supervision of the Dutch Competition Authority (NMa).



Source: Schiphol [Annual Report 2012](#), p. 11

In respect of governance disclosures concerning the Board of Directors, their biographies, remuneration, attendance of Board meetings, and the criteria for their selection are all comprehensively described.

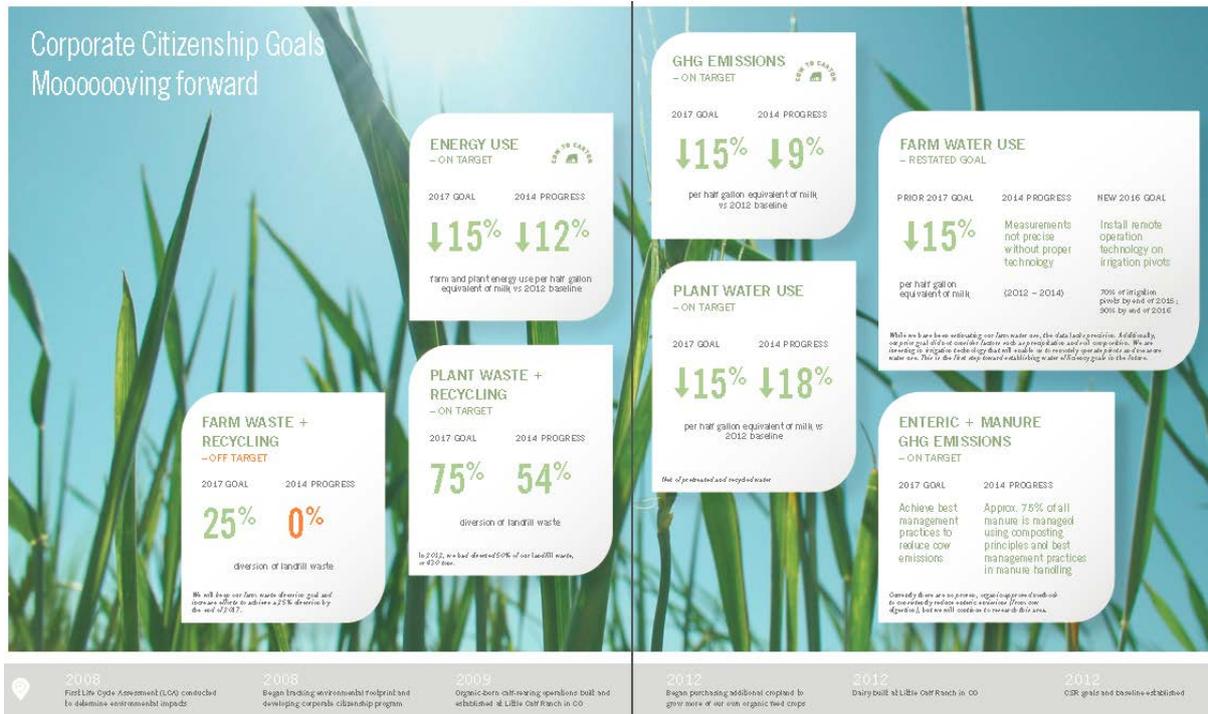
**Policies pursued and outcome of policies (incl. performance and KPIs)**

**Aurora Organic Dairy**, operating organic dairy, heifer, and calf farms, published its 2015 *Corporate Citizenship Report*<sup>3</sup> according to GRI G4, in which environment and social, and employee perspective goals and policies have been effectively summarised in a two pages graphical representation.

<sup>2</sup> Schiphol Annual Report 2012 <http://www.schiphol.nl/web/file?uuid=160d0224-0438-44e1-9c8a-11ce18fa9cac&owner=d839c545-ec2f-4f1e-84f6-a87e730dcfd1>  
<sup>3</sup> Aurora Organic Dairy Corporate Citizenship Report 2015 [http://www.auroraorganic.com/pdfs/1\\_AOD\\_CCR.pdf](http://www.auroraorganic.com/pdfs/1_AOD_CCR.pdf)

Aurora Organic Dairy won the award as *Best First Time Report* in 2012 from [Corporateregister.com](http://Corporateregister.com).

The Report provides concise information regarding the sustainability of the production process, detailing waste management, CO<sub>2</sub> emission, and water use:



Source: AURORA Organic Dairy, [Corporate Citizenship Report 2015](#), p. 6-7

An interesting point addressed in the Report concerns worker safety and well-being. As with other key issues, there are updates on the goals presented in previous reports as well as the setting of future targets.



Source: AURORA Organic Dairy, [Corporate Citizenship Report 2015](#), p. 8-9

**SK Telecom**, a wireless telecommunications operator, in its Annual Report 2014<sup>4</sup> (prepared according to GRI/G4 and SASB) devotes two pages to a graphical representation of its strategy and how its resource allocation will be oriented in the future. It also provides some information regarding the 'vision' of the company and its objectives up to 2020.

**Vision**



**Core Value**

**'Happiness' with Customers**

Chosen by more customers by creating the highest customer value

**Strategic Pillars**

**Market Driven Priorities**

A shift in paradigm toward competition centering on products and services

Improved Customer Retention through Innovative Plans and Products

Improved LTE Leadership through Top Network Technology

Innovative Solutions based on Convergence

**Why This is Material**

- Changes in the mobile telecommunications market caused by market maturity and regulation changes
- Pursuit of customer happiness by creating the highest customer value

- Increased need to secure a subscriber base due to the maturation of the LTE-based market
- Provision of the top quality network and telecommunications services

- Changes in the information and communications environment such as IoT and device diversification
- Presentation and realization of new potentials through ICT in the convergence environment

**Where We Focus**

- Introduction of innovative service plans and services
- Quality- and service-based marketing
- Reinforcement of customer protection and security services

- Improvement of LTE network quality
- Management of the network traffic and frequencies
- Persistent efforts toward technological innovation

- Increased revenue from IoT and Green Solutions, etc.
- Expansion of business based on contents
- Expansion of the healthcare business

4 SK Telecom Annual Report 2014  
<http://www.sktelecom.com/img/eng/annual/20150701/CUsersSKTelecomDesktop2014SKTARENGv120623.pdf>

**Vision 2020**  
**Partner for New Possibilities**  
**Corporate Value of KRW 100 Trillion**  
**& Global Top 100**



**'Companion' with Society**

Creating new opportunities through the growth of the industry and ecosystem

**Value Driven Possibilities**

Improving the future value by realizing creative economy and ICTnomincs

Creation of Shared Value in  
ICT through Venture and  
Start-up Support



- Creation of shared values for the company and society and the company through the ICT ecosystem
- Maximization of the economic value of ICT and role as the contact point of the realization of creative economy, the top priority of the government

- Support for ventures and start-ups for the expansion of the ICT ecosystem
- Development and provision of ICT solutions based on social needs
- mutual growth with SMEs

Development of Platforms  
for Social GHG Emission  
Reduction



- Accelerated changes in the renewable energy-based industries and regulations such as the greenhouse gas emission trading scheme
- Creation of opportunities for innovation and contribution to the prevention of climate change through ICT technology and platform

- Creation of platforms for social GHG emission reductions
- Development of energy and GHG solutions
- Reduction of GHG emissions and improvement of environmental efficiency

Securing a Base for Future  
Competition by Improving  
Human Capital



- The future competitiveness of the ICT industry will be based on intangible assets such as knowledge and human capital, etc.
- Development of global ICT experts within the company with top competency in the market

- Investment into human capital development through education and training
- Reasonable performance evaluations
- Enhancement of the efficiency of human capital return on investment (ROI)

Source: SK Telecom, [Annual Report 2014](#), p. 50-51

**UBS AG**, a Swiss global financial services company, in its Annual Report 2014<sup>5</sup> (prepared according to GRI G4), devotes several pages to CSR policies, featured in the chapter *Corporate Responsibility*.

The CSR policies section provides comprehensive information, mostly using the written form in preference to graphs and tabular information. The website, however, provides key information in an easily understandable format, using graphs and tables, which complement the information contained in the Report in a manner that is comprehensible and fast to assimilate<sup>6</sup>.

<sup>5</sup> UBS Annual Report 2014 [https://www.ubs.com/global/en/about\\_ubs/investor\\_relations/annualreporting/2014.html](https://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting/2014.html)

<sup>6</sup> This is an example: [https://www.ubs.com/global/en/about\\_ubs/corporate\\_responsibility/how-we-do-business/protecting-people-and-planet/environmental-and-social-risks.html](https://www.ubs.com/global/en/about_ubs/corporate_responsibility/how-we-do-business/protecting-people-and-planet/environmental-and-social-risks.html)

The *Environmental and Social Risk Policy Framework* sets standards in product development, investments, financing and supply chain management decisions, which include the details of controversial activities and other areas of concern that UBS AG will not engage in (or will only engage in under stringent criteria). It also outlines the Controversial Activities (where UBS will not do business) and the Areas of Concern, in which a graphic framework focused on the company processes and governance is developed, highlighting environmental and social risk assessments (and related KPIs) and environmental and social risk (ESR) escalation process.

Environmental and social risk (ESR) escalation process



Source: UBS [Environmental and Social Risk Policy Framework](#), p. 6

**Outcome of policies**

**Dellas**, a manufacturer of diamond cutting disks and blades, diamond wires, polishing and calibration tools, and tools for computer-controlled machines, in its Annual Report 2014<sup>7</sup> has based the section concerning the company’s CSR performance on the SR guidelines of the GRI (in its most recent version G4). For the section dealing with the different types of company capital, use has been made of the international IR Framework, published by the IIRC in December 2013.

The Report has a detailed materiality analysis, a clear matrix connecting value creation, different types of capitals and related policies and a clear description of the approach in connecting CSR relevant matters, graphical icons and related GRI G4 KPIs adopted.

Many of these aspects are linked in a single contents table that highlights their fundamental connection in the business process and the outcome production.

<sup>7</sup> *Dellas Annual Report 2014* [http://www.dellasdiamondtools.com/media/download/annualreport\\_2014\\_eng.pdf](http://www.dellasdiamondtools.com/media/download/annualreport_2014_eng.pdf)

1 Primary Objective						
2 Elements of value						
3 VALUE CREATION						
4 Capitals						
		Increase in Sales	Reduction of Costs	Increase in Cash Flow	Value of brand	Management of Risk
		Intellectual Capital	Social and Relationship Capital	Human Capital	Natural Capital	Financial Capital
		Manufactured Capital				
		Stakeholders involved				
		Involvement Channels				
		Topics of involvement				
		KPIs				
		Objectives for improvement				
8		What we have done in 2014				
		What we will do in 2015				
1	Primary Objective					
2	Elements of value					
3	VALUE CREATION					
4	Capitals	Increase in Sales	Reduction of Costs	Increase in Cash Flow	Value of brand	Management of Risk
		Intellectual Capital	Social and Relationship Capital	Human Capital	Natural Capital	Financial Capital
		Manufactured Capital				
	Stakeholders involved	Customers	Customers Suppliers Community	Human Resource	Environments	Shareholders Human Resources Banks Public Administration
	Involvement Channels	Periodic meetings Assistance on customers premises Annual Report	Annual Report Internet Site Initiatives with consortiums and associations Social Initiatives	Training Initiatives, management development programs and specialised technical courses Annual Report	Internal Meetings Annual Report	Annual Report Distribution of Added Value Themed events, seminars, encounters
	Topics of involvement	After sales service at client and level of service in terms of reliability of supply	Qualitative excellence of product Reliability and regularity of payments Social and economic development of the territory	Improvement of competences, abilities and skills Increase of levels of safety in the workplace	Increase in the energy efficiency of the production machinery	
	KPIs	Costs dedicated to R&D projects Hours dedicated to R&D projects Level of client satisfaction Average delivery time	Production lead time for MTO Years of service of Top 30 suppliers DPO (Days Payable Outstanding suppliers) Num. and value of donations to Onlus	Number of Persons trained Total hours of training Turnover of personnel Num. accidents	Consumption in equivalent CO2 Equivalent CO2 saved Energy (Kw) saved	Total added value produced Group Turnover Value of new plants and equipment bought
	Objectives for improvement					
8	What we have done in 2014	Development of two projects aimed at the technical development of products, as well as to widen and renew the offer to the client (► sezione Section "Innovations in product and process")	Consolidation of relationships with "historical" suppliers and partial sharing of objectives of innovation and development Confirmation of the commitment of the company to collaborate for the socioeconomic development of the community at large in the reference area	Training activities in a program of managerial development Development of the MBO incentive system (► section "Human resources-incentive systems") Communicate to co-workers the corporate approach to sustainability with the setting up of the Ethical Code	Company becoming increasingly aware of its responsibilities, in creating processes and products, as regards the consumption of energy resources e to the disposal of refuse, with the scope of minimising the environmental impact of its own activities (► section "The Environment")	
	What we will do in 2015	Continuation of R&D Projects in 2014 which have to be taken to the experimentation phase after that of industrial research	Request to suppliers to agree to follow Dellas' Code of Ethics, to share the values of social and environmental responsibility. Stakeholder engagement for analysis of materiality		Energy Diagnosis to get better efficiency And put to better use the energy available sources of energy	

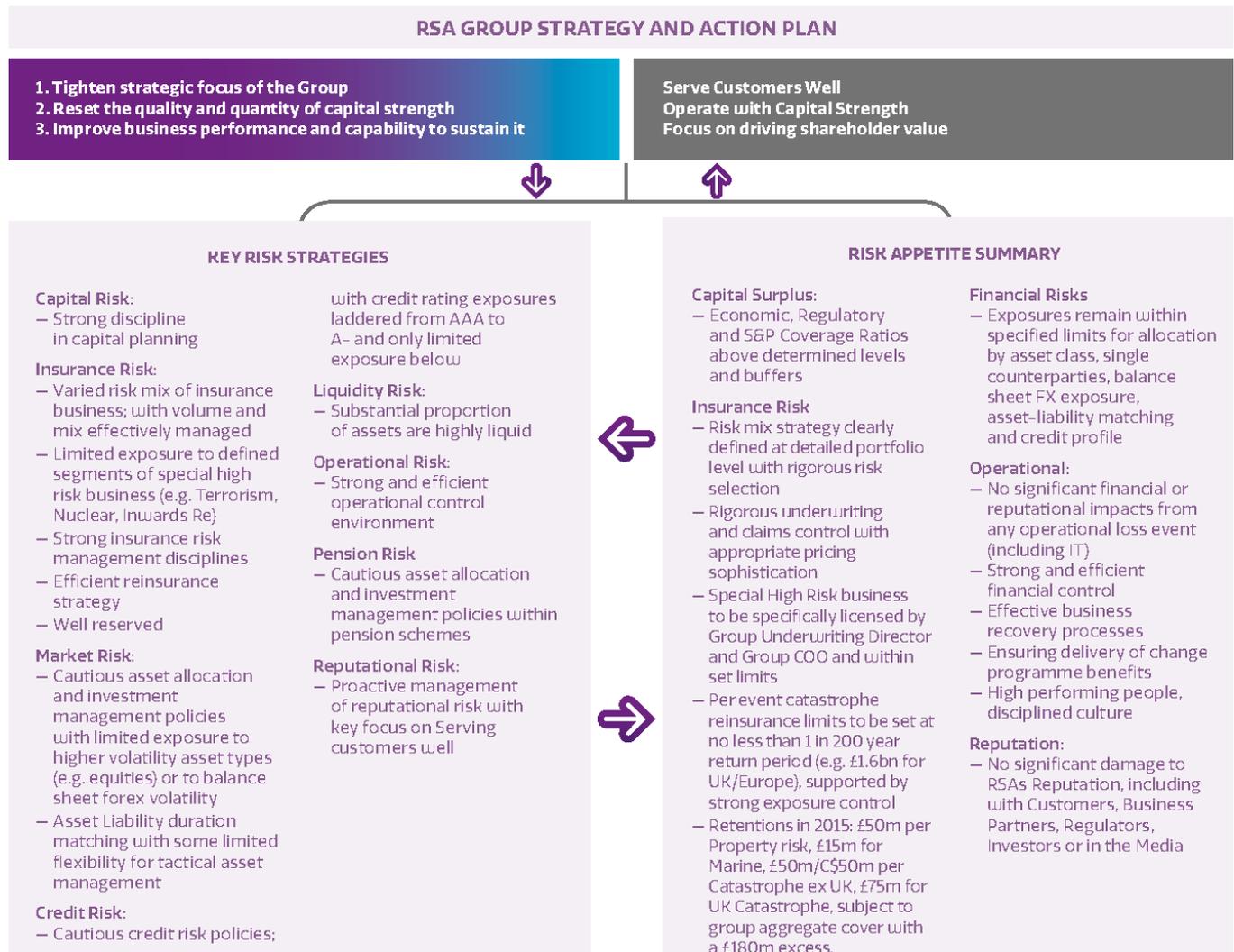
Source: Dellas, Annual Report 2014, p. 52

## Risks related to CSR matters

The **RSA Insurance Group**, a multinational general insurance company, in its Annual Report 2014<sup>8</sup> gives considerable detail about the value chain, providing detailed analysis for regional operations. Information is outlined for outcomes of particular policies for Scandinavia, Canada, UK, Ireland and Latin America (with some summary financial data per nation).

Particular attention is paid to risk strategy in the Annual Report but also strategy and the value chain is well described, supported by using clear design.

## RISK STRATEGY AND SUMMARY RISK APPETITE



Source: RSA Insurance Group, [Annual Report 2014](#), p. 45

However, whilst it is informative, the Annual Report could have benefited from a more extensive use of diagrams to improve the usability of the information presented.

<sup>8</sup> RSA Insurance Group Annual Reports and Accounts 2014

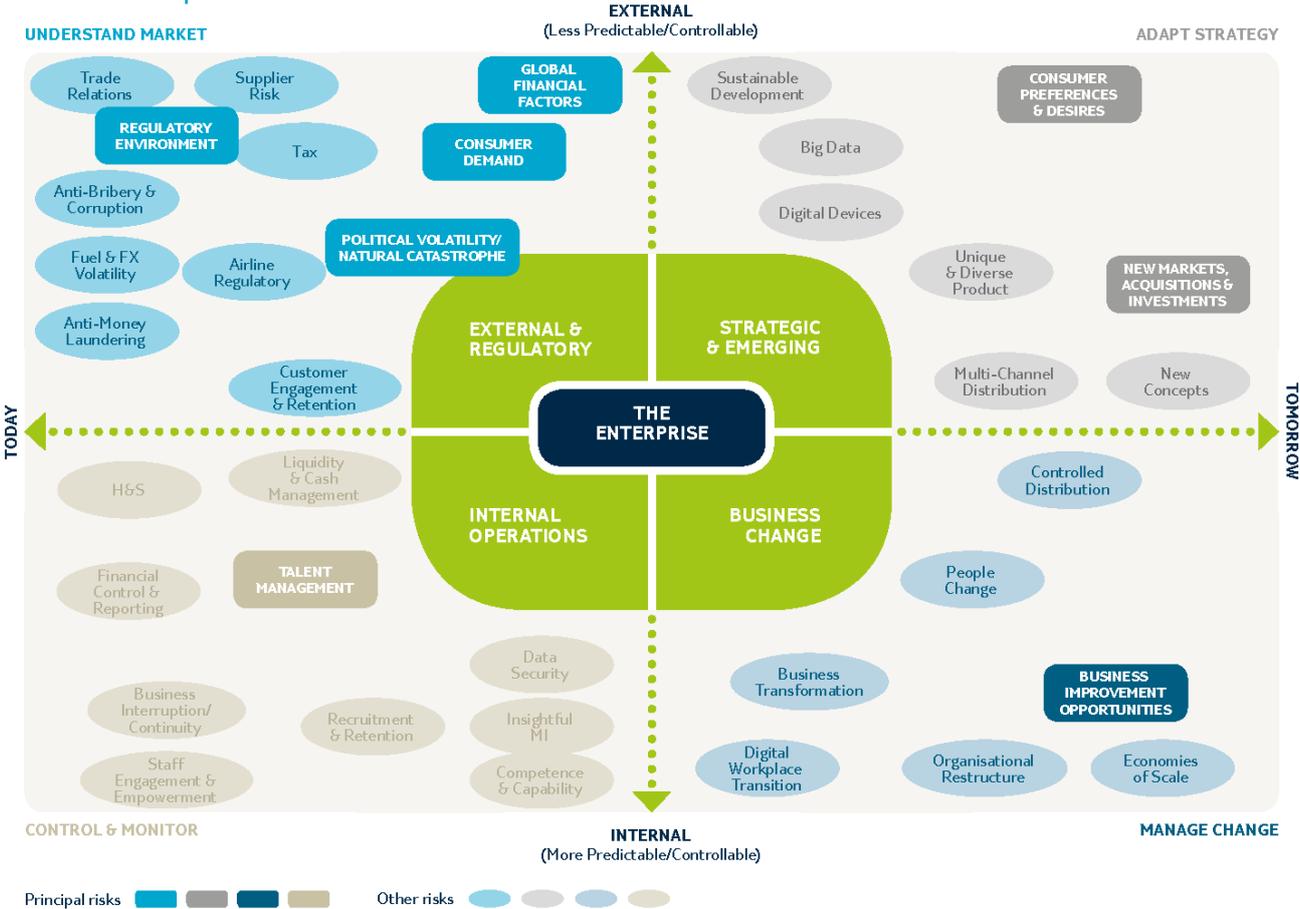
[http://www.rsagroup.com/rsagroup/templates/a/rsa/pdfs/rsa\\_anrep14\\_full\\_report.pdf](http://www.rsagroup.com/rsagroup/templates/a/rsa/pdfs/rsa_anrep14_full_report.pdf)

**TUI Travel plc**, a multinational travel and tourism company, in its *Annual Report & Accounts 2014*<sup>9</sup> (prepared according to IAS/IFRS) provides an explanation of the sources of risk for the undertaking, using a matrix and clear tables. The business model’s description is enhanced by relating it to the issues represented in the above matrix, which also demonstrates the importance that the company assigns to sustainability and, overall, to environmental matters.

# What are the risks? Principal risks

continued

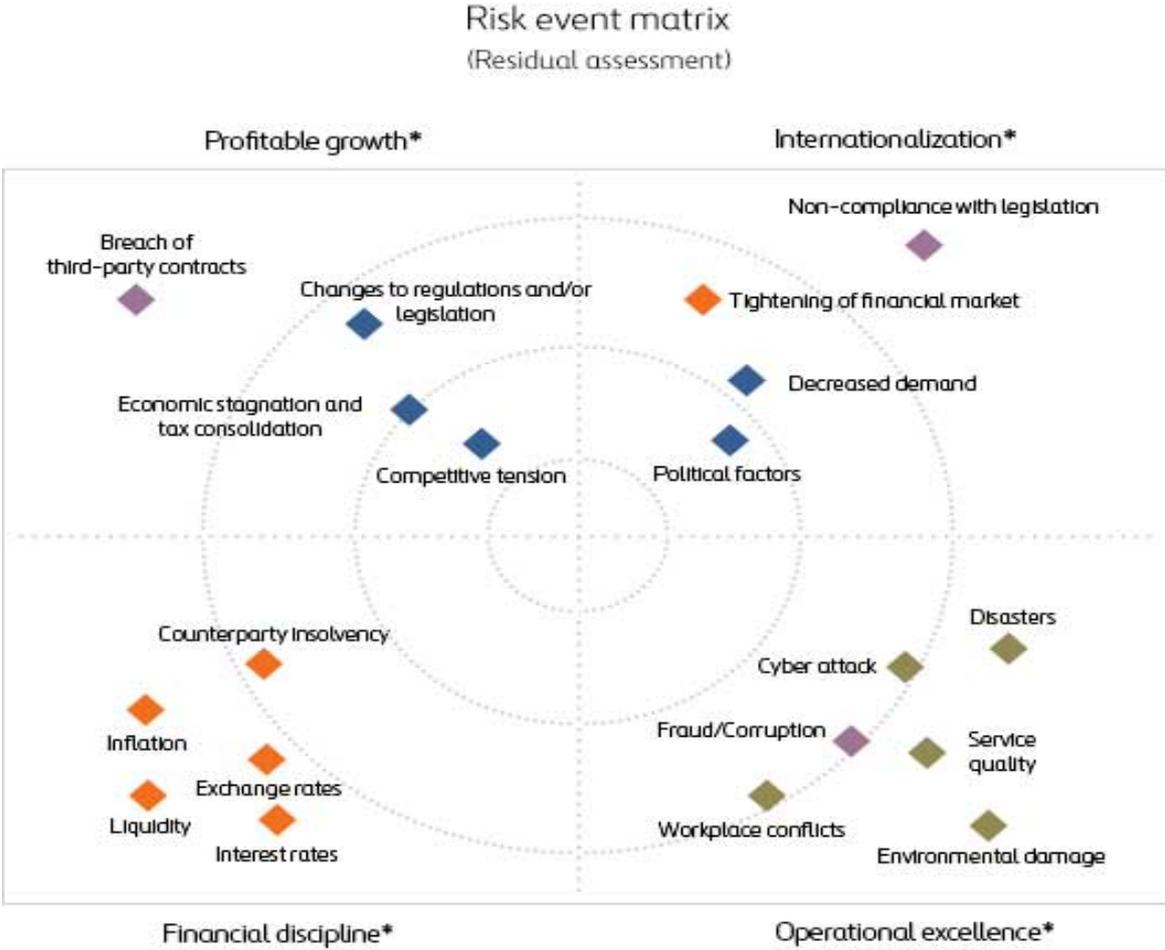
## Risk landscape



Source: TUI Travel plc, *Annual Report & Accounts 2014*, p. 44

<sup>9</sup> TUI Travel plc Annual Report and Accounts 2014  
[http://www.tuitravelpc.com/sites/default/files/pdfreports/TUI Travel PLC ARA 2014 spreads.pdf](http://www.tuitravelpc.com/sites/default/files/pdfreports/TUI%20Travel%20PLC%20ARA%202014%20spreads.pdf)

**Ferrovial**, a Spanish multinational company involved in the design, construction, financing, operation and maintenance of transport, urban and services infrastructure, in its Integrated Annual Report 2014<sup>10</sup> (prepared according to GRI G4) includes an eight pages section detailing the risks and the opportunities related to the undertaking. This part of the Integrated Report is informative and illustrates the undertaking's analysis of the main economic and sustainability drivers, fostered through the use of images and tabular summaries.



Source: Ferrovial [Integrated Annual Report 2014](http://www.ferrovial.com/en/Integrated-Annual-Report-2014)

<sup>10</sup> Ferrovial Integrated Annual Report 2014 <http://memoria2014.ferrovial.com/en/>