WALKING THE TALK?

A REPORT ON THE SUSTAINABILITY COMMUNICATION
OF THE NASDAQ OMX STOCKHOLM
LARGE CAP INDEX COMPANIES 2017

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STOCKHOLM SCHOOL OF ECONOMICS

MISUM

1. FOREWORD

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Published in September 2017, this second "Walking the Talk" report explores how Sweden's largest listed companies communicate their sustainability work. The report analyses what companies communicate: what they say that they will do, and what they say they have done within Sustainability/Corporate Responsibility (S/CR). We call this their "talk" and "walk". The study was conducted by the Mistra Center for Sustainable Markets (Misum) at the Stockholm School of Economics. The data was collected and coded by SSE students Chengcheng Qu and Jonas Skilje under the leadership of Associate Professor Lin Lerpold.

The main aim of this report is to explore sustainability communication by companies listed on the Nasdaq OMX Stockholm Large Cap index, of which there were 90 as of summer 2017. In this population only two companies were excluded from the analysis. In particular, we hoped to understand what information external stakeholders could understand about companies' sustainability strategies and initiatives, as well as the extent to which those companies report on implementation. Our variables and indicator schemes are broadly based in extant research and have support in practitioner best practice as it relates to corporate sustainability communication. The variables scored were kept exactly the same as for the first study conducted in 2015 to facilitate understanding of whether the companies had improved on their reporting. Our purpose was to facilitate the inclusion of external stakeholders' input into discussions around corporate sustainability communication and how it can be developed. By comparing the corporate communication of different companies, we hope to support the development of clearer and more coherent S/CR communication across different sectors, and to identify companies that can serve as role models to others.

The channels we examined were corporate websites between May and August 2017, along with sustainability reports and annual reports for the financial year 2016. Altogether, more than 14,000 pages of data were coded according to the defined key performance indicators in the qualitative software program NVIVO. After an initial scoring, all companies were given the opportunity to check their own scores and cite clearly published omissions. For 10 companies we amended our scoring for omissions. We deliberately chose to include only publicly available information in our study, but appreciate that publicly communicated sustainability efforts may exclude key initiatives not yet finalized or published. Furthermore, we are also aware that sector, size and governance may have an impact on indicators, and that the indicators themselves are open to discussion. Nonetheless, like in other studies, we believe that publicly available information is the most relevant material to examine since; 1) it is what is accessible to external stakeholders, and 2) it has important signaling effects. We also believe that comparing companies through what they communicate is powerful and can form the basis for further constructive development.

2. EXECUTIVE SUMMARY

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In this second study, we find that the Nasdaq OMX Large Cap companies continue to "talk" more than they "walk". For instance, 83 percent of the listed companies (73 companies) communicate more about S/CR (in general) than about specific actions related to their communicated aspirations. This is a slight improvement compared to the 2015 study where 88 percent talked more than they walked. The average talk and walk scores are overall higher than in the previous study. The average talk score is 12 and the average walk score is 9 for 2017, compared to 9,6 and 6,1 in 2015. Companies are thus both talking and walking more in 2017.

Most interestingly, we can see that the large cap companies have moved S/CR issues higher up on the strategic agenda gleaned through analysis of their CEO statements, mission, vision and core values. Though showing a significant increase from 2015, only 43 percent of the companies have a leadership team with an explicit formal responsibility for S/CR matters and only 33 percent have a gender-balanced Boards of Directors. Of the 67 percent of the boards that exhibit gender unbalance, there is not a single company in which the number of women outnumbers the number of men.

Another interesting finding is that almost all companies (90 percent) have defined S/CR targets, and that these targets typically address more than one dimension of S/CR. Similarly, S/CR policies are widely publicized and often integrated into the companies' Codes of Conduct. Where companies have such policies, reports on follow-up actions in the area of environment is the most common (97 percent of all companies have such a policy and 90 percent report following up) while reports on supplier code follow up remains to be improved (69 percent publish their supplier code of conduct but only 30 percent publish concrete information on supplier follow up).

Positively, 92 percent of the companies now have a human rights policy (up from 72 percent in 2015) and 70 percent of the companies publish information on how they follow up their policies (up from 46 percent in 2015).

Finally, companies continue to be short term in their S/CR aspirations. Very few companies communicate S/CR goals beyond 2020; only 8 percent or 7 companies.

3. INTRODUCTION

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3.1 ABOUT US

The multi-disciplinary sustainability center, Misum, was launched in January 2015 with three distinct pillars: research, education and outreach. On initial funding from The Swedish Foundation for Strategic Environmental Research (Mistra), Misum aims to go beyond traditional research to create research-based and business-relevant solutions for sustainable markets. The researchers of Misum aspire to generate concrete solutions and processes that contribute directly to sustainable economic development and by doing so creating a world-class, multi-disciplinary center of excellence that will enhance the understanding for, and create new insights into, sustainable markets. Misum functions as a platform and meeting place for many kinds of national and international stakeholders: academics, practitioners, policymakers and civil society organizations. Misum's mission includes educating future leaders, providing expert advice to policy makers and collaborating with companies and other research centers.

3.2 BACKGROUND AND AIM

The role of business in society has often been problematized and different views on what responsibility companies have in society has been debated forever. Sustainability/Corporate Responsibility (S/CR) is not a univocal concept, let alone a set of clear-cut practices embedded in practitioner or academic consensus. We view S/CR broadly. We have operationalized it through 26 key performance indicators (KPIs) that cover the areas considered to be pertinent; namely economic, environmental and social sustainability.

At the practitioner level, growing stakeholder pressure to hold companies accountable for their social and environmental externalities has been accompanied by a proliferation of voluntary S/CR reports, S/CR ratings and rankings. Reporting on environmental and social matters has been commonplace for many decades, with a particular

growth over the past decade. Today, S/CR reporting has become a key way in which companies communicate with diverse stakeholders about their S/CR activities and has become a way to achieve legitimacy, brand their companies as well as serve as aspiration.

Publicly available information is often the only way stakeholders find out about a company's S/CR work and activities, yet are often argued to be superficial or window dressing by external stakeholders. Consequently, companies and their managers are asked to walk their S/CR-talk; that is, to practice what they preach.

At a practice level, we know little about practitioners' interpretations and conceptualizations of S/CR. Although some scholars suggest that aspirational S/CR talk has performative qualities and thus effects companies' actual S/CR performance, no significant studies have been done to trace how corporate action is related (or unrelated) to corporate aspirations. No studies have been made to investigate if, and in which case how, there are any differences in this regard between corporations on the Large Cap Index.

As mentioned, the main aim of our study is to map and examine the sustainability communication among Swedish Large Cap companies. In order to contribute to sustainable economic development of Swedish companies and to develop concrete solutions and processes it is highly important to get a deeper understanding of Swedish companies' current S/CR communication and performance. Further, it is highly important to get qualified insights into the ways these important market players think about sustainability. This study therefore looks at the largest listed Swedish companies, zooming in on both what they say ("talk") and what they do ("walk") when it comes to S/CR. Based on this comparison, we have then mapped their talk and walk scores in order to compare them to each other, and across companies. In so doing, we hope to support the development of clear and coherent S/CR communication

standards across different sectors and help identify companies that can serve as role models to others.

3.3 OVERVIEW AND RESEARCH DESIGN

We scored each company on what they say that they will do, and what they say that they have done with regards to S/CR. KPIs from the talk section relate to corporate communications on sustainability, while KPIs from the walk section assess the information that is available on the follow-up and the actual sustainability work. Companies could score a maximum of 17 points for "talk" and a maximum of 17 points for "walk" communication.

We decided to assess a wide range of different KPIs in order to comprehensively examine the companies' communication with regards to S/CR. There were 26 KPIs in total. Twenty of these made use of a binary scale (0 or 1) and six made use of a scale from either 0 to 2 or 0 to 3. Note that we only included indicators that we could measure for all of the companies in the sample and that are relevant for all companies, irrespective of sector. The scoring scheme enabled us to compare the level of *talk*, as well as the level of *walk*, for all companies. In addition, we calculated the difference between these companies' *talk* and *walk*.

Each company was given an opportunity to respond to its own score and any omissions prior to the publication of this report. Twenty-eight companies questioned their scores within the 27 days we gave them to respond, while two more companies contacted us a few days after the deadline. Based on their feedback we updated some scores, in particular on policies and follow-up actions we had clearly missed. We assessed the material through the lenses of an external stakeholder and if, from this point of view, no clear connection to S/CR could be identified, no points were awarded.
For more information on the different KPIs and the scoring scheme, please see Tables 2 and 3.

3.4 COMPANY SELECTION

The study uses a sample of 88 companies from seven different sectors and represents the largest companies in Sweden. Out of the population of 90 companies, two companies had to be excluded. ABB Ltd. was excluded because their

sustainability report was not available within the time frame of this study. Ahlstrom-Munksjö Oyj was excluded because their recent merger in 2017 made it impossible to score the company's performance as a whole. As such, we examined those companies that have a market value over one billion euro and are therefore listed on the Nasdaq OMX Large Cap Index in Stockholm. Please note that our selection of companies represents the companies listed on the Index as of May 2017. We relied on Nasdaq OMX's defined sectors, derived from the ICB sector classification. [1]

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1. The Industry Classification Benchmark (ICB) is a product of FTSE International Limited. It is a detailed and comprehensive structure for sector and industry analysis, facilitating the comparison of companies across four levels of classification and national boundaries. The classification system allocates companies to the subsectors whose definition closely describes the nature of its business as determined from the source of its revenue or the source of the majority of its revenue.

Sector	No. of companies
Basic Materials	7
Consumer Goods	9
Consumer Services	8
Financials	29
Health Care	5
Industrials	21
Oil and Gas	1
Technology	4
Telecommunications	4
Total	88

Table 1: The Nasdaq OMX companies included in this study, by sector.

3.5 INFORMATION SELECTION AND SCREENING

We assessed the available materials from each company for the 2016 financial year. These data sources include annual reports, sustainability/corporate governance reports, Codes of Conduct and policies. In total, we screened approximately 14,000 pages of corporate information. In addition, we also included the websites of all sample companies in the study. S/CR initiatives that were not communicated through these materials were not included in our analysis.

4. RESULTS

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Each company's position is plotted, based on its score in the *talk* section (x-axis) and its score in the *walk* section (y-axis) in Figure 1. The dotted lines show the average *talk* and *walk* score for the sample. Tables 2 and 3 show the composition of the metrics, as well as the frequency distribution of companies in each scoring metric. The orange circles represent the companies that scored the same amount of points in the *talk* and the *walk* section. Further, the companies that score higher in the *walk* section than in the *talk* section are highlighted using green circles.

For this graph we use the average *talk* and *walk* score levels (the dotted lines) to divide the results into four quarters. The bottom left quarter shows the companies with *talk* and *walk* scores below the average, or what we have called **silent low-performers.** The top left quarter shows the companies that have a *walk* score above average but a *talk* score below average, or what we call **silent walkers.** The bottom right quarter shows the companies that have a *walk* score below the average but a *talk* score above the average. We call them **talking low-performers.** The final, top right, quarter shows the companies that have a *talk* and a *walk* score that is higher than the average. We labelled these companies **talking walkers.**
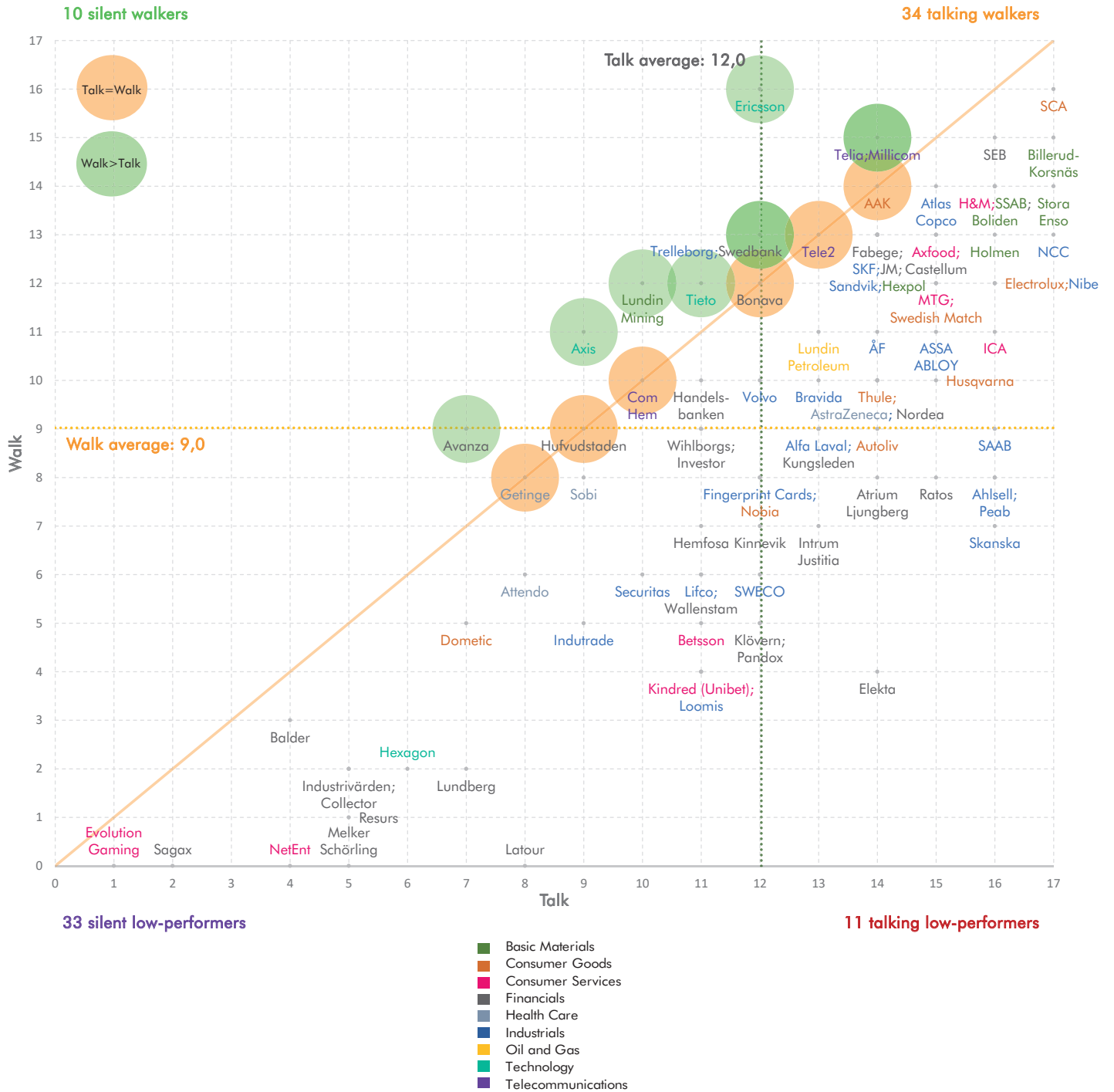
Figure 1: Relative performance of companies listed on the Nasdaq OMX Large Cap Index.

TALK KPIs: COMPOSITION AND DISTRIBUTION – PERCENTAGES FOR 2015 IN (BRACKETS)

focus area	KPIs	description	point range/ distribution	scoring — 0 points	scoring scale — prerequisite for 1 point	prerequisite for 2 points	prerequisite for 3 points
COMMUNICATED S/CR — This focus area contains KPIs that measure if S/CR is part of a company's self presentation.	**Website**	The group website is a key communication tool for companies and is an essential source of information for many differnet stakeholders.	0–2 points	No or very little S/CR information is communicated through the group website. Further, this information is not easy to find.	S/CR information is part of the website and can be found easily.	S/CR information is highlighted on the start page and a major part of the website is devoted to it. Additionally, a wide range of different materials on the topic are provided through it.	—
			% of companies:	**8% (8)**	**35% (39)**	**57% (53)**	—
	CEO statement	The CEO statement in the annual report reflects which areas the company considers most important to stakeholders. Emphasizing S/CR in the CEO statement signals executive commitment to S/CR as well as understanding for stakeholder interest.	0–1 points	The CEO statement does not cover S/CR.	The CEO statement covers S/CR.	—	—
			% of companies:	**25% (37,5)**	**75% (62,5)**	—	—
		The mission statement is critical as it is a written declaration of an organization's core purpose and focus.	0–1 points	The mission statement does not encompass S/CR.*	The mission statement encompasses S/CR.	—	—
			% of companies:	**65% (76)**	**35% (24%)**	—	—
		The vision statement is connected to a company's mission and is the aspirational description of what an organization strives to achieve in the mid- or long-term future.	0–1 points	The vision statement does not encompass S/CR.*	The vision statement encompasses S/CR.	—	—
			% of companies:	**67% (75)**	**33% (25)**	—	—
	Mission Vision Core values	The core value statement summarizes what is most important to a company.	0–1 points	The core value statement does not encompass S/CR.*	The core value statement encompasses S/CR.	—	—
			% of companies:	**62,5% (62,5)**	**37,5% (37,5)**	—	—

All three concepts present important communication messages because they are long-term oriented and show how a company defines it identity and its role in the business world and in society. Moreover, they provide insights into an company's underlying beliefs and values. Highlighting S/CR in these concepts depict a strong signal for a company's concern for the matter.

* Or companies that do not have or do not communicate such a statement.

focus area	KPIs	description	point range/ distribution	scoring — 0 points	scoring scale — prerequisite for 1 point	prerequisite for 2 points	prerequisite for 3 points
STRATEGIC DIRECTION — This focus area contains KPIs that measure if S/CR is embedded in the communicated overall planning and strategic direction of an organisation.	**S/CR in Corporate Strategy**	The corporate strategy plays an important role in corporate communication as it serves as a plan for the upcoming reporting period and reveals the main strategic themes of the corporation. It reflects to what extent S/CR is considered a business imperative and part of the core strategy.	0–2 points	The corporate strategy does not refer to S/CR.	S/CR is part of the corporate strategy, but is described in general terms and not specified as an own strategic theme.	S/CR is a critical part of the core strategy, reflected through an own strategic theme.	—
			% of companies:	**45% (56)**	**5% (22)**	**50% (22)**	—
	S/CR in Risk Mgmt Section	The risk management section of the annual report provides information on key risks a company has identified and how it plans to mitigate them.	0–1 points	The risk management section does not encompass S/CR issues.	The risk management section encompasses S/CR issues.	—	—
			% of companies:	**24% (50)**	**76% (50)**	—	—
	Defined S/CR Targets	In order to be a good corporate citizen and to take responsibility for their operations many companies develop sustainability strategies and define S/CR targets.	0–2 points	No targets that address S/CR are defined.	Defined targets are address only one aspect of S/CR, for example environmental topics.	Defined targets are communicated that address a range of dimensions of S/CR, for example environmental, as well as, social goals.	—
			% of companies:	**10% (30)**	**15% (19)**	**75% (51)**	—

			A ... is not publicly available	A ... is publicly available	
PRINCIPLED COMMITMENT This focus area contains KPIs that evaluate which different polices a company has defined.	**Code of Conduct**	A CoC is a written set of principles that is issued by an organization to its employees and management and that forms the basis for what is expected from them. Further, it is intended to be a manual that that offers support in day-to-day decision-making.	0–1 points	A CoC is not publicly available.	A CoC is publicly available.	—
			% of companies:	13% (10)	87% (90)	—
	Supplier Code of Conduct	A Supplier CoC is a set of rules outlining the social norms and responsibilities of, or proper practices for a company's suppliers.	0–1 points	A Supplier CoC is not publicly available.	A Supplier CoC is publicly available.	—
			% of companies:	31% (44)	69% (56)	—
	Human Rights Policy	A Human Rights Policy encompasses a company's stance on Human Rights issues.	0–1 points	A Human Rights Policy is not publicly available nor is a part of the CoC dedicated to this topic.	A Human Rights Policy is publicly available or a part of the CoC is dedicated to this topic.	—
			% of companies:	8% (28)	92% (72)	—
	Employee Health and Safety Policy	An Employee Health and Safety Policy encompasses a company's stance on issues regarding its employees' well-being.	0–1 points	An Employee Health and Safety Policy is not publicly available nor is a part of the CoC dedicated to this topic.	An Employee Health and Safety Polic Policy is publicly available or a part of the CoC is dedicated to this topic.	—
			% of companies:	8% (51)	92% (49)	—
	Anti-Corruption Policy	An Anti-Corruption Policy describes how a company handles the problem of corruption.	0–1 points	An Anti-Corruption Policy is not publicly available nor is a part of the CoC dedicated to this topic.	An Anti-Corruption Policy is publicly available or a part of the CoC is dedicated to this topic.	—
			% of companies:	10% (10)	90% (90)	—
	Environment Policy	An Environmental Policy describes a company's philosophy, intentions and objectives regarding the environment.	0–1 points	An Environment Policy is not publicly available nor is a part of the CoC dedicated to this topic.	An Environment Policy is publicly available or a part of the CoC is dedicated to this topic.	—
			% of companies:	3% (29)	97% (71)	—

Table 2: The composition of the "talk" KPIs and frequency distribution of the companies' performance.

WALK KPIs: COMPOSITION AND DISTRIBUTION – PERCENTAGES FOR 2015 IN (BRACKETS)

focus area	KPIs	description	point range/distribution	scoring — scoring scale			
				0 points	prerequisite for 1 point	prerequisite for 2 points	prerequisite for 3 points
REPORTING ACCOUNTABILITY This focus area contains all KPIs that aim at measure the degree to which a company reports in an accountable manner.	**Integrated Reporting**	Integrated Reporting describes a reporting practice that concisely communicates on organization's strategy, governance, performance and prospects, in the context of its external environment. It is an holistic review on the creation of value over time and connects reporting an financials with sustainability performance. The <IR> standard by the IIRC is given to companies whose reporting is in line with the framework.	0–1 points	The reporting is not in accordance with the standard.	The reporting refers to the IIRC or the International Framework, or is influenced by the Framework through participation in Networks.	—	—
			% of companies:	93% (99)	7% (1)		
	External Assurance	External assurance of S/CR reporting gives credibility to the provided information and the perception of the company as transparent and reliable.	0–1 points	No external assurance of S/CR reporting.	External assurance of S/CR reporting.	—	—
			% of companies:	68% (65)	32% (35)		
	GRI Reporting	GRI 3 and and to a greater extent GRI 4 cover a wide range of different aspects and are a helpful source of information for external stakeholders when evaluating sustainability performance and transparency.	0–2 points	The reporting is not in accordance with any of the GRI frameworks.	The reporting is in accordance with the GRI 3 framework.	The reporting is in accordance with the GRI 4 framework.	—
			% of companies:	40% (33)	2% (31)	58% (36)	
FOLLOW-UP ACTIONS This focus area contains KPIs that assess if communicated targets, codes and policies are followed up.	**Defined S/CR Targets Follow-up**	S/CR targets need to be defined in a quantifiable way, with regard to scope and time frame. Further, the disclosure of actual performance towards goal achievement and the embedding of targets in a longer-term oriented sustainability strategy are other aspects that increase the quality of a company's S/CR targets.	0–3 points	S/CR targets are not defined at all, or they are not defined in a quantifiable way. (This means that the scope of the target is not clearly named and/or that no due date is stated.)	S/CR targets are defined and quantifiable with regard to scope time.	S/CR targets are defined and are quantifiable with regard to scope and time. Additionally, the company reports on its current performance towards goal achievement.	S/CR targets are defined and they are quantifiable with regard to scope as well as, time. Additionally, the company does not only report on its current performance towards goal achievement but also embeds its targets in a longer-term sustainability strategy.
			% of companies:	31 (33)	2% (14)	19% (39)	48% (14)
	Supplier Code of Conduct Follow-up	The follow-up of the Supplier Code of Conduct serves as an effective tool to put S/CR into practice. The audit of suppliers' compliance with the code is way to do so. A company can express its concern for this matter further by disclosing not only the number of audits but additionally, the share of audited suppliers to all suppliers.	0–2 points	There is no information regarding a follow-up on an existing Supplier Code of Conduct.	There is a Supplier Code of Conduct and the number of audits on suppliers' compliance is disclosed, as well.	There is a Supplier Code of Conduct and the number of audits on suppliers' compliance is disclosed, as well. Additionally the share of audited to all suppliers is disclosed.	—
			% of companies:	51% (53)	19% (29)	30% (18)	
	Human Rights Policy Follow-up	The follow-up of the Human Rights Policy serves as an effective tool to put S/CR into practice.	0–1 points	There is no information regarding a follow-up on an existing Human Rights Policy.	There is information regarding a follow-up on an existing Human Rights Policy.	—	—
			% of companies:	30% (54)	70% (46)		

Table 3: The composition of the "walk" KPIs and frequency distribution of the companies' performance.

Category	KPI	Description				
FOLLOW-UP ACTIONS (Continued from previous page)	**Employee Health and Safety Policy Follow-up**	The follow-up of the Employee Health and Safety Policy serves as an effective tool to put S/CR into practice.	0–1 points	There is no information regarding a follow-up on an existing Employee Health and Safety Policy.	There is information regarding a follow-up on an existing Employee Health and Safety Policy.	—
			% of companies:	23% (71)	77% (29)	—
	Anti-Corruption Policy Follow-up	The follow-up of the Anti-corruption Policy serves as an effective tool to put S/CR into practice.	0–1 points	There is no information regarding a follow-up on an existing Anti-Corruption Policy	There is information regarding a follow-up on an existing Anti-Corruption Policy	—
			% of companies:	20% (31)	80% (69)	—
	Environment Policy Follow-up	The follow-up of the Environmental Policy serves as an effective tool to put S/CR into practice.	0–1 points	There is no information regarding a follow-up on an existing Environment Policy.	There is information regarding a follow-up on an existing Environment Policy.	—
			% of companies:	10% (69)	90% (31)	—
TOP-LEVEL COMMITMENT This focus area contains KPIs that assess the top-level structure and concrete actions by this level to embedd S/CR in the organization.	**CoC signed by CEO**	A signed CoC shows the importance of this document to the organization and the accountability of the CEO or President.	0–1 points	CoC is not publicly available or not signed by the CEO.	CoC is not only publicly available but signed by the CEO as well.	—
			% of companies:	53% (62,5)	47% (37,5)	—
	S/CR Executive in Group Mgmt	If the S/CR Executive is part of the group management this person possess power and decision-making authority to put S/CR on the agenda and is on eye-level with all the other "main" organisational functions. To highlight the importance of this management structure two and not just one point is given to companies with such a top-level structure.	0–2 points	The S/CR Executive is not part of the group managment team.	—	The S/CR Executive is part of the group managment team.
			% of companies:	57% (75)	—	43% (25)
	Gender Balance in Board of Directors	Sustainable and progressive companies are expected to promote gender balance and equality, not least at the top-level. Companies with a 40-60% share of either one of the genders in their BoD (excluding Employee Representatives) have been awarded points in the study.	0–1 points	The share of either gender in the Board of Directors is not in the range of 40-60%.	The share of either gender in the Board of Directors is in the range of 40-60%.	—
			% of companies:	67% (89)	33% (11)	—

5. MAIN FINDINGS

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The following sections present our five main findings in detail.

#1 Companies continue to *talk* more than they *walk*

- Overall, 83 percent of the companies (73 companies) *talk* more about S/CR in general than about specific undertakings as part of their communicated aspirations and S/CR practices.

- Four companies managed to score the maximum of 17 points for the *talk* side, while the highest score for *walk* was 16 out of 17 points, obtained by two companies.

- We group the companies into four categories: *Silent walkers* (10 companies), *silent low-performers* (33 companies), *talking low-performers* (11 companies) and *talking walkers* (34 companies).

- Only 9 companies (10 percent) score higher in their walk than in their talk, and only 6 companies (7 percent) achieve the same scores in both sections.

- On average the companies score 12.0 points out of 17 points for talking and 9.0 points out of 17 points for walking (the mean score). However, there are smaller differences between companies when it comes to *talk* (a standard deviation of 3.7) than when it comes to *walk* (a standard deviation of 4.3).

Did the companies in the sample walk their S/CR talk?

- Talk score > Walk score
- Talk score < Walk score
- Talk score = Walk score

83% 10% 7%

no. of companies 0 4 8 12 16 20 24 28 32 36 40 44 48 52 56 60 64 68 72 76 80 84 88
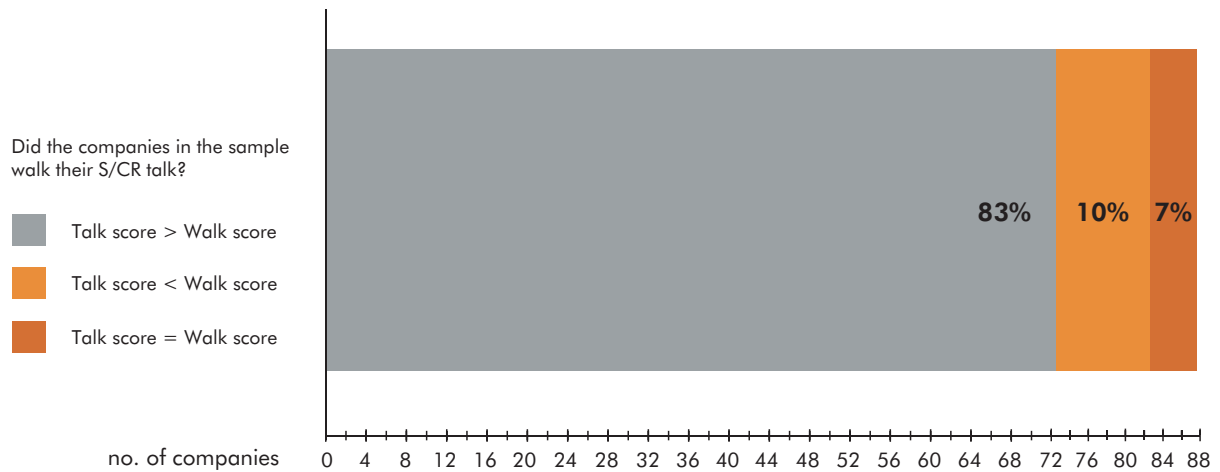
Table 4: Companies *talk* more than they *walk*.

#2 Almost doubled but still low top-level commitment

The formal structures of the companies do not sufficiently reflect S/CR importance.

- Among the companies, 57 percent do not have a leadership team with an explicit formal responsibility for handling S/CR matters.

- Moreover, 67 percent of the companies have a board of directors with an unbalanced share of women and men. We define a board of directors as "balanced" if each gender occupies a minimum of 40 to 60 percent of board seats.

Is the S/CR Executive part of the group management team?
57% **43%**

Are both genders equally represented; that is, do both men and women occupy 40 to 60 percent of Board of Director seats?
67% **33%**

no. of companies 0 4 8 12 16 20 24 28 32 36 40 44 48 52 56 60 64 68 72 76 80 84 88

The prerequisites are not fulfilled.

The prerequisites are fulfilled

Table 5: Top-Level Commitment to S/CR is low.

#3 S/CR Targets are prevalent and multi-faceted

The majority of the Nasdaq OMX large companies (90 percent) have defined S/CR targets.

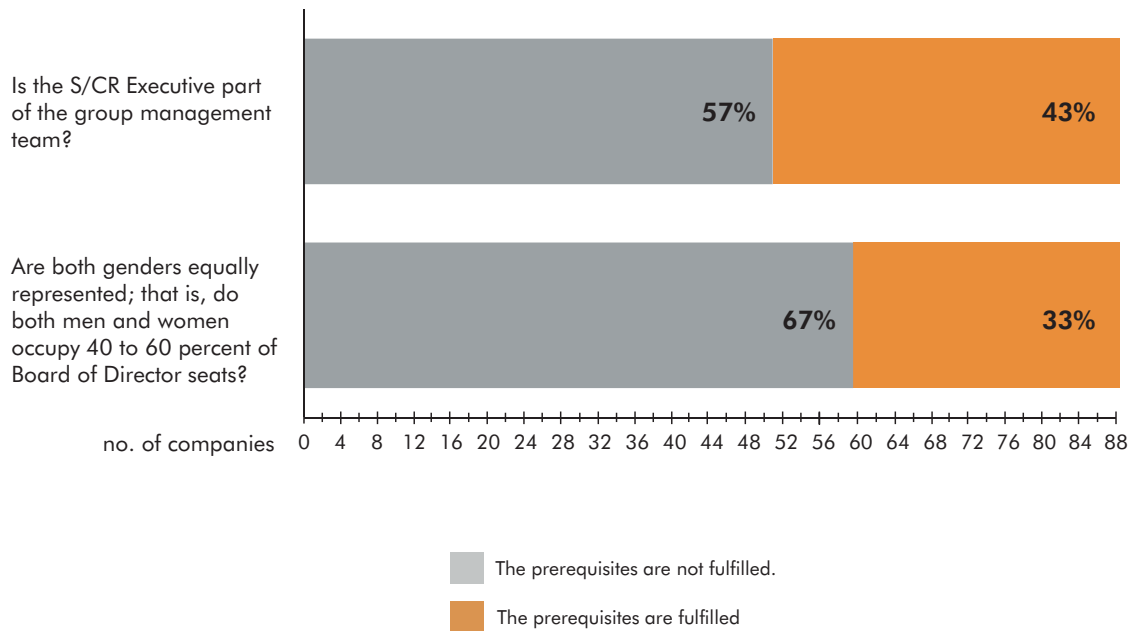• Most of these companies have targets for at least two of the environmental, social and corporate governance aspects of S/CR. Indeed, 75 percent out of the companies that have defined S/CR targets address two or more dimensions of S/CR.

However, we see that companies formulated their targets differently:

• 31 percent (27 companies) do not formulate their S/CR targets in a measurable way. This meant that neither the scope of these targets

nor the time frames for obtaining them are communicated. As a consequence, these companies do not score any points for this KPI in the walk section of the study.

• In total, 60 companies of the companies who communicated S/CR targets also talk about how well they achieved these goals. These companies make up more than half of all the sample companies, and 76 percent of those companies with defined S/CR targets.

• Interestingly, only 7 companies communicated S/CR goals extending beyond year 2020. The longest scope of the "more long-term" sustainability strategies is up to 2050. The majority of S/CR targets that we can identify within the materials therefore took a rather short-term perspective.

Are S/CR targets defined?

10% | 15% | 75%

no. of companies — 0 4 8 12 16 20 24 28 32 36 40 44 48 52 56 60 64 68 72 76 80 84 88

■ No targets are defined.
(9 companies)

■ The defined targets cover one aspect of S/CR.
(14 companies)

■ The defined targets cover two or more aspects of S/CR.
(65 companies)
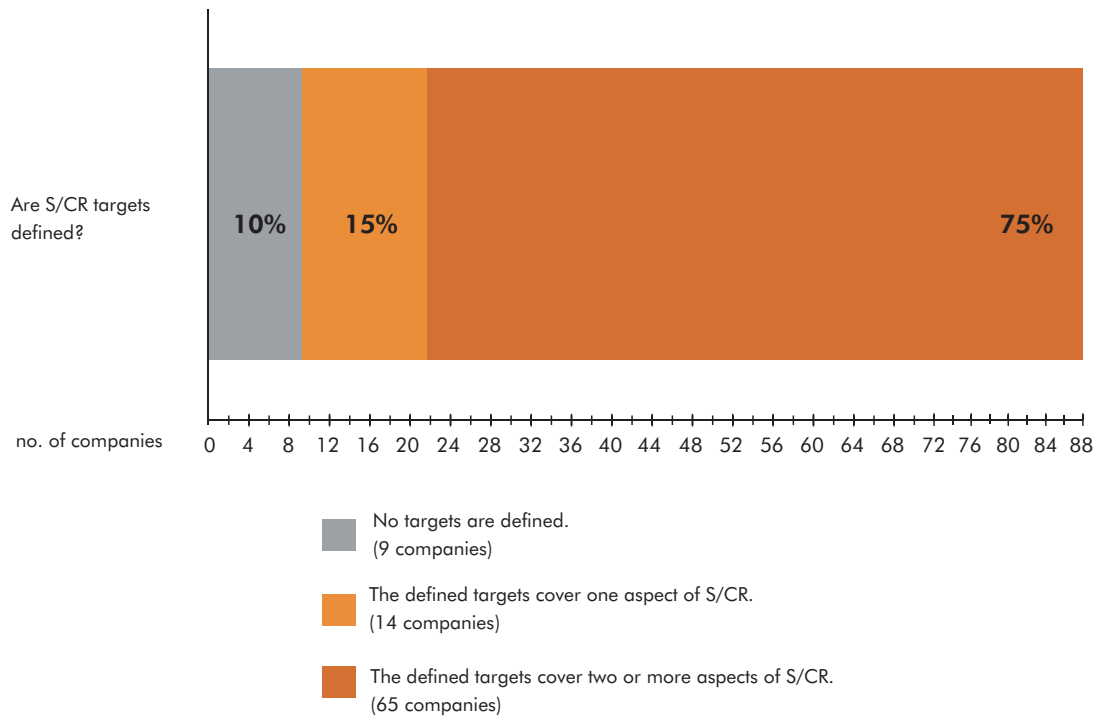
Table 6: Defined S/CR Targets are prevalent and multi-faceted.

Are S/CR targets defined?

31%	**24%**	**45%**

no. of companies: 0 4 8 12 16 20 24 28 32 36 40 44 48 52 56 60 64 68 72 76 80 84 88

■ No targets are defined or they are not defined in a quantifiable way.
(27 companies)

■ The targets' scope and time frames are defined, but not beyond 2018.
(21 companies)

■ The targets' scope and time frames are defined and extend beyond 2018.
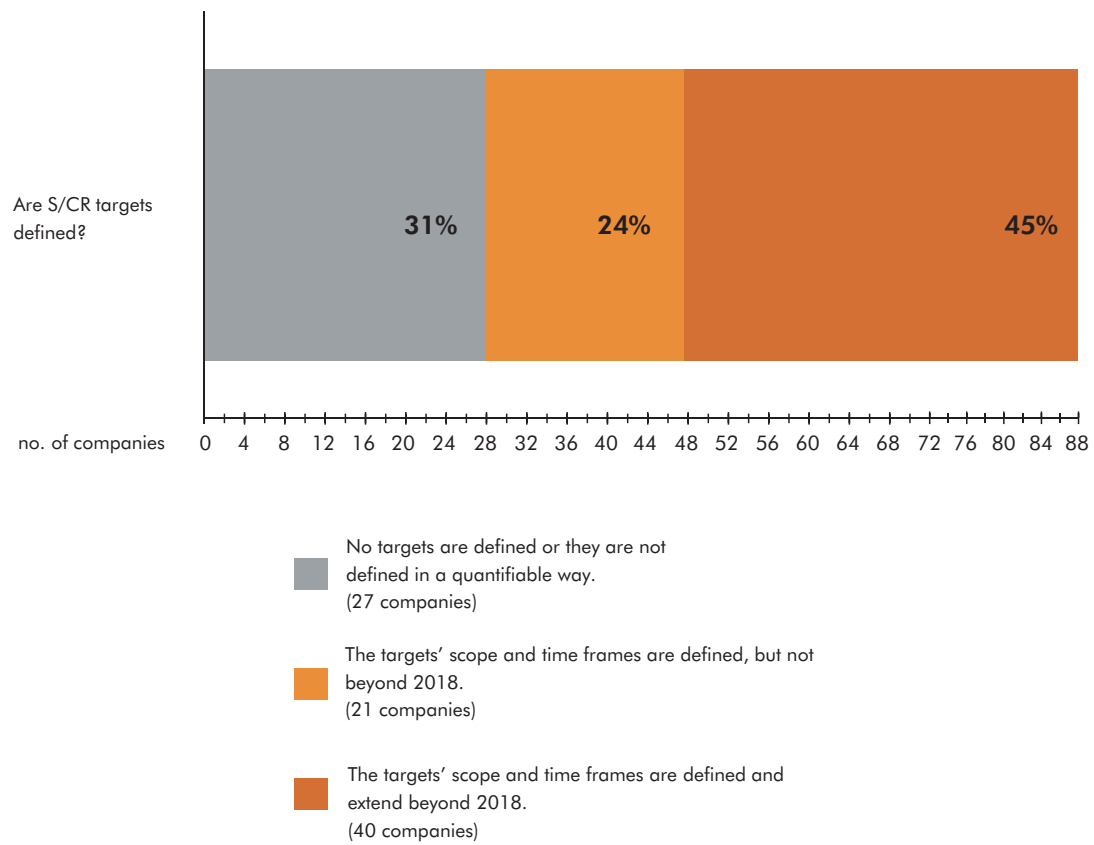(40 companies)

Table 7: Defined S/CR Targets do not show quantifiable, long-term strategies.

#4 S/CR policies are common and often integrated in the Code of Conduct

Almost all of the companies tackle one or several of the following: *Human Rights, Employee Health and Safety, Corruption* or the *Environment*. This is either through specific policies or as part of their Code of Conduct. However, companies communicate on what they do to follow up on policies to a slightly lower extent. The lowest follow-up rate was for human rights policies. Out of the 92 percent of companies that had a human rights policy, 77 percent report on follow-up actions on such a policy while out of the 97 percent of the companies that had an environmental policy, 93 percent report on follow-up actions.

• *Environment* is the area most commonly discussed by the companies examined (97 percent) followed by *human rights* and *employee health and safety* (92 percent each). These three areas are addressed by almost all companies with the help of policies or their corporate Codes of Conduct.

• Only three companies in the sample addressed none of the above mentioned S/CR aspects, whether in a separate policy or in a Code of Conduct.

Number of companies with such a policy.

Number of companies that communicate follow-up actions regarding that policy.

Follow-up level
Percentage of companies that not only communicate the respective policy, but follow-up actions, as well.
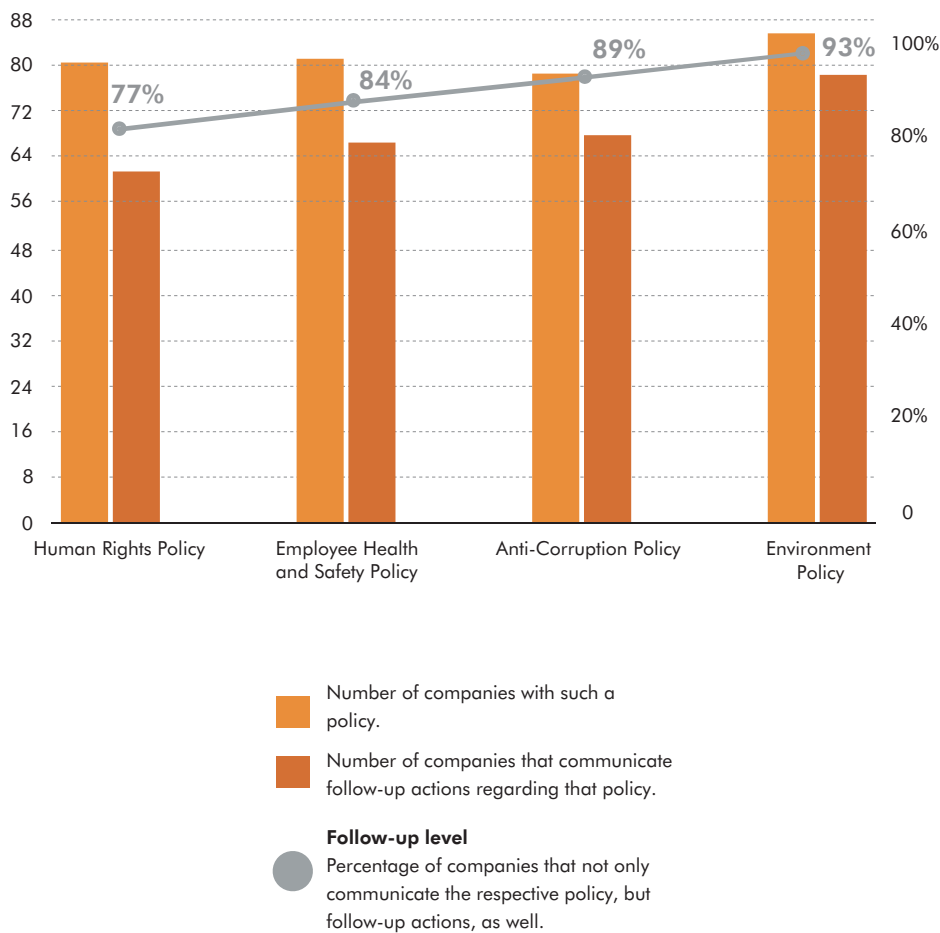
Table 8: S/CR policies are widely publicized and are often integrated in the Code of Conduct.

#5 Clear differences across industry sectors

Comparing companies' performances by sector reveals additional interesting findings. However, these findings should be used with some reservation, as some sectors are represented through a much smaller number of companies in the sample than others:

- Companies from sector *Basic materials*, making up 8 percent of the companies, have on average the highest *talk* score in the sample (15.1 points), whereas companies from the sector *Technology,* making up 4.5 percent of the total, score on average only 9.5 points and also have the smallest average *talk* score.

- Companies from the sector *Basic materials* have, on average, the highest *walk* among all Nasdaq OMX Large Cap companies (13.6 points), while companies from the sectors

Financials and *Health Care* have an average score of only 7.1 and 7.2 points respectively and have the smallest average *walk* scores.

- The 10 companies with the highest total scores came from five different sectors (*Basic materials, Industrials, Consumer goods, Consumer services* and *Financials*).

- Please note that the *Financial* companies in our study generally communicate less on S/CR matters than e.g. *basic materials* and *consumer goods* companies. This might be expected as investment companies' environmental and social impact is reflected in the companies in which they invest, rather than through their own operations. These companies generally have relatively fewer employees and a business model that builds on investments and not production. Nevertheless, there is room for improvement for the S/CR communication regarding how these investments are made.
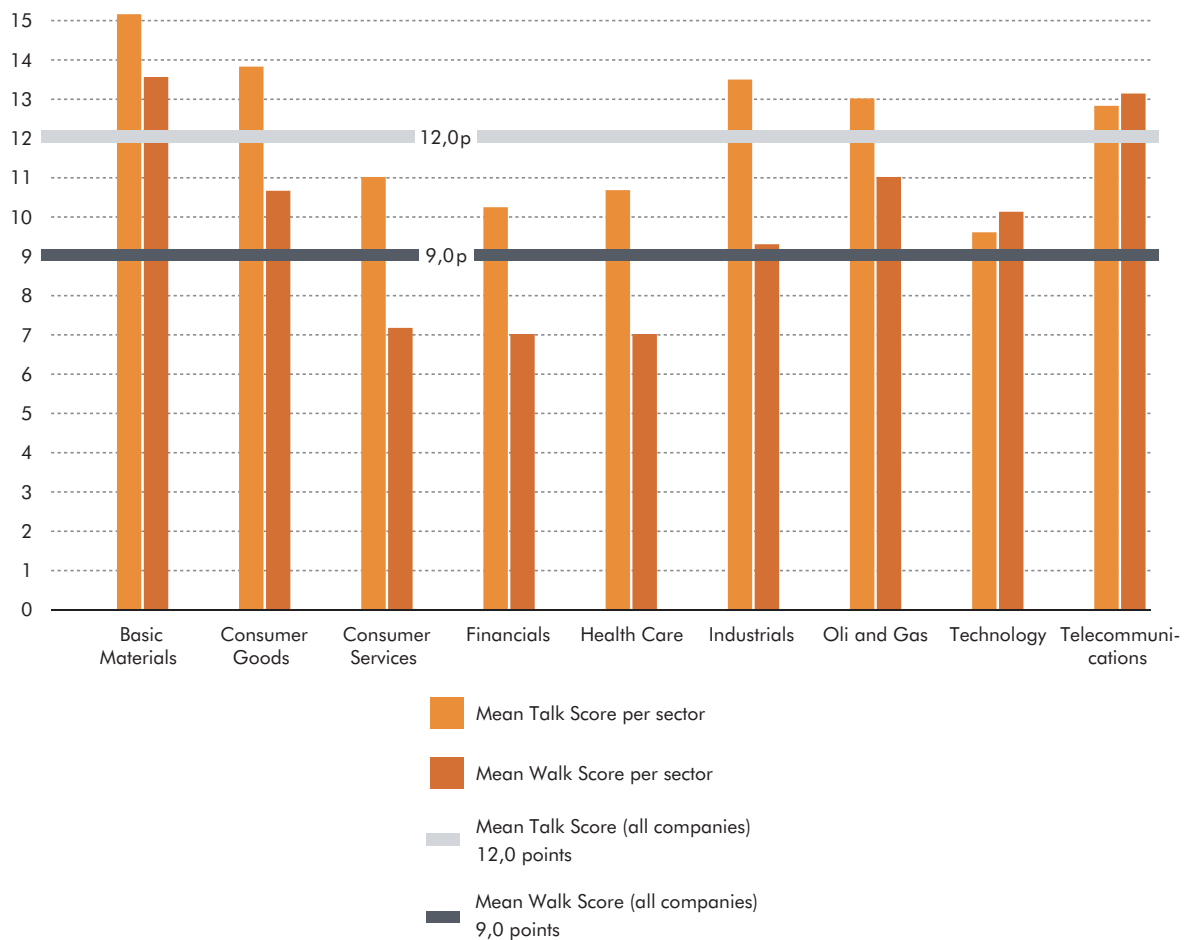

Table 9: *Walk* and *talk* levels differ between different industry sectors.

#6 Improvements between 2015 and 2017

A number of interesting changes can be seen between the two reports:

- Companies seem to have moved S/CR up on the strategic agenda. There is a significant increase in the number of companies who communicate S/CR in their CEO statements and in the companies' missions and visions.

- S/CR is communicated as a critical part of the core strategy for 50% of the companies whereas only 22% reported that in the 2015 study. Also, 75% of the companies communicate defined targets which is a significant improvement from the last study (51%).

- Companies have started publishing their codes of conduct and policies to a larger degree. Especially on human rights policies and HSE, there is a marked increase of companies communicating their policies (92% of the companies).

- A few more companies have started to attempt integrated reporting but only 7%, up from 1% last time (Atlas Copco, Axfood, Boliden, Kinnevik, Millicom & Tieto). 58% of all the companies report according to GRI4 but only a third have any form of external assurance of their S/CR report.

- A significant number more of the companies report measurable S/CR targets and embed their targets in their larger sustainability strategy, up from 14% in 2015 to 48% in 2017. Moreover, 30% (up from 18%) of the companies publish detailed information on their supplier audits.

- Substantial improvement between the two studies has been made in communicating how the companies are following up their policies, especially in Human Rights (from 48 to 70%); HSE (from 29% to 77%) and Environment (from 31% to 90%).

- There is a slight improvement in CEOs signing the companies' CoC. More interesting is that there is a marked increase in S/CR responsible in the executive management (up from 25% to 43%). Only 33% of the companies have a gender-balanced board.

- Only 7 companies report goals beyond 2020: Atrium Ljungberg, AstraZeneca, Holmen, Investor, JM, SKF & Stora Enso.

6. APPENDIX

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COMPANY SCORES ACCORDING TO SECTOR

APPENDIX						
	Talk	**2017 Walk**	**Total**	**Talk**	**2015 Walk**	**Total**
TELECOMMUNICATIONS						
Com Hem Holding	10	10	20	2	0	2
Millicom International Cellular SDB	14	15	29	11	11	22
Tele2	13	13	26	8	5	13
Telia Company	14	15	29	14	9	23
TECHNOLOGY						
Axis	9	11	20	7	8	15
Ericsson	12	16	28	12	11	23
Hexagon	6	2	8	7	2	9
Tieto	11	12	23	9	8	17
OIL AND GAS						
Lundin Petroleum	13	11	24	12	6	18
INDUSTRIALS						
ASSA ABLOY	15	11	26	11	8	19
Ahlsell	16	8	24			
Alfa Laval	13	9	22	13	6	19
Atlas Copco	15	14	29	15	13	28
Bravida Holding	13	10	23			
Fingerprint Cards	12	8	20			
Indutrade	9	5	14	9	2	11
Lifco	11	6	17	3	0	3
Loomis	11	4	15	7	0	7
NCC	17	13	30	15	11	26
Nibe Industrier	16	12	28	14	8	22
Peab	16	8	24	11	7	18
SAAB	16	9	25	12	3	15
Sandvik	14	13	27	12	6	18
Securitas	10	6	16	10	6	16
Skanska	16	7	23	11	5	16
SKF	14	13	27	13	11	24
SWECO	12	6	18			
Trelleborg	12	13	25	10	9	19
Volvo	12	10	22	16	12	28
ÅF	14	11	25			
BASIC MATERIALS						
BillerudKorsnäs	17	15	32	14	12	26
Boliden	16	14	30	14	9	23
Hexpol	14	13	27	11	10	21
Holmen	16	13	29	14	10	24
Lundin Mining Corporation SDB	10	12	22	9	4	13
SSAB	16	14	30	14	3	17
Stora Enso	17	14	31	17	14	31

	Talk	2017 Walk	Total		Talk	2015 Walk	Total
CONSUMER SERVICES							
Axfood	15	13	28		15	9	24
Betsson	11	5	16		9	3	12
H&M	16	14	30		15	14	29
ICA Gruppen	16	11	27		13	8	21
Kindred Group (Unibet)	11	4	15				
MTG	15	12	27		9	7	16
NetEnt	4	0	4				
Evolution Gaming Group	1	0	1				
CONSUMER GOODS							
AAK	14	14	28		10	11	21
Autoliv SDB	14	9	23		8	1	9
Dometic Group	7	5	12				
Electrolux	16	12	28		14	7	21
Husqvarna	15	10	25		10	6	16
Nobia	12	8	20		9	3	12
SCA	17	16	33		15	13	28
Swedish Match	15	12	27		9	5	14
Thule Group	14	10	24				
HEALTH CARE							
AstraZeneca	14	10	24		12	4	16
Attendo	8	6	14				
Elekta	14	4	18		7	3	10
Getinge	8	8	16		7	5	12
Swedish Orphan Biovitrum	9	8	17		8	2	10
FINANCIALS							
Atrium Ljungberg	14	8	22		11	4	15
Avanza Bank Holding	7	9	16				
Balder	4	3	7		2	0	2
Bonava	12	12	24				
Castellum	15	13	28		9	6	15
Collector	5	2	7				
Fabege	14	13	27		9	7	16
Handelsbanken	11	10	21		4	5	9
Hemfosa Fastigheter	11	7	18				
Hufvudstaden	9	9	18		3	4	7
Industrivärden	5	2	7		2	0	2
Intrum Justitia	13	7	20		8	1	9
Investor	11	9	20		5	3	8
JM	14	13	27		10	7	17
Kinnevik	12	7	19		5	2	7
Klövern	12	5	17				
Kungsleden	13	9	22				
Latour	8	0	8		4	0	4
Lundbergföretagen	7	2	9				
Melker Schörling	5	0	5		4	0	4
Nordea Bank	14	10	24		10	8	18
Pandox	12	5	17		0	0	0
Ratos	15	8	23		8	3	11
Resurs Holding	5	1	6				
Sagax	2	0	2				
SEB	16	15	31		8	11	19
Swedbank	12	13	25		11	10	21
Wallenstam	11	6	17		11	3	14
Wihlborgs Fastigheter	11	9	20				

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7. CONTACT INFORMATION

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