



## MATERIALITY IN SUSTAINABILITY REPORTING:

MULTIPLE STANDARDS AND LOOKING FOR COMMON PRINCIPLES AND MEASUREMENT. THE CASE OF THE SEVEN BIGGEST GROUPS IN SPAIN

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### **INTRODUCTION**

Of the 250 largest companies in the world (G250 companies), 95 percent now issue separate sustainability reports.

Moving forward, there likely will be greater alignment of traditional financial reporting and reporting on Environmental, Social and Governance (ESG) topics.







### FINANCIAL MATERIALITY: THE BIG BANG OF THE CONCEPT



At a corporate level, the challenge is not only to stay abreast of these conversations, but also to apply a methodology that's robust enough to definition those issues in anticipation of new disclosure requirements, and embed them into business models and long-term strategy.



Key questions become: How will you know which are the most important environmental, social, and governance issues that affect competitive performance, including?







Standards

SUSTAINABILITY REPORTING (MAJOR) STANDARD-SETTERS AND

**DEFINITION OF MATERIALITY** 

















## THE CASE OF THE SEVEN BIGGEST GROUPS IN SPAIN

Below I paste the original ranking for the seven Spanish companies included (at the moment of writing this paper the last available ranking at the date of March 31 2015).

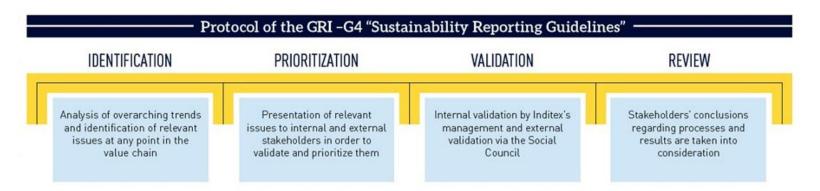


FT Globa	al 500 2015									
Market	values and	prices at 31 Mar	ch 2015							
Global rank 2015	Global rank 2014	Company	Market value \$m	Sector	Turnover \$m	Net income	Total assets \$m	Employ ees	Price \$	P/e ratio
71	58	Banco Santander	105,960.3	Banks	N/R	7,032.7	1,504,392.0	185,405	7.5	13.2
76	79	Inditex	100,013.2	General retailers	22,539.1	3,203.5	17,825.6	128,313	32.1	31.2
123	117	Telefonica	70,326.6	Fixed line telecommuni	60,915.4	3,402.7	139,579.2	123,700	14.2	19.2
138	121	BBVA	63,794.0	Banks	N/R	3,165.7	749,112.6	109,239	10.1	19.1
258	224	Iberdrola	41,179.6	Bectricity	36,314.8	2,813.2	106,328.9	28,212	6.4	14.6
442	325	CaixaBank	27,350.6	Banks	N/R	749.7	398,105.5	31,210	4.7	36.5
481	305	Repsol	25,592.9	Oil & gas producers	57,104.0	1,949.2	57,946.8	24,289	18.6	13.1



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Process of preparing the Inditex materiality matrix





The material issues were categorized according to the five areas identified by the United Nations, which encompass the 17 Sustainable Development Goals, in order to align the strategies and programmes for addressing these issues with the SDGs and their targets

50% 50%

## **ACCID** VII CONGRÉS

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100%

Partnerships • Other business aspects

#### Materiality matrix 100% 1 Commitment to customers 19 Corporate governance 2 Product quality, health and safety 20 Transparency and tax contribution 3 Product information and labelling 21 Regulatory compliance and 4 Changes in consumption habits responsible practices 22 Socio-economic impact 5 New sales channels on the community 6 Security and protection of data and information systems 23 Human rights and industrial relations in the supply chain 7 Labour practices 24 Traceability of the supply chain 8 Attracting and retaining talent 25 Responsible purchasing practices 9 Developing human capital 26 Changes in regulation 10 Health and safety of suppliers 27 Logistics model and manufacturers 28 Expansion into new markets 11 Eco-design 29 Exposure in mature markets 12 Volatility in the prices of raw materials 30 Risk management and control systems 13 Energy consumption and GHGs 14 Water consumption and 31 Investment in the community controlling discharges 32 Stakeholder engagement 15 Waste control and management and dialogue 16 Management of product end of life and circular system 17 Protecting biodiversity 18 Animal welfare 30 75% 26 28 INTERNAL RELEVANCE 29 EXTERNAL RELEVANCE

75%

Planet







## The following organizations, among others, have been consulted in the definition of material issues for 2015

Cáritas Española	Medicus Mundi		
Spanish Committee for UNHCR	International Labour Organization		
Cruz Roja	Textile Exchange		
Entreculturas	The Humane Society of the US		
Fundación SERES. Sociedad y Empresa Responsable	UN High Commission for Refugees		
IndustriALL Global Union	University of Santiago de Compostela		
Médecins Sans Frontières	Water.org		







### **CONCLUSIONS**

In order to improve things still further the following recommendations are made. Companies should be encouraged to:

- publish a quantified materiality matrix;
- disclose the underlying process and scoring mechanisms;
- provide much more detail on how company impacts are assessed;
- converge sustainability and business materiality assessments;
- consider full life cycle impacts; and
- work towards an integrated reporting platform









## THANKS FOR YOUR ATTENTION

**AND PLEASE** 

DON'T ASK TOO MUCH



















