



# 2021 EUROPEAN SUSTAINABLE INDUSTRY BAROMETER

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Assessing the maturity and integration of sustainability factors in European industry.



PART OF  
Moody's ESG Solutions

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# For Industry Federations, now is the time

*Foreword from CSR Europe*

This report has been produced in the context of an environmental crisis, marked by wildfires and floods and an unprecedented global pandemic. As the impacts of these converging social and environmental challenges become more apparent, we are seeing governments, industries and society at large rapidly rethinking how they operate. Sustainability and resilience are increasingly top of mind for these actors. Making progress on sustainability issues is not inevitable. In 2021 the International Labour Organisation (ILO) highlighted a significant rise in child labour for the first time in twenty years<sup>1</sup>. Reports from the United Nations (UN) have outlined how the global pandemic has pushed millions back into poverty and further increased the level of financing necessary to achieve the SDGs<sup>2</sup> by their 2030 deadline.

The latest report from the Intergovernmental Panel on Climate Change (IPCC)<sup>3</sup> indicated that the world would like reach or exceed, the 1.5-degree limit within the next two decades. Whilst there is more corrective action than at any other time in history to address these concerns, even more is needed. One element that is clear to all is the underlying importance of collaboration. This spirit is enshrined in Goal 17 of the UN's Sustainable Development Goals framework, 'Partnership for the Goals'. The systemic nature of the sustainability challenges that we face means that multistakeholder action is the only viable route to delivering more sustainable outcomes for more stakeholders.

In that context, industry federations are uniquely positioned to accelerate change in their sectors. They can operate as both an educator and convener. They can accelerate the speed at which industries can learn and adopt more sustainable, transformative and collaborative practices. They can reach not just across countries but also engage with small and medium sized enterprises (SMEs) whose actions are as vital as larger corporations. Industry federations are also tasked with engaging with regulators and policy makers on matters of importance to their members which gives them influence at the highest levels of power. This provides them with the ability to help nurture a policy environment for their members that allows them deliver sustainable outcomes in a more efficient manner.

It is with these dynamics in mind that we launched the 2021 Sustainable Industry Barometer (2021-Barometer). Our research was geared towards understanding the levels of maturity of industry federations from across Europe, identifying best practices and axes for improvement. Our findings reveal that while most industry federations have embedded sustainability as a key topic on their agendas fewer are directly undertaking the kinds of activities (target setting, leading impact projects, providing annual disclosures) that could accelerate the transformation of European industry. In addition, we see a real diversity of approach when it comes to articulating whether and how the SDGs are embedded into the strategies and workstreams of different federations. The 'Decade of Action' is underway and for industry federations and their members, now is the time for increasing collaboration, communication and action. We are grateful to the industry federations for participating in the interview process and to V.E. for supporting with research and data for this study.

**Stefan Crets – Executive Director, CSR Europe**



<sup>1</sup> 'Child labour rises to 160 million – first increase in two decades' - UNICEF, 09/07/2021  
<sup>2</sup> 'Impact of COVID-19 on the Sustainable Development Goals' - UNDP, 20/12/2020  
<sup>3</sup> 'AR6 Climate Change: The Physical Basis' – IPCC – 09/08/2021

### **The foundations for progress are set – but a transformation is likely needed**

Our research into the practices of industry federations showed clear differences in how they look to tackle sustainability challenges for their sectors. All industry federations appear to have embedded sustainability within their mission statement and roadmaps. This indicates that a foundation for progress has been set. However, gaps appear when we examine their approach to setting targets for their members, the provision of training and level of engagement in impact orientated projects. With the European Union having set clear targets for when it aims to achieve net-zero emissions status, a lack of industry level target setting may embed the fragmented approach to tackling ESG and Climate challenges that is visible in V.E's research on companies in Europe today. Many of the industry federations interviewed indicated that they were still in a period of ramping up their activities on sustainability issues. Some indicated that targets were being discussed internally. In order to accelerate progress at an industry level in the years ahead it will be necessary that industry federations progressively harmonise their practices whilst simultaneously transforming the manner in which they work to become more "hands-on" and ambitious in the sustainability initiatives of their sectors.

### **Climate Action is happening – but in a fragmented manner**

Findings from V.E's assessments on Energy Transition and Physical Risk Management raises concerns for European industry. Across sectors, many companies continue to appear silent on their initiatives to transition their business models in line with a low carbon economy. This includes players from high emitting sectors such as chemicals and building materials as well as in the banks sector. European industry will also have to navigate the challenges posed by the physical risks of climate change (floods, wildfires etc). V.E's current data on European companies indicates that they are largely silent on how they are preparing to identify and manage these kinds of risks. Alongside this, V.E's data shows progressive rise in the number of ESG controversies related to Climate Change which exposes companies to reputational and operational risks. On the positive side, there are clear champions of climate action at corporate level across all sectors. Many have set net-zero targets that align or in some cases anticipate the 2050 target of the European Green Deal. However, the substantial gap that appears between leaders and laggards underlines the idea that individual champions alone are insufficient in leading Europe to its 2050 net zero targets. There remains a lot of work to do at company and industry level to accelerate the energy transition and build sector level resilience.

### **Six years after their launch, a strategic approach on the SDGs remains hard to determine**

Despite being launched in 2015, the level of integration of the SDGs within industry federations and the level of identifiable activity on the SDGs by companies remains concerning. A minority of the panel we interviewed (40%) reference the SDGs within their mission and/or vision statements. For many, these foundational documents pre-date the release of the SDGs in 2015. 60% of the industry federations we interviewed had the SDGs explicitly referenced within their roadmaps with the same percentage confirming that they were being referenced within policy papers. V.E's data on the SDGs also indicates that progress remains uneven and is not moving fast enough to meet the ambitious goals set by the UN for 2030. We can identify many more companies that are adapting their business conduct to align to the SDGs than at the product and service level. This indicates that globally, more work could be done to accelerate investments in innovation to better address the different SDGs. At individual goal level, there is a clear concern visible on SDG 1 (Zero Hunger) with very few companies (particularly from the food, beverage and supermarket sectors) providing public disclosures on how they are working to tackle these issues. With less than a decade to go to achieve the global goals, findings pathways to better embed the SDGs within industry federations and stimulate action across their members remains imperative.

# The ESG Risk and SDG Landscape

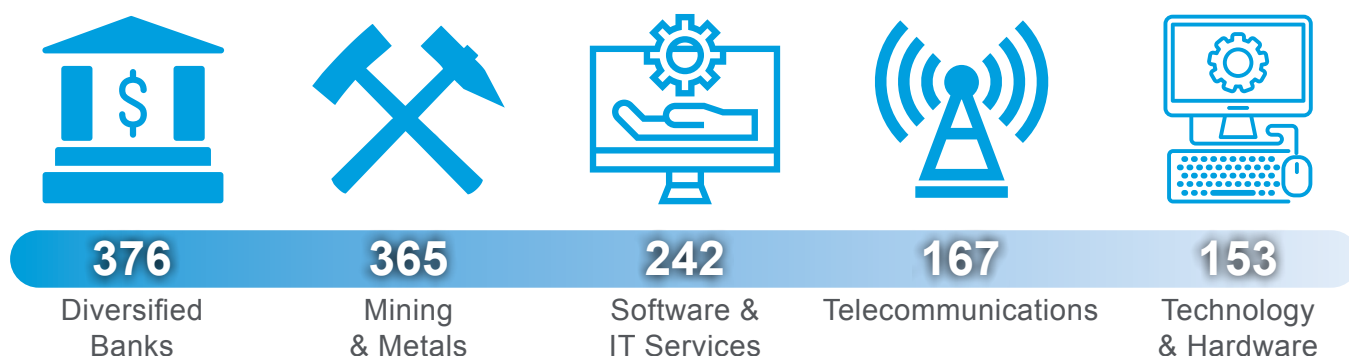
A changing world brings with it new risks and opportunities for all industries. The digitalisation of the workforce, ageing populations, the rise of e-commerce, the pandemic and the energy transition are just some of the forces that companies have to navigate today. Since 2015, V.E has monitored the exposure of thousands of companies to ESG Controversies<sup>4</sup>. This information provides useful data and context for us to understand how society, companies and investors are being impacted by ESG factors. The data extracts in the 2021 Barometer have been provided to develop a broader contextual view of the state of play today. We see the rising stakeholder concern over social and environmental issues reflected in the increasing number of ESG controversies that companies appear exposed to. The most exposed sectors to ESG controversies are some of those that are driving the digital, energy and economic transitions that our planet is undergoing. For industry federations there is an important takeaway; stakeholder pressure on ESG issues is rapidly rising and with it the exposure of member companies to ESG risks and opportunities.

**Table 1A:** Breakdown of ESG Controversies recorded by V.E in 2020



In 2020<sup>5</sup>, we captured 3,655 new ESG controversies impacting 1,413 companies. 769 of these cases were linked to companies headquartered in Europe and 894 of the cases were physically impacting territories in Europe. More than 50% of all controversies captured within Europe in 2020 related to social issues and we also registered a steady rise in climate related controversies.

**Table 1B:** Five most exposed sectors by ESG controversies recorded in 2020

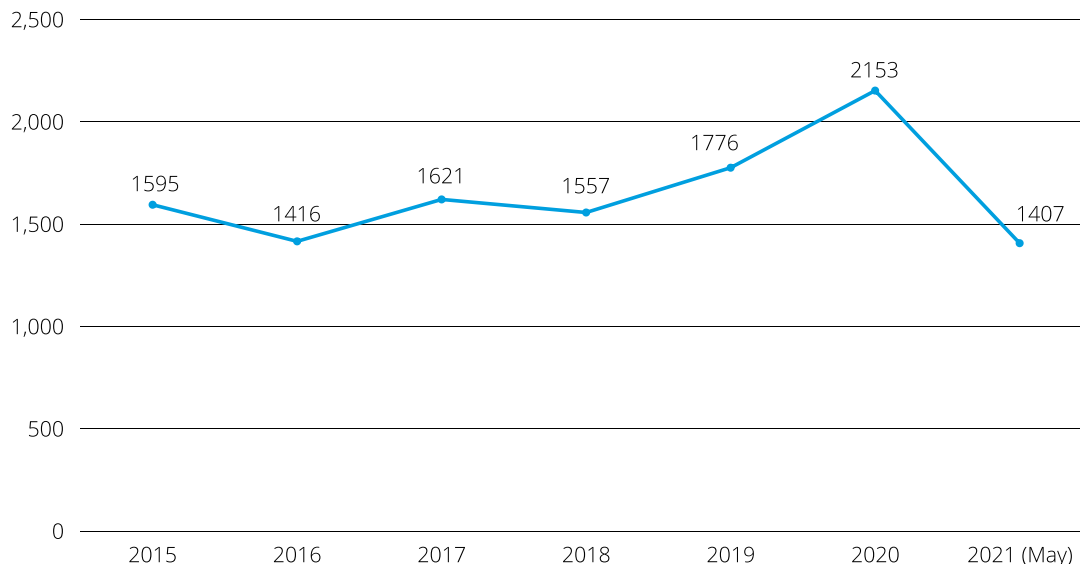


The most exposed sectors to ESG controversies were the Diversified Banks, Mining and Metals, Software & IT Services, Telecommunications, Technology and Hardware sectors. Giving the ongoing rise in ESG investing and sustainable finance, it is perhaps not surprising to see the Diversified Banks sector under a high level of scrutiny. Given their central role in the digital transformation, it is again unsurprising to see software, technology and communications companies highly exposed to the criticisms of consumers and regulators. A key takeaway is that given the shared interest in sustainability across regulators, investors and society at large, companies appear more exposed than ever before to the operational risks that these factors can bring.

<sup>4</sup> For more information on V. E's Controversy Risk Assessment, please see the appendices to this report  
<sup>5</sup> 'Controversy Risk Assessment – 2020 Snapshot', V.E – March 2021

### Social Risk:

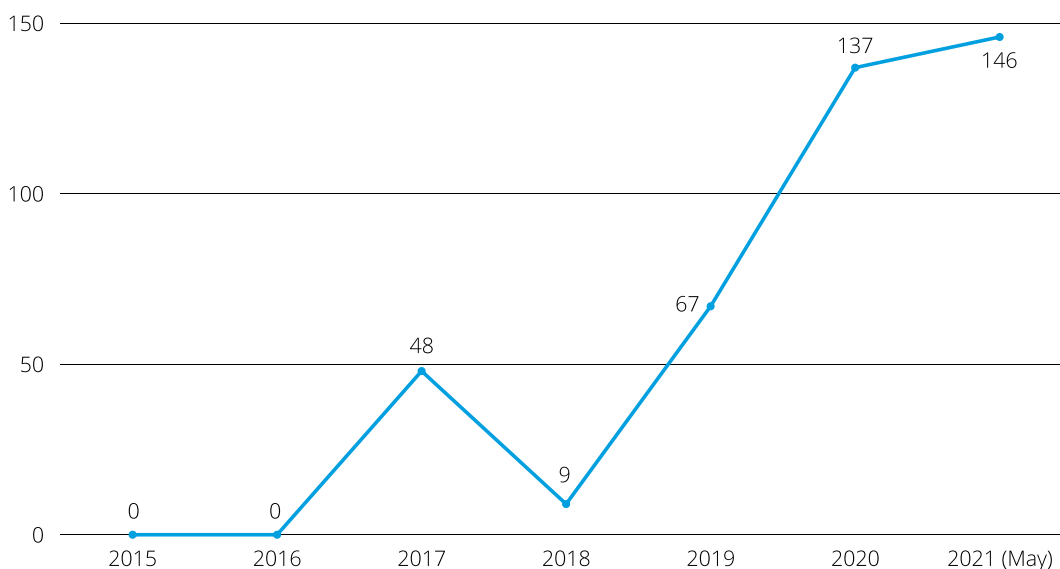
As far back as 2015, our research identified a high number of social controversies. This figure has risen over time and we can see a clear spike during the height of the pandemic. Given the impacts of the pandemic on physical health and safety, mental health and wellbeing and social dialogue with the workforce, this is understandable. During the same period of time, high profile events in the United States have driven a global discussion on the topic of racial and other inequalities.



**Table 1C:** The number of social controversies recorded by V.E (2015-2021)

### Climate:

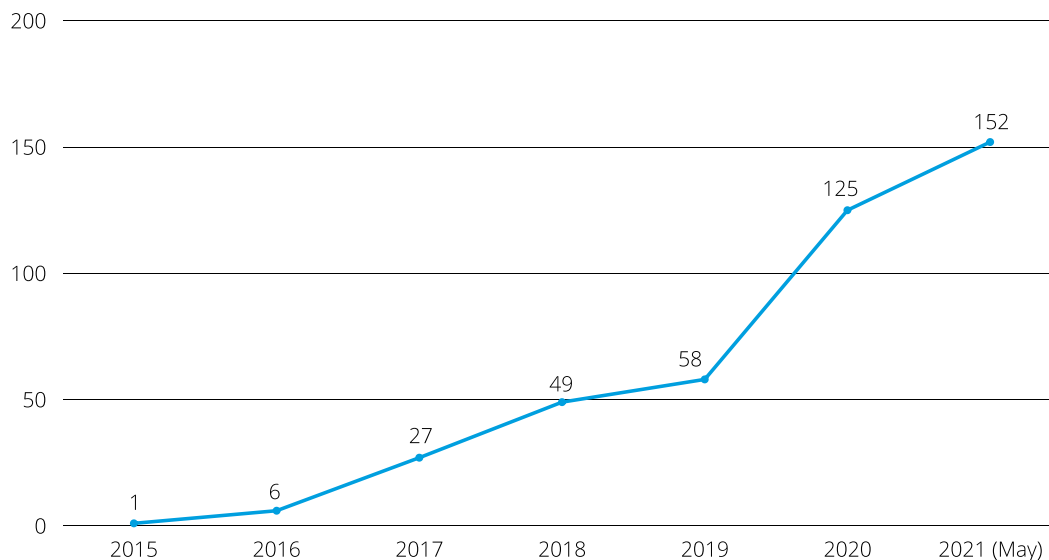
Since 2018 the number of climate related controversies has been on the rise linked in part to an increase in shareholder activism as well as a rise in climate liability lawsuits. The sectors that appear most exposed to these types of controversy are from Financial sectors (Banks, Insurance, General Services) as well as some of the Extractive sectors (Mining and Energy). This demonstrates that stakeholder concern is spread across both high emitting sectors as well as those considered as responsible for financing emissions as well as financing the energy transition.



**Table 1D:** The number of climate controversies recorded by V.E (2015-2021)

### Biodiversity:

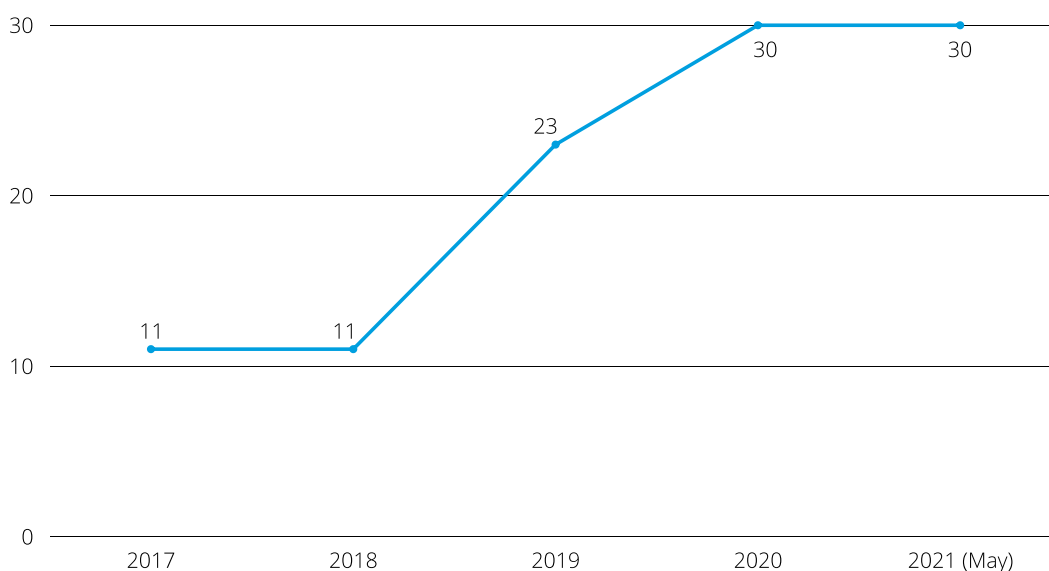
The number of biodiversity controversy cases is also rising as the climate crisis brings systemic risk into sharper focus. The three sectors most impacted by biodiversity related controversies are the Mining and Metals, Food and Energy sectors. Together, they account for 53% of the total number of recorded cases.



**Table 1E:** The number of biodiversity controversies recorded by V.E (2015 -2021)

### Governance:

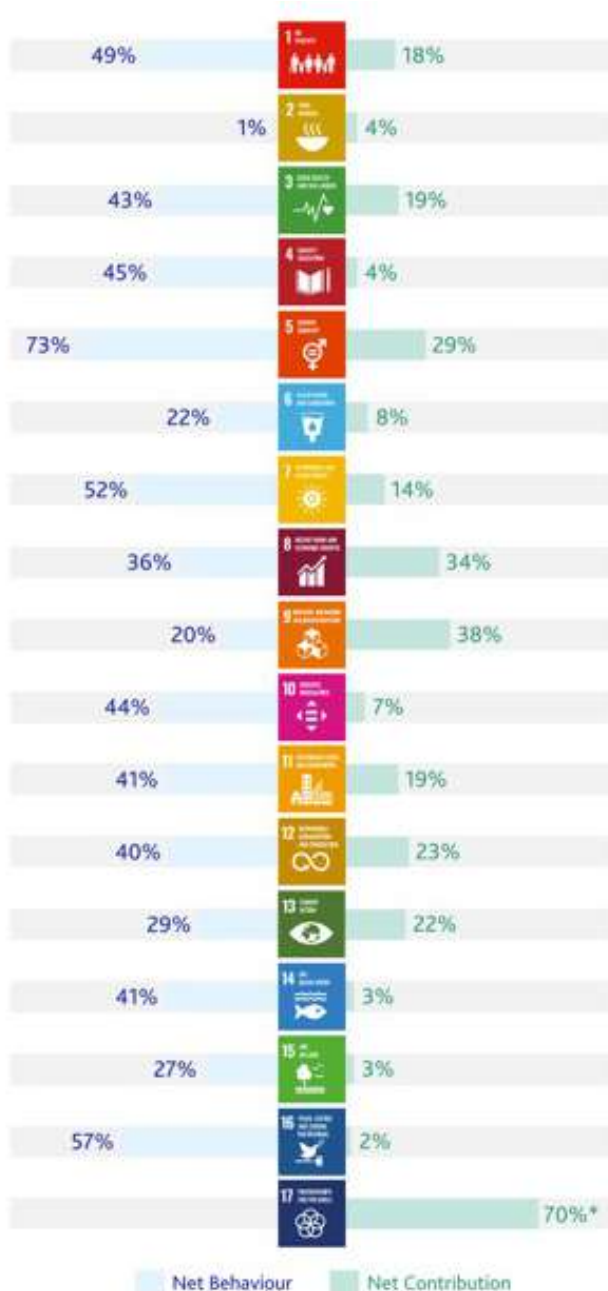
Since 2017, we have seen executive pay come under greater scrutiny. Reported gaps in remuneration between CEOs and the average employee is a topic of rising public interest. In addition, with global concerns over inequalities, transparency over bonuses and other incentive packages are also areas where we see more companies exposed to scrutiny.



**Table 1F:** The number of executive remuneration controversies recorded by V.E (2017 -2021)

As well as monitoring the exposure of companies to ESG controversies, V.E also screens thousands of companies on their degree of alignment to the SDGs<sup>6</sup>. Our approach applies two distinct lenses. A Net Contribution Lens analyses the positive and negative contributions that a company makes to the SDGs based on their products and services. A Net Behaviour Lens assesses a company's disclosures on policies and systems as well as its exposure to and management of controversies. A snapshot of our current findings is provided below and enables us to look at the SDGs and identify areas of strength and axes for development.

**Table 1G:** Data snapshot from V. E's SDG Alignment Screening



\* Goal 17: Partnerships for the goals. Possible relevant business actions are limited compared to the other goals. Our assessment relies on the analysis of companies' behaviour on limited topics.

*Progress on the SDGs remains uneven and is not moving fast enough to meet the ambitious goals set by the UN for 2030.*

**Net Behaviour:**

Our research indicates that across most of the SDGs, companies are putting in place policies and systems that support progress. SDG 5 (Gender Equality), SDG 7 (Affordable and Clean Energy) as well as SDG 16 (Peace Justice and Strong Institutions) appear as the best supported in this regard with over 50% of the companies assessed in our research universe considered to be aligning their practices.

There are areas of concern. Activity from leading players in the food, beverage and supermarket industries around SDG 2 (Zero Hunger) will need to accelerate. Similarly, on SDG 6 (Clean Water and Sanitation) as well as SDG 15 (Life on Land), there appear to be only a few examples of leading players looking to tackle these goals in their business strategies.

**Net Contribution:**

A number of the SDGs appear particularly poorly addressed including SDG 2 (Zero Hunger), SDG 4 (Quality Education) alongside SDGs 14 (Life Below Water), SDG 15 (Life on Land) and SDG 16 (Peace, Justice and Strong Institutions).

Whilst it is unrealistic to consider that all companies can contribute through service offerings to each of the SDGs, the limited levels of disclosures on activity noted on these goals across our global research universe remains an area of concern.

With companies facing rising exposure to ESG controversies and considerable scope for progress across the SDGs, the opportunity and need for industry federations to accelerate learning and sector level action appears clear.



# Contextualising the 2021 Barometer

## Bringing a view on European Industry Federations

The launch of the SDGs and the signing of the Paris Agreement (2015) marked a turning point for multilateral climate change and sustainability policy. Since then, the European Union (EU) and its members states have reinforced their commitments to fighting climate change through the publication of the European Green Deal (EGD). The EGD aim to boost Europe's competitiveness whilst transforming it into the world's first climate neutral continent by 2050. Since its launch in 2019, a rich set of policy initiatives and measures have been released and put forward:

- The **European Industrial Strategy**<sup>7</sup> lays the foundations for an industrial strategy that will support the twin transitions that European industry faces namely, the energy transition and digital transition. The strategy aims to ensure that European industry leads the world in terms of competitiveness whilst enhancing Europe's open strategic autonomy.
- The **European Climate Law**<sup>8</sup> introduces a legally binding target of net zero greenhouse gas emissions by 2050, transforming in legislation the main aims of the European Green Deal. It sets the long-term direction for meeting the 2050 climate-neutrality objective through all policies, in a socially fair and cost-efficient manner, including a new EU target for 2030 of reducing greenhouse gas emissions by at least 55% compared to levels in 1990.
- The **Sustainable Finance Strategy**<sup>9</sup> plays a leading role in the achievement of the European Green Deal's policy objectives. Part of this strategy, the introduction of an EU Taxonomy for classifying environmentally sustainable activities and the proposal for a Corporate Sustainability Reporting Directive (CSRD) will increase companies' disclosure on environmental data and sustainability factors to allow investors to be better informed about the sustainability of their investments.
- The **European Pillar of Social Rights**<sup>10</sup> is focused on developing a stronger foundation for European citizens by building on 20 key social principles. It will guide action in ensuring that no one is left behind through equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion.



How the 2021 Barometer contextualises the UN and EU annual reports on progress

<sup>7</sup> 'European Industrial Strategy' - European Commission, [https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age/european-industrial-strategy\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age/european-industrial-strategy_en)

<sup>8</sup> 'European Climate Law' - European Commission, [https://ec.europa.eu/clima/policies/eu-climate-action/law\\_en](https://ec.europa.eu/clima/policies/eu-climate-action/law_en)

<sup>9</sup> 'Strategy for Financing the Transition to a Sustainable Economy' – European Commission, [https://ec.europa.eu/info/publications/210706-sustainable-finance-strategy\\_en](https://ec.europa.eu/info/publications/210706-sustainable-finance-strategy_en)

<sup>10</sup> 'European Pillar of Social Rights' – European Commission, [https://ec.europa.eu/info/strategy/priorities-2019-2024/economy-works-people/jobs-growth-and-investment/european-pillar-social-rights\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/economy-works-people/jobs-growth-and-investment/european-pillar-social-rights_en)



Combined, these initiatives are building a challenging path that European industry federations will need to lead their members through in the decades ahead.

Reporting and tracking of SDGs in Europe and beyond are activities performed annually by the UN and the European Commission (EC). A state of the world and the European Union on SDGs is framed respectively by the UN Sustainable Development Report and the Eurostat's work on SDGs. These two sources monitor the progress towards the SDGs, specifically in a global and EU context. This exercise is essential in the delivery of the 2030 Agenda and its implementation, but also in the implementation of the European Green Deal.

Reports and publications that aim at drafting a state of play for sustainable development at such a macro-level are the result of cooperation and interaction between a variety of stakeholders. The UN Sustainable Development Goals Report 2021<sup>11</sup> is the outcome of the collaboration between the United Nations Department of Economic and Social Affairs and more than 50 international agencies. It highlights the effect that the Covid-19 crisis has had on the SDGs, using the latest available data, and highlighting the areas that require urgent and coordinated action.

With the same purpose the Eurostat work on the SDGs is a regular monitoring process based on the 102 EU SDG indicators, that have been developed together with partners and stakeholders. The indicator set comprises 102 indicators distributed over the 17 SDGs.

The 2021-Barometer works in support of the policy agenda outlined above. It offers a means to evaluate the integration of sustainability in some of Europe's largest industry federations. In addition, the report provides supplementary data on the ESG performance of several European sectors provided by V.E. Our hope is the at the Barometer will provide valuable insights on how European industry federations are acting in support of the both the SDGs and the European Green Deal, best practices and areas for common improvement. As mentioned in the foreword, we believe that industry federations are uniquely positioned to drive change within this decade of action, the 2021 – Barometer has sought to answer the question of what are they doing today?

11 The-Sustainable-Development-Goals-Report-2021.pdf (un.org)

# Performance Dashboard

## High Level Findings on European Industry Federations' maturity levels

In order to develop metrics around the maturity of industry federations on sustainability we applied the ISIF methodology from CSR Europe. This methodology examined five aspects; policy, direction, organisation, activities and communication (please see the appendix for a full outline of the questions posed).

The first aspect, 'Policy' examined the extent to which sustainability had been integrated within the mission and vision statements of industry federations, their policy papers as well as their engagements with the EU through consultations and direct engagements with EU Commissioners.

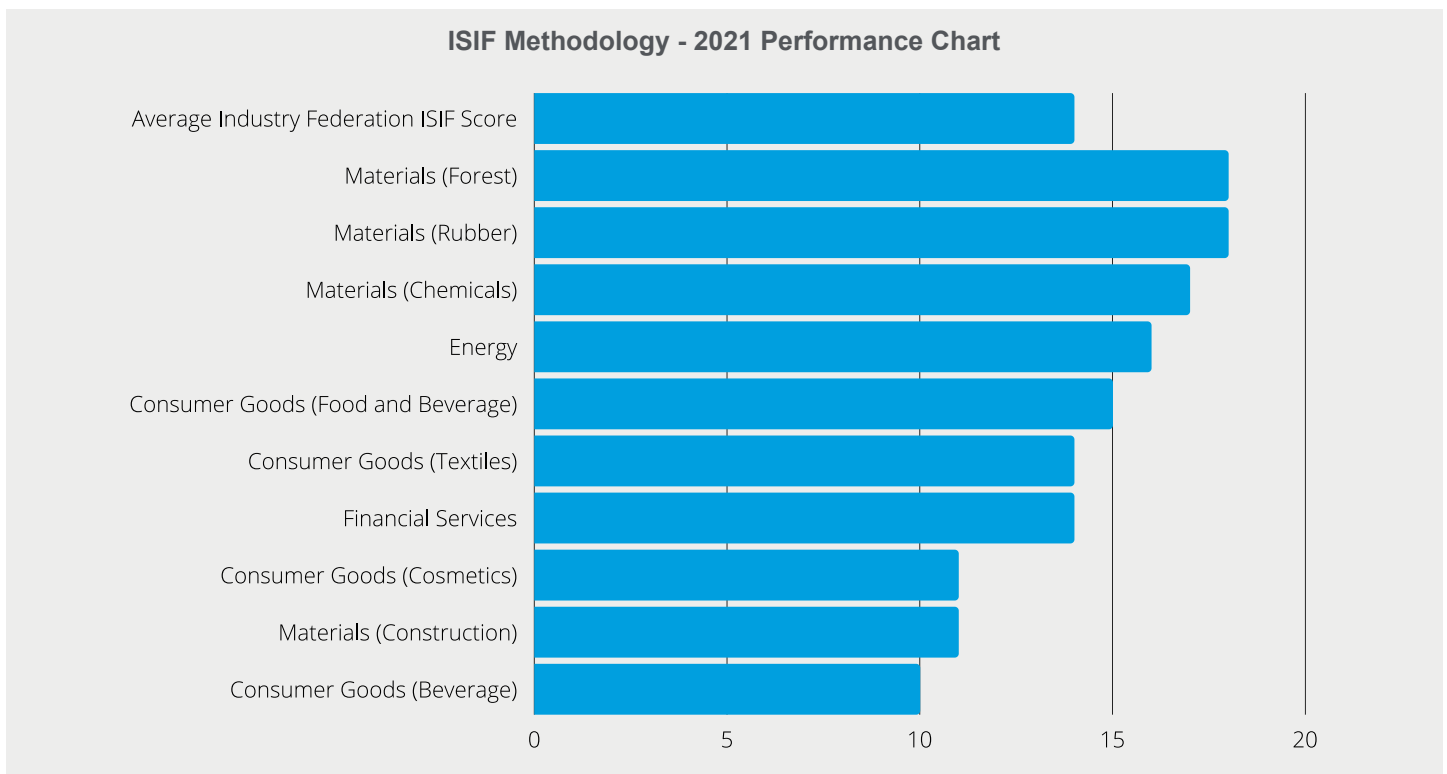
The second aspect, 'Direction,' focused on any sustainability roadmaps that may have been defined by industry federations, timebound targets that may have been set and the level of engagement of both the Board and General Assembly on sustainability issues.

The third aspect, 'Organisation' looked at how internal staff, working groups and stakeholder engagement initiatives had been set up around sustainability issues.

The fourth aspect, 'Activities' reviewed how industry federations engaged in training, knowledge sharing and impact related activities with their members and the final aspect, 'Communication,' focused on both sustainability reporting and events.

The output of the methodology was a score from 0-20 for each of the industry federations. These results are summarised within this section with the names of the industry federations anonymised.

**Table 2A:** Sustainability maturity in European industry federations (scores).



The average score for the panel was (15/20) indicative of a moderate level of maturity from industry federations across Europe. There are several industry federations outperforming the average predominantly from the materials and extractive sectors. These industry federations were able to articulate and demonstrate how sustainability issues had been integrated at a strategic level as well as through multiple dimensions of their operational work from policy positioning, to training and education, projects, and disclosures. Whilst this outlook is overall positive, our more detailed analysis indicates that there are still several axes for upon which industry federations can further deepen their work on sustainability matters.

Industry federations from the materials sectors appeared to outperform those from consumer and retail focused sectors. This may be a result of two factors. Firstly, the higher pressure being placed on these industries by policy makers and regulators to accelerate the decarbonisation of the European economy. Secondly, these institutions represent sectors that have a longer history of looking manage environmental and social risks as a central part of their business activities. This composition of leading performers indicates that whilst consumer pressure is an important factor in driving behavioural change, it is not necessarily the most central.

Across the five underlying aspects that we assessed, we identified a high level of consistency in terms of performances around Policy and Organisation. It was around the aspects of Direction, Activities and Communication that we saw more diverse practices and were able to identify differentiators.

- On the aspect of policy, industry federations appear to have systematically integrated sustainability issues into their high-level mission and vision statements. The majority are engaged in EU consultations on new policies and identify sustainability as a key topic in their engagements with the EU. However, the integration of the SDGs into foundational documents appeared patchy.
- Our analysis of Direction provided a more mixed picture. Whilst most industry federations have set roadmaps and engage their Boards and General Assembly's on sustainability issues, the integration of the SDGs within these as well as the definition of timebound targets appeared weaker.
- A consistent picture materialised around the themes of Organisation. Most federations have dedicated staff employed for managing sustainability projects and workstreams within their organisation. The majority of industry federations demonstrated some kind of stakeholder engagement work as well.
- On Activities, whilst there appears to be concerted activity around knowledge sharing and training, very few of panel were engaged directly in impact related projects and/or EU funded sustainability projects with members.
- With regards to Communication whilst most industry federations do organise and/or engage in external events on sustainability, the provision of structured annual reporting on their activities remains an area for improvement for future improvement.



## Detailed Findings and Best Practices

The integration of sustainability as a topic at Policy and Direction level appears strong.

Our research on the overall policy and direction of industry federations revealed a positive picture. On the one hand, we noted almost all of the panel had embedded sustainability into their mission/vision statement and supplemented these with roadmaps. In addition, the majority of the panel reported that both their Board and General Assembly structures were spending more than 50% of their time covering sustainability topics. However, only 40% of the panel reported to have timebound targets in place with regards to sustainability. The reasoning was varied amongst the industry federations with some disclosing that target setting was underway and others expressing a view that it was not the appropriate responsibility for industry federations.

### CASE STUDY: *The Forest and Fibre Paper Industry in 2050*

In 2011, the Confederation of European Paper Industries (CEPI), released its Roadmap showcasing the pathway by which the European forest fibre and paper industry could transition towards becoming a more climate friendly bioeconomy. The 2011 Roadmap set the perspective of decarbonizing the sector by 80% whilst creating 50% more value added by 2050. This Roadmap was revised in 2017 with a greater focus put on how to achieve the investments required, in Europe, to lead the low-carbon bioeconomy.

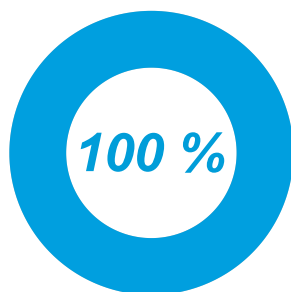
The Roadmap outlines the different emission reduction pathways that are open to its sector members; Energy efficiency through process improvements, demands-side flexibility, fuel switches, capitalizing on emerging and breakthrough technologies as well as reducing indirect emissions and emissions linked to transport.

The Roadmap also outlines important contextual elements such as the macro-trends impacting the business environment as well as the evolving policy framework within Europe that impacts its members.

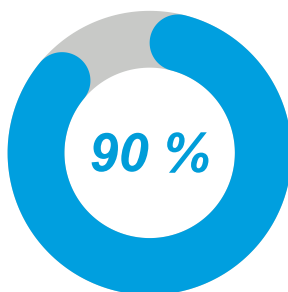
To find out more, please click on the link below:

<https://www.cepi.org/wp-content/uploads/2020/11/Roadmap-2050-Final-2017.pdf>

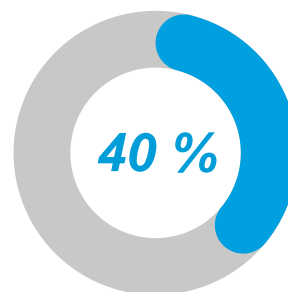
### Policy & Direction



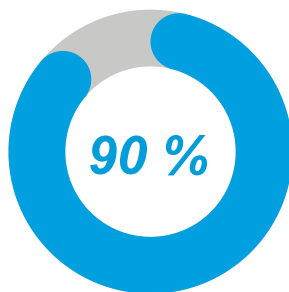
Sustainability explicitly included in the Mission / Vision statement



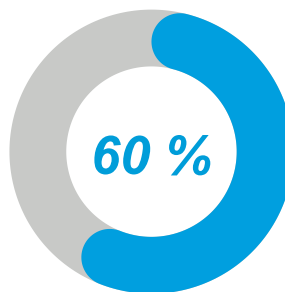
Sustainability roadmap in place



Timebound targets included in the roadmap



More than 50% of the Board's time spent on sustainability topics



More than 50% of the General Assembly's time spent on sustainability topics



### **CASE STUDY: Impactful Commitments from the Tyre Industry**

ETRMA are the European Tyre and Rubber Manufacturers association. For many years, the ETRMA and its members have been working on initiatives designed to reduce the CO2 footprint throughout the lifecycle of tyres and investing in different technologies in order to improve sustainability and road safety performance.

In May 2021, ETRMA published a position paper in support of the European Commission's Sustainable and Smart Mobility Strategy (SASMS). Within this paper, the association published four commitments that will contribute to and even go beyond the objectives of SASMS. In addition, the projected impact of these commitments is also outlined. One example is provided below:

**The Objective:** Contribution towards the climate targets set by the European Commission and 'Flagship 1' of SASMS, "Boosting the uptake of zero-emissions vehicles, renewable and low-carbon fuels and related infrastructure".

**The Commitment:** from 2024, the tyre industry will support the next step in the tyre regulatory framework to improve the fuel efficiency of tyres on the market by tightening the approval limits for the rolling resistance of tyres. This measure has the potential to remove more than 50% of the worst performing products from the market.

**The Projected Impact:** this has the potential to save close to 1 million cars equivalent of CO2 emissions.

To find out more, please click on the link below:

<https://www.etrma.org/wp-content/uploads/2021/05/20210526-Smart-and-Sustainable-Mobility-position.pdf>

### **CASE STUDY: *The Beverage Carton Industry's Roadmap to 2030***

In March 2021, ACE's (the Alliance for Beverage Cartons and the Environment) published an ambitious Roadmap towards 2030 to deliver the most sustainable packaging for resilient food supply systems which are renewable, climate positive and circular.

In its journey towards 2030, ACE has adopted tangible and ambitious 2030 commitments that will enable the industry to achieve its vision. Together with a list of commitments, ACE defined a list of KPIs to measure and report on the progress on a regular basis and where metrics do not currently exist, ACE will contribute to developing the metrics to do so.

To find out more, please click on the link below:

<https://www.beveragecarton.eu/wp-content/uploads/2021/03/The-Beverage-Carton-Roadmap-to-2030-1.pdf>

# The integration of the SDGs into industry federations shows a mixed picture

Our research revealed a mixed outlook on the extent to which the SDGs are embedded within Industry Federations. A minority of the panel we interviewed (40%) reference the SDGs within their mission and/or vision statements. For many, these foundational documents pre-date the release of the SDGs in 2015. 60% of the industry federations we interviewed had the SDGs explicitly referenced within their Roadmaps with the same percentage confirming that they were being referenced within policy papers. This does not necessarily mean that actions are not being undertaken. It does however make it more complex to understand the extent to which the SDGs are strategically guiding industry federations in their work.

## CASE STUDY: *Embedding SDG action within the Oil & Gas Sector*

IPIECA are the global oil and gas industry association for advancing environmental and social performance integrating both upstream and downstream actors within the oil and gas value chain. In April 2021, the industry federation launched its SDG Roadmap “Accelerating action – an SDG Roadmap for the oil and gas sector”. The report was developed in collaboration with the World Business Council for Sustainable Development (WBCSD) and provides guidance for its members on how they can work to embed the SDGs into their core business activities.

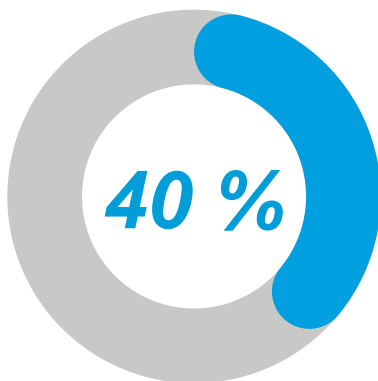
The 2021 roadmap recognizes that the oil and gas sector is able to contribute to all 17 of the SDGs whilst highlighting the 10 SDGs where the industry is likely to have the highest impact either through innovations within operations or across their supply chains. In addition to this mapping, the report also outlines eight “Impact Opportunities” where IPIECA and the sector may be able to accelerate action and drive impact on specific SDGs. The Impact Opportunities are grouped around the themes of climate, nature and people.

The 2021 roadmap builds upon the SDG Atlas that was published by IPIECA in 2017. This Atlas was built in collaboration with the United Nations Development Programme (UNDP) and the International Finance Corporation (IFC) with the goal of developing a shared understanding of how the oil and gas sector can contribute to the SDGs.

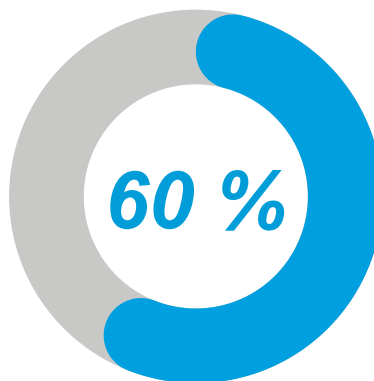
Both of these resources are publicly available. To find out more, please click on the link below:

<https://www.ipieca.org/our-work/sustainability/supporting-the-sdgs/>

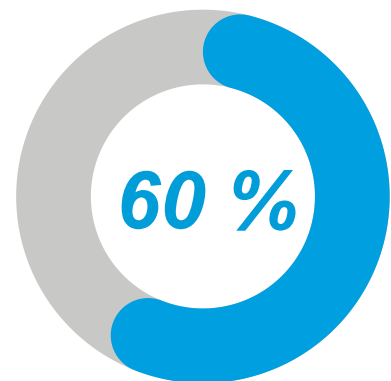
## SDG Integration



SDGs explicitly included in Mission / Vision statement



SDGs explicitly included in the Roadmap



SDGs explicitly referenced in Policy Papers



## CASE STUDY: *Workshops and studies on the SDGs in the Banking sector*

The European Banking Federation represents 32 national banking associations in the European Union (EU) and European Free Trade Agreement Countries (EFTA). The sector will play a fundamentally important role in the achievement of the SDGs given their role in financing economies. In 2021, the EBF partnered with KPMG Spain to conduct a research report on the leading trends and practices amongst European banks related to the SDGs.

Some of the key conclusions are outlined below:

- Sustainability is one of the key pillars that underpins many bank strategies today with many looking to align their approaches in accordance with the Paris Agreement (2015) and the UN's 2030 Agenda.
- Banks typically focused their actions on the SDGs where they considered themselves able to have the most impact.
- Commitments are being made publicly to align bank portfolios with sustainable activities and, in accordance with the SDGs, to set financing targets for related activities and to restrict monetary flows to sectors that create more environmental harm.
- Progress regarding the evaluation of bank portfolios to measure alignment with the SDGs remains uneven due to multiple factors including a reported lack of methodology, and the complex nature of the goals themselves.
- The products most commonly aligned with the 2030 Agenda include sustainable bonds and investment funds created along ESG criteria as well as thematic investments that impact the SDGs.

The report and workshop represent a good example of the types of research collaboration and educational initiatives that industry federations can drive in order to raise awareness on sustainability issues amongst members.

To read the joint report, click on the link below:

<https://www.ebf.eu/wp-content/uploads/2021/06/European-bank-practices-in-supporting-and-implementing-the-UN-Sustainable-Development-Goals.pdf>

To view the workshop, click on the link below:

<https://www.ebf.eu/events/un-sdgs-five-years-on/>



## The overall level of EU Level Engagement appears robust

EU level engagement appears strong amongst the industry federations that we interviewed. 90% of the panel reported participating in various EU consultations that have taken place over 2020 and 2021 including on topics such as the Corporate Sustainability Reporting Directive (CSRD), Sustainable Finance Disclosure Regulation (SFDR) and sustainable Corporate Governance. 90% of the panel also reported that sustainability has been a key topic in position papers that they have been developing on behalf of their industry members, towards the EC. A small proportion of the panel (60%) reported that members from the industry federation had direct meetings with a European Commissioner on a sustainability topic. Given the pace of change within the European Union, seeing this level of engagement is a positive finding that indicates the high degree to which many industry federations are switched on to the fast-evolving sustainability agenda in Europe. Only a few of the panel reported being involved in EU funded sustainability projects which represents an area for future exploration.

### CASE STUDY: *Tying Industry Strategy to the Sustainable Development Goals and the European Green Deal*

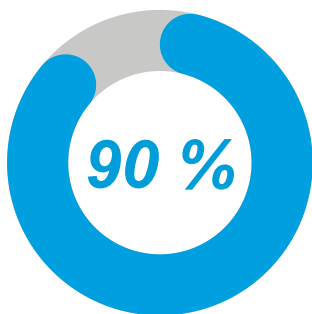
CEFIC are the main European industry federation for the chemicals industry. In 2016, the industry federation published its public 'CEFIC Sustainability Charter' outlining its sustainability commitments towards its different stakeholders and its sector roadmap for supporting the SDGs. CEFIC has further supplemented this document with its development of Sustainable Development Indicators (SDIs). The portfolio of Sustainable Development Indicators (SDIs) will reflect how the chemical sector is contributing to and leading the transition towards a resource efficient and circular economy within a climate-neutral Europe – the central objectives of the Green Deal. To do this, the SDIs must report on relevant actions and activities within the chemical sectors and are organized around the four sustainability focus areas of the Charter: Create, Conserve, Connect and Care.

The initial work in 2020 investigated where appropriate SDIs already existed, and which ones were fit for purpose. From this Phase 1 work, a comprehensive set of initial indicators have been identified. The majority of identified SDIs are seen as 'Key Indicators' that can drive the transition and a handful as 'Supporting Indicators' that will illustrate the transition. Phase 2 of the SDI programme (2020 – 2023) will see the first list refined based on the availability of data and further indicator work. A pilot reporting project is foreseen from 2022 to collect and collate data on SDIs where data is currently missing at European level.

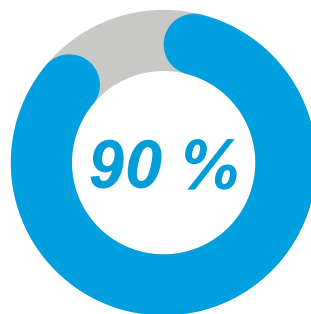
To find out more, please click on the link below:

<https://cefic.org/a-solution-provider-for-sustainability/cefic-sustainable-development-indicators/>

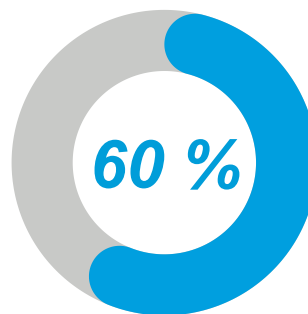
### EU Engagement



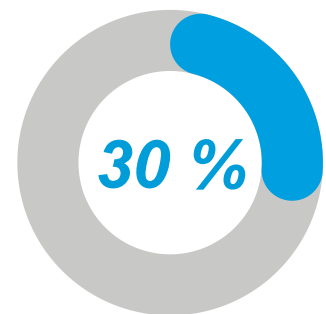
Participation in EU consultations on sustainability topics



Sustainability a key topic in position papers towards the EU



Direct meetings with an EU Commissioner on a sustainability topic



Participation in an EU funded sustainability project

## Activities appear focused on training and knowledge sharing as opposed to impact

Industry federations are clearly active when it comes to engaging with their members on sustainability issues. A very high proportion of the panel are undertaking dialogue with sector stakeholders, providing regular updates and best practice sharing and leading working groups on different sustainability thematics. A lower proportion (70%) reported to provide regular training for their members on sustainability issues and only 30% reported any activity around more direct impact and improvement projects.

### CASE STUDY: *Knowledge Sharing in the Cosmetics sector*

One of the straightforward ways that industry federations can work to build the capacities of their members is by knowledge sharing. Cosmetics Europe is the European Trade Association for the cosmetics and personal care industry. As part of its “Green In Action” initiative it spreads awareness and best practices on the environmental projects of its members on its website. Examples range from green chemistry initiatives to plastic waste, packaging and other circular economy projects.

To find out more, please click on the link below:

<https://cosmeticseurope.eu/green-action-case-studies-environmental-sustainability-cosmetics-industry>

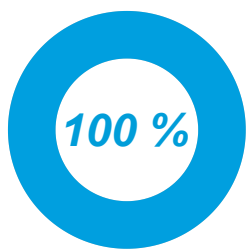
### CASE STUDY: *Knowledge Sharing in the Fruit Juice sector*

The Fruit Juice CSR Platform was set up in 2013 as a sustainability initiative specifically established for the fruit juice industry. The Platform is co-initiated by the European Fruit Juice Association (AIJN) and Sociability and was endorsed and co-funded by the European Commission for its first 18 months of operation. The objective of the Fruit Juice CSR Platform is to inspire and support the European fruit juice industry to integrate corporate social responsibility (CSR) in their business operations and core strategy. The vision of the Platform is a thriving and resilient juice sector creating income stability and prosperity for all stakeholders involved in the global value chain. The Platform is designed to enable companies to collaborate on these global challenges.

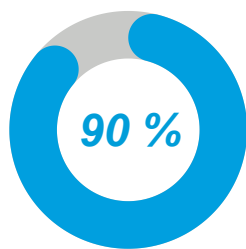
To find out more, please click on the link below:

<https://aijn.eu/en/projects/the-juice-csr-platform/about-us>

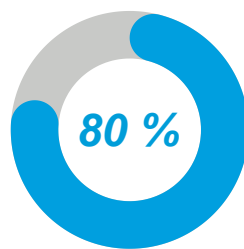
### Activities with Members



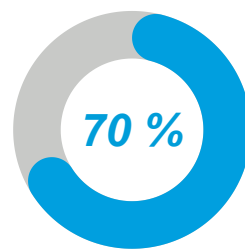
Providing working groups for members on sustainability issues



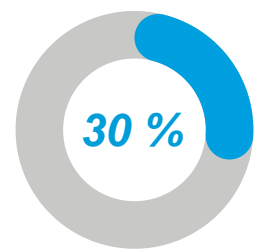
Providing regular updates on best practices on sustainability for members



Engaging in dialogue with key stakeholders for their sector



Providing regular training and learning support for their members on sustainability



Engaging in practical sustainability impact/improvement projects with their members

## Room for improvement on sustainability communication

Communication on the work that is being done by industry federations on sustainability issues is fundamentally important to advancing a wider public understanding about their role, successes, and ongoing activities. We found that all of the industry federations that we interviewed had organised public events covering sustainability issues over the last 12 months. The majority (70% of the panel), we also engaged in speaking at third party events on sustainability within the industry federations that they represent. The most noticeable area for improvement was on the provision of an annual sustainability report for the industry federation. Only 50% of the panel were currently providing these (either as stand-alone document or as substantive parts of their annual reporting). However, a number of the industry federations that we interviewed indicated that plans were underway to develop these.

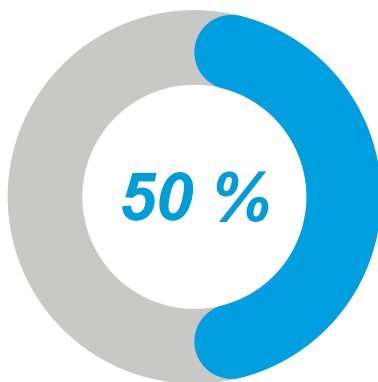
### **CASE STUDY: Providing key sector statistics on the European pulp and paper industry**

For over a decade, the Confederation of European Paper Industries (CEPI) have provided an annual 'Key Statistics Report' which provides a holistic, quantitative view on the sector. The report includes a mix of economic indicators (number of companies, number of mills, employment, turnover and more) and several sustainability indicators (consumption, recycling rates, biomass use for energy, CO2 direct emissions and more). The report includes historic data and showcases the changes in the different indicators over time. In addition, CEPI commission third party auditors to provide assurance on the statistics contained within the report. The annual disclosure of this type of quantitative data provides a greater level of transparency on industry performance.

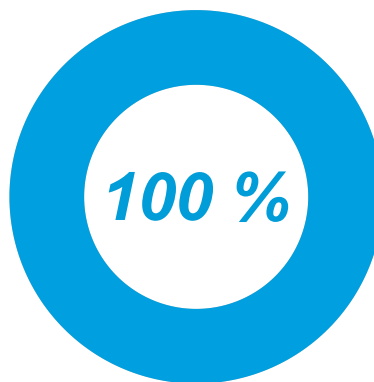
To find out more, please click on the link below:

<https://www.cepi.org/wp-content/uploads/2021/07/Key-Stats-2020-FINAL.pdf>

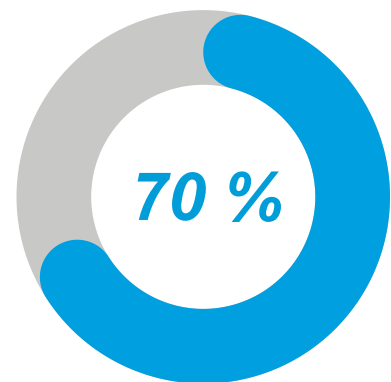
### SDG Integration



Industry Federation has an annual sustainability report



Industry Federation organises public events on sustainability



Industry Federation speaks at third party events on sustainability

# The Route forward for Industry Federations

## Proposals from CSR Europe

It is clear from our research that industry federations have taken sustainability onboard as an important component of their work with their members. Given the speed at which the policy context is evolving in Europe this is vital. Considering the negative impacts of the global pandemic on achieving the SDGs and in light of the findings of the IPCC's 2021 report, the need to accelerate the transformation of European industry remains urgent. With that in mind, there are a number of routes through which industry federations could deliver more progress in the years ahead.

### **Top CEOs rallying others on purpose and systematic change:**

Achieving the European Green Deal and the SDGs is beyond the reach of any single company. It is vital that CEOs from leading companies rally others to define a collective purpose and clear goals for their industry sector and federation. They have a duty to collaborate to transform their industry sector and federation into a strategic alliance to encourage, guide and offer new collaboration opportunities for their peers. From their own experience, leading companies in sustainability know how to work with others to achieve impact. Sharing their knowledge and experiences and working collaboratively will be vital.

### **Embedding the SDGs:**

Only some of the industry federations that we interviewed had set and published SDG roadmaps for their sectors. Given the prominence of the SDG framework as the leading multistakeholder roadmap for sustainable development, it is vital that industry leaders outline clearly how their sectors can be supportive of the goals. Such roadmaps can help accelerate the pace of adoption of the SDGs by companies and help them in prioritising where their actions should take place. There are still several years left to run on the SDGs which is ample time to reframe activities and strategies under this framework.

### **Setting Targets:**

Whether you are a government, an industry federation or a company, setting timebound targets is a challenging process. During our interviews with industry federations a number of them expressed the opinion that they did not consider themselves as the appropriate body for setting targets. However, given the urgent need for action on ESG issues, setting targets at industry federation level appears necessary. As will be shown in the following chapter, research from V.E shows that vast gaps between leaders and laggards within European sectors. Industry federations may be the best positioned to help close these gaps in the decade by supplementing their training and educational activities with a more target driven direction.

### **Continuing Research and Education:**

Encouragingly, our research found a large number of educational, research and working group initiatives all geared towards deepening industry level understanding around sustainability issues. These were not limited to policy analysis. They extended towards collective research into innovative new solutions to reduce environmental footprints or improve how impacts can be measured. Given the fast evolving nature of both the European regulatory environment but also consumer preferences and our planet itself, deepening and expanding the extent to which industry federations coach their members on sustainability challenges and share best practices will remain essential in the years ahead.





### **Increasing intra and cross sector collaborations for impact**

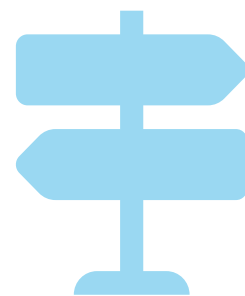
Collaboration, partnership and changing the ecosystems are central themes of the European Industrial Strategy, the European Green Deal and the SDGs. SDG 17 is dedicated to creating the type of partnerships that will deliver the goals. Furthermore, a key element of all the SDGs is that they are a holistic set of interconnected goals by design. Data from V.E's SDG Alignment Screening indicates that there is a need to accelerate the amount of innovation being developed at product and service level to support progress on the SDGs. In the survey, only 30% of associations had engaged in impact oriented projects. By working together on multisector impact projects, the associations could unlock real solutions to the challenges the goals represent and encourage their members to take an active role. It is important that corporate champions help their industry federation to understand and act on these interconnections. That will involve stakeholders from across different industry groups working together to understand these knock-on consequences and how to create solutions that minimize any negative impacts or create new market opportunities.

### **Publishing an Annual Sustainability Report:**

Communication is central to enabling internal and external stakeholders to understand and contextualise work that is being done. Given the lack of consolidated annual reporting on sustainability by industry federations, understanding how different projects and initiatives fit together, how working groups are governed and organised and how results are tracked can be difficult to determine. If not done already, industry federations should consider publishing their Sustainability Report or integrating this information in their annual activity report, making public their roadmaps, internal governance structures around sustainability and articulating on how their different projects and initiatives are designed to work together.

### **Learning and sharing with other industry federations:**

In October 2020, CSR Europe inaugurated the European Pact for Sustainable Industry. This was done in response to a call to action from 380 CEOs and in line with the proposals of the EU's SDG Platform. This Pact acts as a communication and sharing platform. It is open to stakeholders from all industry federations as well as industry champions with the ambition to develop and implement a holistic strategy for their sector. It offers a zone of comfort for peer-to-peer learning on how industry federations can set purpose, common principles and directions, conduct materiality assessments, define SDGs priorities and much more. For more info, please contact Michel Hublet ([mh@csreurope.org](mailto:mh@csreurope.org)).



## Widening the view on European sector performance

To supplement the analysis of European industry federations provided thus far, the 2021 Barometer has included additional insights from V.E. Today V.E provides ESG and Energy Transition scores on approximately 5,000 global companies. ESG Assessments measure the extent to which companies are managing material ESG factors that may impact both the company and their stakeholders. Energy Transition scores capture the extent to which companies are aligning their business models to transition to a low carbon economy<sup>12</sup>. For the 2021 Barometer, V.E has provided the data for the industry's most closely related to the interviewed industry federations.

Our trend analysis shows a steady improvement in the ESG scores of European companies from 2016 to 2020. However, the pace of improvement is slow and when we look beyond the aggregated data, we can see substantial gaps in the performances of sector leaders and laggard. On the one hand, it is encouraging to see that across European industries, there are already clear leaders with ambitious commitments to improve the sustainability of their businesses and support the objectives of the Paris Agreement and EU Green Deal. On the other hand, we continue to identify many companies that are failing to provide public disclosures on how they are looking to address both ESG and Energy Transition concerns.

The beverage, chemicals and forest, product and paper sectors appeared to perform strongly in terms of industry federation maturity and their ESG and Energy Transition performance. Beyond that, there was only a limited correlation between industry federation maturity levels and sector performances as determined by V.E.

In conclusion, it is clear that there is a foundational level of activity amongst European sectors to tackle ESG issues. This correlates well to the view the 2021 Barometer has developed on industry federations, namely that all have integrated these concerns into their mission and vision statements and overall strategy. However, as stated in the introduction to this study – individual efforts will not suffice to achieve the different targets that Europe has set for itself.

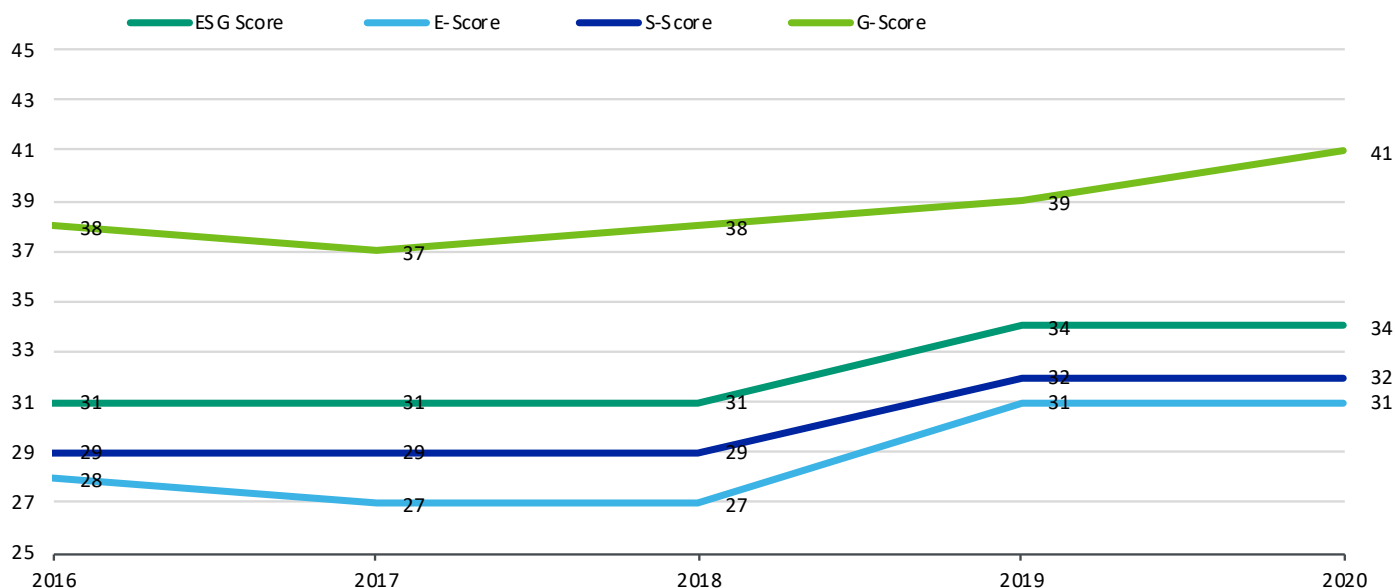
The overall outlook from V.E's data supports the recommendation from CSR Europe that cross-sector and intra-sector collaboration must deepen in the years ahead. It is the most viable route to improving sector performances overall. Building on these foundations and accelerating forward in the years ahead will be central to ensuring that the objectives of the SDGs and EU Green Deal are met.

<sup>12</sup> Additional information is available in the appendices to this study

## European ESG Performance from 2016 – 2020

The table below shows the average ESG Scores for V.E's European universe as well as the underlying E,S and G scores from 2016 through to 2020.

**Table 3A:** Average Scores for the V.E European Universe from 2016 to 2020<sup>13</sup>



### Analysis:

From 2016-2020, the overall performance for V.E's European universe (over 1,200 large and mid-cap companies) has progressively improved. The strongest improvements have been noticeable at Governance level (G-Score). This reflects a rising number of European companies integrating board level responsibility for ESG topics, making ESG criteria a part of executive remuneration policies and ensuring ESG risks are overseen by internal control functions. To some extent, this mirrors the stronger performance visible in the analysis of industry federations who also demonstrated a strong level of integration at Direction and Policy levels.

Whilst this changing 'tone from top' is positive, it has not pulled environmental and social scores upwards at the same pace. Within these areas, we see that environmental and social disclosures on targets and key performance indicators (KPIs) remains patchy and continues act as a drag factor on score improvements.

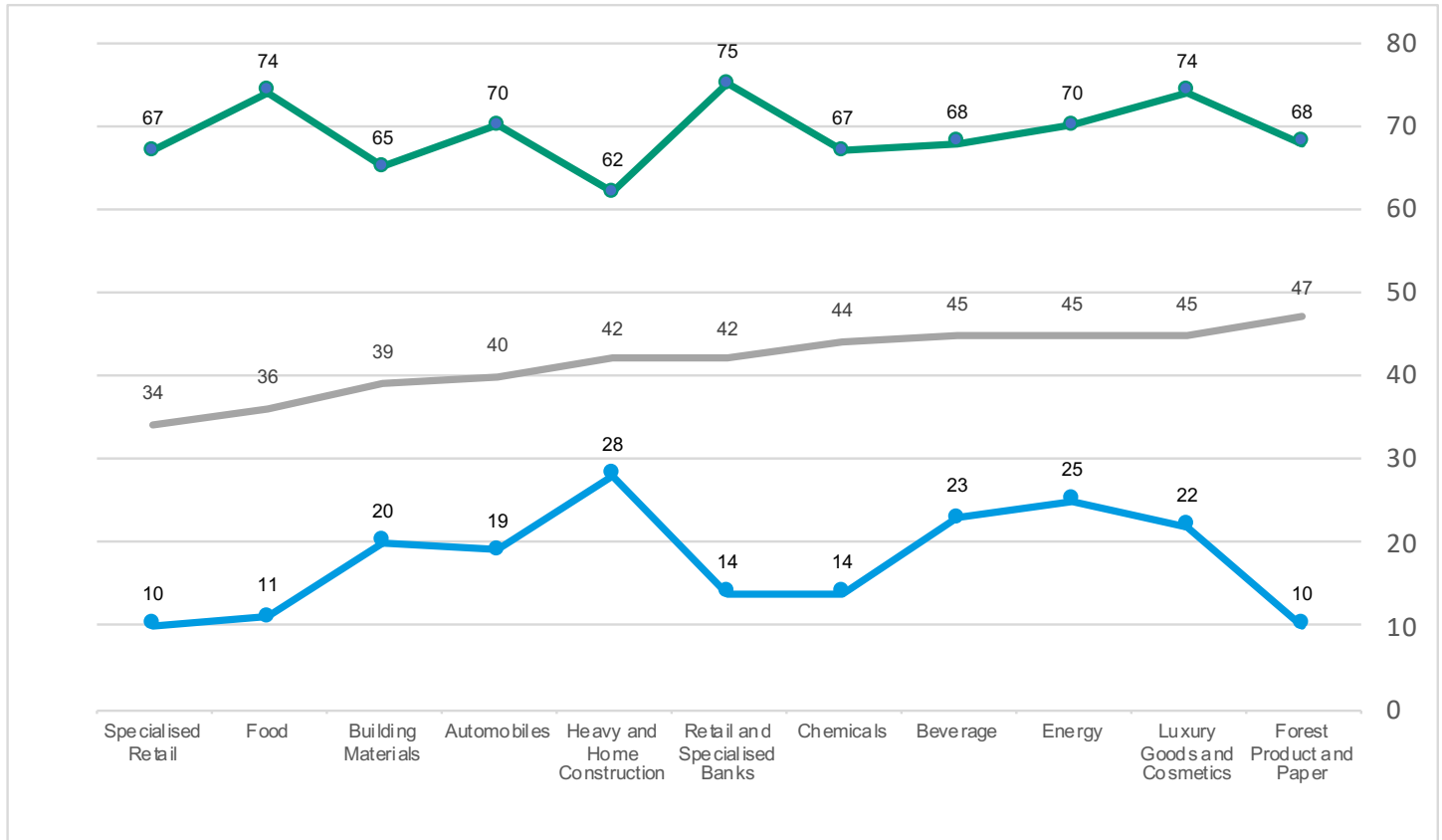
Generally speaking, companies could do more in terms of target setting and KPI disclosure. With significant changes in the European regulatory landscape on the horizon, it is likely that we see an improvement in disclosures, both in terms of volumes and consistency.

<sup>13</sup> ESG Assessment data from V.E, 08/2021

# European Sector ESG Performance in 2020

The table below breaks out the ESG scores for sectors best representing the industry federations interviewed in the 2021 Barometer. It highlights the average score for those sectors as well as the scores for the highest and lowest performers.

**Table 3B:** ESG Score Distribution within European Sectors<sup>14</sup>



### Analysis:

We can identify high performing corporate leaders (represented in green) within each sector with scores that V.E qualifies as advanced (scores of 60+/100). This shows that once we look beyond the aggregate view, there are clear champions for sustainability amongst the different industry sectors analysed in this study. However, as seen in the examples of the Food, Retail and Specialised Banking and Forest Product and Paper sectors, we can see that large differences can exist between the absolute leaders and laggards in any sector. Such discrepancies underline the essential role that sector collaboration, led by industry federations might play in the years ahead in reducing these gaps.

The sector average scores (represented in grey) are encouraging with most sectors registering limited performances (scores between 30-49/100). These scores demonstrate that whilst there is clearly room for improvement, companies are by no means inactive on ESG issues. The absolute laggards in each sector (represented in blue) all register weak scores (scores below 29/100) indicating that there are still companies that are failing to disclose any material information on the policies and initiatives that they are undertaking in support.

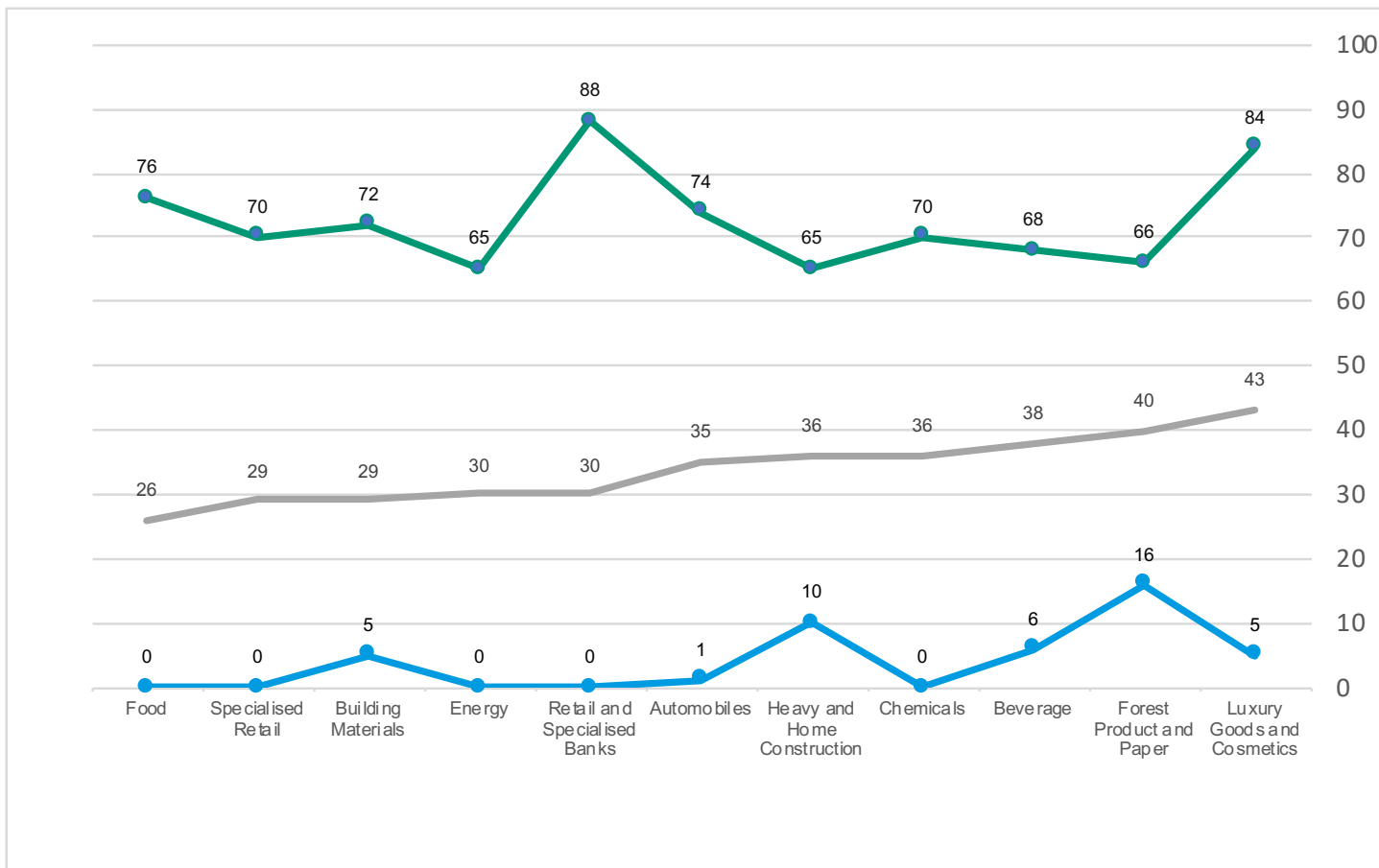
<sup>14</sup> ESG Assessment data from V.E, 08/2021



# European Sector Energy Transition Performance in 2020

The table below breaks out the Energy Transition scores for sectors best representing the industry federations interviewed in the 2021 Barometer. It highlights the average score for those sectors as well as the scores for the highest and lowest performers.

**Table 3C:** Energy Transition Score Distribution within European Sectors<sup>15</sup>



## Analysis:

Similarly to our view on ESG scores, we are able to identify high performing corporate leaders within each sector with scores that V.E qualifies as advanced (scores of 60+/100). Again, this shows that that once we look beyond the aggregated view, there are Energy Transition champions present amongst the different sectors. Typically, these companies have set ambitious decarbonization strategies and are already reporting in depth on both the measures being undertaking to reduce their climate footprint as well as their current and historic emissions data for carbon dioxide. Whilst a gap between absolute leaders and laggards is to be expected, the graph highlights that across a number of sectors (Food, Specialised Retail, Energy, Retail and Specialised Banks and Chemicals) there are companies achieving a score of 0/100. This indicates that in terms of disclosures, there is no public information being provided on the policy commitments, measures and key performance indicators related to Energy Transition.

<sup>15</sup> Carbon Footprint and Energy Transition data from V.E, 08/2021

## Select Best Practice Energy Transition Commitments

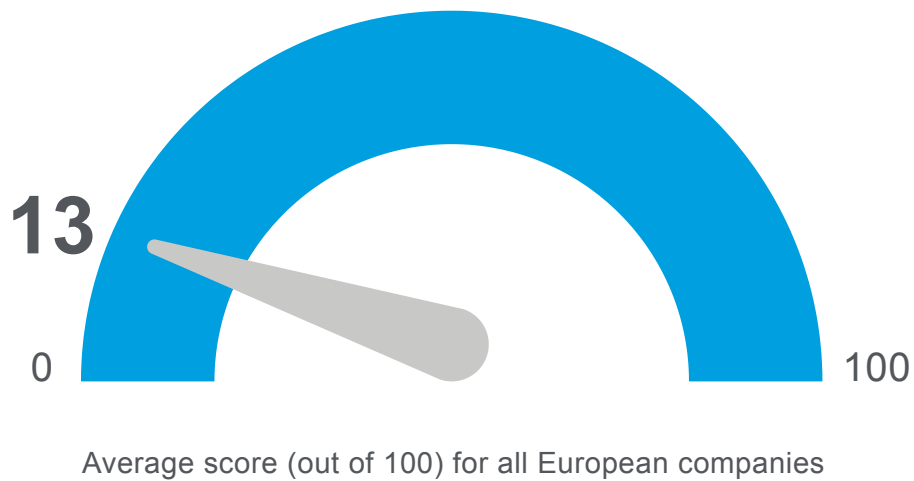
When looking at company level climate commitments, we have been able to identify leaders across all industries. Encouragingly, many of the sector leaders have already set carbon neutrality targets that align with, or, in some cases, even anticipate the 2050 target of the European Green Deal. Select examples are provided in the table below:

**Table 3D:** Select Best Practice Energy Transition Commitments<sup>16</sup>

INDUSTRY	COMPANY	ENERGY TRANSITION SCORE	SECTOR AVERAGE SCORE	ENERGY TRANSITION TARGETS
Cosmetics	L'OREAL	75/100 Advanced	43/100 Limited	<ul style="list-style-type: none"> <li>By 2025, all sites will have achieved carbon neutrality.</li> <li>By 2030, L'Oréal will innovate to enable consumers to reduce CO2 emissions linked to the use of their products by 25% (compared to 2016).</li> <li>By 2030, L'Oréal will reduce by 50% on average per finished product, the GHG emissions linked to the transport of products (compared to 2016).</li> <li>By 2030, strategic suppliers will reduce their direct emissions (Scope 1 and 2) by 50% in absolute terms (compared to 2016).</li> </ul>
Electric & Gas Utilities	ENEL	74/100 Advanced	36/100 Limited	<ul style="list-style-type: none"> <li>Enel targets full decarbonization of its energy mix by 2050.</li> <li>As part of this, Enel has announced the goal of reducing direct greenhouse gas emissions per kWeq by 70% within 2030 (compared to 2017).</li> <li>Enel also targets to reduce indirect emissions by end-user customers by 16% by 2030.</li> </ul>
Retail	INDITEX	70/100 Advanced	29/100 Weak	<ul style="list-style-type: none"> <li>By 2021, 90% of the energy used in facilities (headquarters, logistics and stores) will come from renewable sources.</li> <li>By 2030, Inditex have committed to reducing GHG emissions by 30%.</li> </ul>
Building Materials	LAFARGE HOLCIM	72/100 Advanced	29/100 Weak	<ul style="list-style-type: none"> <li>Is the first global building materials company to sign the UN Global Compact Business Ambition for 1.5C initiative with a 2030, Science Based Targets verified action plan. As part of this, LafargeHolcim has set multiple 2030 targets which include operating its first net-zero CO2 production facility by 2020.</li> </ul>
Tyre Manufacturing	MICHELIN	64/100 Advanced	35/100 Limited	<ul style="list-style-type: none"> <li>By 2050, Michelin is aiming for carbon neutrality of its manufacturing base.</li> <li>By 2030, Michelin targets a 50% reduction in CO2 emissions (compared to 2010) at its manufacturing sites.</li> <li>By 2030, Michelin targets a 15% reduction in CO2 emissions linked to its logistics operations (compared to 2018).</li> </ul>
Construction	VINCI	58/100 Robust	32/100 Limited	<ul style="list-style-type: none"> <li>By 2030, VINCI aim to reduce its Scope 1 and Scope 2 emissions by 40% (compared to 2018 levels)</li> <li>By 2050, VINCI has committed to be aligned with the 2050 carbon neutrality commitments made by France as part of the Paris Climate Agreement.</li> </ul>
Beverage	COCA COLA EUROPEAN PARTNERS	56/100 Robust	26/100 Weak	<ul style="list-style-type: none"> <li>Coca-Cola European Partners (CCEP) aims to reduce its absolute greenhouse gas emissions by 30% across its entire value chain (scope 1-2 and 3) by 2030 with a view to becoming Net Zero by 2040.</li> <li>CCEP will reduce GHG emissions across its full value chain: ingredients, packaging, operations, transportation and refrigeration.</li> </ul>

<sup>16</sup> Carbon Footprint and Energy Transition data from V.E, 08/2021

## Performance data for European companies on the management of the physical risks of climate change



### Analysis:

2021 has seen countries across the European continent impacted by catastrophic floods as well as wildfires. Alongside the high levels of fatalities, there has been significant damage to local infrastructure and agricultural land. The record-breaking volumes of precipitation that are being seen are in line with broader global trends pointing to more regular extreme weather events. With that in mind, understanding business level exposure to physical risks and putting in place plans to manage this is a vital risk management task for European industries. Since 2015, V.E has been assessing the preparedness of companies to mitigate the physical risks of climate change on their businesses. Our snapshot of data on European companies indicates that whilst there are some strong individual performers, the majority of European companies provide little to no public information on how they plan to adapt to the changing environmental context in Europe.

# Closing the Gaps

## Conclusions and Policy Implications from CSR Europe

There is an urgent need for corporate sustainability leaders and industry federations to close the gap between the absolute highest and lowest ESG performers. There are still too many enterprises failing to disclose any material info on the policies and initiatives that they are undertaking in support of global and European sustainability objectives. The rise in climate and biodiversity related controversies and the spike in social controversies during the pandemic reinforce this sense of urgency. From the interviews with industry federations, we observe that only 40% include explicitly SDGs in their mission and vision, 40% include timebound targets in their sustainability roadmaps, 30% engage in practical sustainability impact/improvement projects with their members, and only 30% participate in EU funded sustainability projects. So, how could the EU institutions help improve the levels of sustainability and SDG maturity throughout industry sectors and federations and close these gaps?

### **Enhance maturity and integration of sustainability in European industry federations & associations:**

We call upon the European Commission to support and anchor the European Pact for Sustainable Industry in the fabric of the European Green Deal and President von der Leyen's "Whole Government Approach on SDGs". By doing so, the European Commission can help accelerate the engagement of industry federations in four areas: improving education on sustainability, increasing collaboration within and between sectors, increasing the level of regular communications and sharing more knowledge on best practices and approaches to sustainability and the SDGs.

### **Engage corporate sustainability leaders and industry federations in the EU Corporate Covenant on Climate Change & Energy**

The 2021 Barometer highlights the rise in climate-related controversies linked to shareholder activism and climate liability lawsuit alongside the lack of disclosures that persists across many industries in terms of climate action. It is important that the European Commission invites corporate sustainability leaders and industry federations into the governance and actions of the forthcoming EU Corporate Covenant. Through their supply chains and across their sectors, they can help many more enterprises, in particular SMEs, to benefit from the offerings of the EU Corporate Covenant and to join the efforts of mayors and cities in order to forge stronger public-private partnerships at local level.

### **Support European sector alliances to improve on due diligence:**

In its efforts to enhance the livelihoods of workers across the value chains of European and global enterprises, CSR Europe propose to the EU institutions to strive for an integrated, inclusive, and progressive European approach on due diligence. We recommend that the EU couples the forthcoming European Directive on due diligence with ambitious measures to support the work of producers, engagements with governments in the global south and collaborations with all market stakeholders to address fundamental problems and develop the solutions for more sustainable local eco-systems. With regards to industry sectors and federations, we propose to the European Commission to support existing and new European sector alliances on due diligence with the purpose: (1) for members of industry federations and other stakeholders to benefit from open-source risks analysis, (2) to reinforce the future European horizontal law on due diligence with industry sector guidelines, (3) to engage in a broader dialogue that touches on all due diligence related issues, including purchase practices, and (4) to develop sector and cross-sector projects for impact.



The conclusions and recommendations outlined in this report are the result of research conducted by CSR Europe and V.E between April and July of 2021. The research focused on European industry federations and targeted sectors from across the different segments of the European market. The results published in this report represent the results from surveys undertaken with 10 industry federations.

### How we gathered and processed the data

To gain quantitative insights, a structured interview was conducted with industry federations to gauge their level of maturity on sustainability. The interview was framed around the ISIF Methodology which has been developed by CSR Europe<sup>17</sup>. Questions were structured around four areas:

- **Policy:** this section of the interview focused on assessing the extent to which sustainability was integrated in the mission and vision statements of the federation, into policy positioning papers and into engagements with the European Union.
- **Direction:** this section of the interview focused on assessing the extent to which sustainability themes were integrated into roadmaps for the federation, whether any timebound targets had been set as well as the level of Board engagement on sustainability topics.
- **Organisation:** this section of the interview focused on assessing the extent to which dedicated staff, working groups and stakeholder engagement initiatives had been structured within the federation.
- **Activities:** this section of the interview focused on assessing the extent to which activities such as training, intelligence sharing and engagements on impact orientated projects had been established by the federation.
- **Communication:** this section of the interview focused on assessing the extent to which annual reporting on sustainability and communication through self-sponsored and third party sponsored events was undertaken by the federation.

All respondents to the interview were allocated an overall maturity score and a component score for each of the underlying areas.

Beyond measuring the maturity of the different industry federations, the interview looked to understand the key initiatives and best practices that the different federations were undertaking in order to further sustainability within their industries. These have been showcased throughout the report.

<sup>17</sup> ISIF is an acronym for Integration of Sustainability in Industry Federations

# Interview Questions

## Section 1 – Policy

### Mission & Vision

- 1.1 - Is sustainability explicitly included in the mission/vision statement or other high-level statements of your organization?
- 1.2 - If yes, which of the following aspects of sustainability are highlighted?
- Climate and Energy Transition
  - Other Environmental topics
  - Social topics
  - Governance topic
- 1.3 - If yes, in these documents is an explicit reference to the UN Sustainable Development Goals made?
- 1.4 - Did your organization determine and select the material issues for the sector?
- 1.5 - If yes, are these linked to the UN Sustainable Development Goals?
- 1.6 - If yes, are these linked to the priorities and direction of the EU Green Deal?

### Policy Statements

- 2.1 - Is sustainability a key item in the policy papers and studies you developed over the past 12 months?
- 2.2 - Please indicate for each of the topics below if they were included in policy papers/studies in the last 12 months:
- Climate and Energy Transition
  - Other Environmental topics
  - Social topics
  - Governance topics
- 2.3 - Over the past 12 months did you include explicit references to the UN SDGs in your policy papers and studies?
- 2.4 - If yes, please identify which ones.

### EU Engagement

- 3.1 - Is sustainability a key item in specific Position papers towards the EU?
- 3.2 - Over the past 12 months, did you or your staff attend any activity with EU policymakers on one of the topics below?
- Climate and Energy Transition
  - Other Environmental topics
  - Social topics
  - Governance topics
- 3.3 - Over the past 12 months, did you participate to any of the official EU consultations on a sustainability topic relevant for your sector?
- 3.4 - Over the past 12 months, did you have individual meetings between your industry federation and a European Commissioner on a sustainability topic?



## Section 2 – Direction

### Roadmap

- 4.1 - Did your federation define a sustainability related roadmap/direction?
- 4.2 - If yes, which of the following sustainability aspects are highlighted?
- Climate and Energy Transition
  - Other Environmental topics
  - Social topics
  - Governance topics
- 4.3 - If yes, do you make explicit references to the UN Sustainable Development Goals in these documents?
- 4.4 - If yes, please identify which ones.

### Timebound Targets

- 5.1 - Have you defined specific timebound sustainability targets for the industry federation?
- 5.2 - Please indicate for each of the below topics if a timebound target has been set:
- Climate and Energy Transition
  - Other Environmental topics
  - Social topics
  - Governance topics

### Board Engagement

- 6.1 - Can you indicate how much time of the Board was spent last year on sustainability topics:
- 0%
  - up to 25%
  - between 25 – 50%
  - between 50 – 75%
  - above 75%
- 6.2 - Can you indicate on which specific aspects of sustainability the Board were involved in discussions?
- Climate and Energy Transition
  - Other Environmental topics
  - Social topics
  - Governance topics
- 6.3 - Can you indicate how much time was spent by the General Assembly on sustainability topics in the last year?
- 0%
  - up to 25%
  - between 25 – 50%
  - between 50 – 75%
  - above 75%



## Section 3 – Organisation

### Staff

7.1 - Does your organisation employ a specific person whose main task is related to sustainability?

### Organisation

8.1 - Does your organisation have specific working groups with your members that are directly linked to sustainability issues? If yes, please specify them.

### Stakeholder Engagement

9.1 - Over the past 12 months, did you organise dialogue with the key stakeholders of your sector?

9.2 - If yes, please can you describe this activity? Who was the target audience, what was the purpose and what were the outcomes?

9.3 - Is stakeholder dialogue a regular activity within your organisation?

9.4 - On which sustainability topics did you engage with you stakeholders on in a structured manner?

- Climate and Energy Transition
- Other Environmental topics
- Social topics
- Governance topics

## Section 4 – Activities

### Learning and Sharing

10.1 - Was sustainability a key element in activities with members over the past year?

- No
- Mentioned in some events
- Some events specifically linked to sustainability
- All member activities have sustainability as a main topic

10.2 - Do you have training and learning activity on sustainability?

10.3 - If yes, please provide examples.

10.4 - Do you have any other approaches to promoting sharing and learning on sustainability?

10.5 - If yes please provide the most important examples.

### Intelligence to Members

11.1 - Do you provide regular updates on sustainability best practices to your members?

11.2 - If yes, can you specify how this is done?

11.3 - Which of these sustainability topics is features at least more than once in the last 12 months in your outreach towards your members?

- Climate and Energy Transition
- Other Environmental topics
- Social topics
- Governance topics

## Section 5 – Communication

### Annual Reporting on Sustainability

12.1 - Do you have an industry federation sustainability report?

### Event Engagement

13.1 - Does your federation speak about sustainability within your industry at external events more than three times per year?

13.2 - Did you organise a public event during the last 12 months that featured sustainability?





# V.E - Methodologies

The following sections provide summaries of the products from which data has been featured in the 2021 Barometer. For any additional information related to these, please contact [MESG@moodys.com](mailto:MESG@moodys.com).

## ESG Assessment

The ESG Assessment covers approximately 5000 companies on their management of up to 38 material environmental, social and governance (ESG) criteria:

- The ESG Assessment is updated annually using public information
- Companies are given a score from 0-100 at Overall, E, S and G and criteria levels.
- Scores are categorized as weak (0-29), limited (30-49), robust (50-59) or advanced (60+/100)
- Scores are developed through assessing three main components:
  - » Leadership: the policies, targets and organizational structures put in place to manage specific ESG risks and opportunities
  - » Implementation: the actions taken to support public commitments (trainings, risk assessments etc)
  - » Results: the trends of any disclosed KPIs as well as any ESG Controversies that impact the company.
- All companies can access their final scores through an online platform (V.E Connect)

## Energy Transition Assessment

The Energy Transition Assessment covers approximately 5,000 companies and measures the extent to which they are positioning their strategies and operations to support the transition to a lower carbon economy:

- The Energy Transition Assessment is updated annually using public information
- Companies are given a score from 0-100 at Overall and underlying criteria levels
- Scores are categorized as weak (0-29), limited (30-49), robust (50-59) or advanced (60+/100)
- Scores are developed through assessing three main components:
  - » Leadership: the policies, targets and organizational structures put in place to manage specific ESG risks and opportunities
  - » Implementation: the actions taken to support public commitments (trainings, risk assessments etc)
  - » Results: the trends of any disclosed KPIs as well as any ESG Controversies that impact the company.
- All companies can access their final scores through an online platform (V.E Connect)

## Controversy Risk Assessment

The Controversy Risk Assessment screens over 10,000 companies for their involvement in environmental, social and governance (ESG) controversies. All controversies are systematically assessed in terms of their:

- Severity: on a four-point scale ranging from “minor”, “significant”, “high”, “critical”.
- Frequency: on a four-point scale ranging from “isolated”, “occasional”, “frequent”, “persistent”.
- In addition, the responsiveness of a company is assessed on a four-level scale: “non-communicative”, “reactive”, “remediative”, “proactive”.

Controversies are classified under an ESG taxonomy containing 38 individual themes. Information sources are monitored by our specialist team on a real time basis. As such, company records, data files and individual company reports are updated and/or refreshed daily.

## SDG Alignment Screening

The SDG Alignment Screening covers approximately 5000 companies. The product applies a dual lens of analysis to each of the 17 SDGs:

- A **Net Contribution Lens** analyses the positive and negative contributions that a company makes to the SDGs based on their products and services. For each SDG a company is qualified on a five point scale: Highly Positive, Positive, Neutral, Negative, Highly Negative
- A **Net Behaviour Lens** assesses a company’s disclosures on policies and systems as well as its exposure to and management of controversies. For each SDG a company is qualified on a five point scale: Highly Favourable, Favourable, Marginal, Negative, Highly Adverse

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## About V.E

V.E is a global leader in ESG assessments, data, research and analytics. Leveraging our extensive proprietary database, we equip market players with the ESG insight they need to manage risks and better understand and address their social and environmental impact. With a team of over 300 experts of 30 different nationalities, V.E is present in Paris, London, Brussels, Casablanca, Hong Kong, Singapore, Milan, New York, Rabat and Santiago. Since 2020, V.E has been a part of Moody's ESG Solutions.

## About CSR Europe

CSR Europe is the leading European business network for Corporate Sustainability and Responsibility. With our corporate members, National Partner Organisations (NPOs), and Associated Partners, we unite, inspire & support over 10,000 enterprises at local, European and global level. We support businesses & industry sectors in their transformation and collaboration towards practical solutions and sustainable growth.

We are for systemic change. Following the SDGs, we want to co-build with the European leaders and stakeholders an overarching strategy for a Sustainable Europe 2030. In 2020, CSR Europe inaugurated the European Pact for Sustainable Industry. The Pact acts as a communication and sharing platform for industry federations to develop and implement a holistic strategy; engage in peer-to-peer learning; conduct materiality assessments; define SDGs priorities and much more.

The research contained within the 2021 Barometer has been produced independently by CSR Europe and V.E, part of Moody's ESG Solutions. The Barometer has been inaugurated at the opening plenary of the European SDG Summit 2021, which was made possible thanks to the support of:

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