

## The Criteria and voluntary guidelines for the Jury members Belgian Awards for Sustainability Reports 2023 - Edition 2024

### Introduction and context

#### 1. Sustainability Reporting situation at European and International level

The [Corporate Sustainability Reporting Directive \(CSRD\)](#) entered into force on 5 January 2023 at European level.

What changes with the entry into force of the CSRD?

- 1) the EU's sustainability reporting requirements are extended to all large companies with more than 250 employees (rather than 500 under the actual NFRD) and to all listed companies<sup>1</sup>,
- 2) the assurance requirements on sustainability reports increases as a limited assurance is required to companies concerned by the CSRD.

In accordance with the CSRD, the EU has adopted end 2023 a first set of sector-agnostic sustainability reporting standards which specify the content of the corporate sustainability reporting requirements in the EU. These [European Sustainability Reporting Standards \(ESRS\)](#) apply to the concerned companies from 1st January 2024 for financial years beginning on or after 1st January 2024.

Member States have until 6 July 2024 to transpose the CSRD into their national law. In Belgium, a draft law is still under preparation.

At international level, the International Sustainability Standards Board (ISSB) (created within the IFRS Foundation) published two standards: [IFRS S1 on General Requirements for Disclosure of Sustainability-related Financial Information](#) and [IFRS S2 on Climate-related Disclosures](#). They are effective as of 1 January 2024, subject to adoption by local jurisdictions. The European Union has not yet endorsed these two IFRS-S and for the moment, these would only be applicable on a voluntary basis.

Organizations can prepare sustainability reports **on a voluntary basis**, using other various recognised frameworks or standards for the preparation of such reports, such as those developed by the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), the UN Global compact (Sustainable Development Goals, or 'SDGs') or the Task Force on Climate related Financial Disclosures (TCFD).

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<sup>1</sup> According to the CSRD, entry into force will take place in three waves, companies that will be in scope of the CSRD being the following:

- As from 2024 (information to be published in 2025): entities that are already applying the current Non-Financial Reporting Directive (NFRD)
- As from 2025 (information to be published in 2026): entities not currently subjected to the NFRD
- As from 2026 (information to be published in 2027) with an option to opt out for 2 years: listed SMEs, non-complex credit institutions and captive insurance companies.

### 2. Sustainability Reporting situation in Belgium

Until the CSRD comes into force in Belgium, only large public interest entities<sup>2</sup> have a legal obligation to report on their non-financial information, following the application of the non-financial reporting directive (NFRD) which entered into force in Belgium by law of 2017.

### 3. Basis for the 2024 Edition of the Awards Criteria

All organizations that are reporting sustainability information based on voluntary frameworks are eligible for the [Belgian Awards for Sustainability Reports](#).

Nevertheless, and as the CSRD and the ESRS standards are not into force in Belgium yet, participants will still be evaluated this year on **selection criteria based on** the internationally recognized [Global Reporting Initiatives \(GRI\) Standards](#).

Indeed, it is the belief of the **Institute of Registered Auditors (IBR-IRE)** that the application of the GRI Standards on sustainability reporting, with an important focus on the key sustainability issues and on transparency, will help companies make steps forward to integrated reporting on all material domains deemed material (eg. economic, social & society, environmental, governance...) based upon their (internal & external) stakeholders engagement and to help the transition to the CSRD.

The criteria also integrate:

- a clear link to the 17 [Sustainable Development Goals \(SDG's\)](#) (see sections on the Sustainability Context and Strategy, on the Completeness and the assessment of the 'Impact of the Report').
- the requirements of law of 3 September 2017 on non-financial information for large organization to disclose in their management report relevant and useful information on their policies, main risks and outcomes relating to environmental matters, social and employee aspects, respect for human rights, anticorruption and diversity in their governance bodies (see section on Governance, Ethics & Integrity).
- the threshold of the CSRD for the determination of the categories of organizations of the Awards (see below "Categories of organisations"). These thresholds already align with the adjustments to inflation made at EU level in the Accounting Directive. Although not applicable yet, an alignment towards the double materiality methodology and mapping towards ESRS standards and related qualitative and quantitative disclosure requirements could already be taken as best practices in view of the evaluation of the reports (see under "Materiality and Boundaries" and "Quality : Accuracy, Timeliness, Completeness").

### Eligibility of the reports

- Every organization that issues a sustainability report on its **activities in Belgium and beyond** – regardless of the size of the organization or its industry – can participate in the Awards.
- The report has to communicate on the **activities of a Belgian legal entity** or on the **Belgian activities of a foreign entity**.
- The report on the Belgian activities of a foreign entity must set **clear sustainability objectives** and provide sufficient information on the basis of **certain selected criteria (targets, results etc.) for Belgium**.

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<sup>2</sup> Entities with more than 500 employees and net turnover of more than 34 Mio EUR or balance sheet total of more than 17 Mio EUR.

- The organization has to disclose on its environmental, social and governance activities and performance (**ESG**).
- The 2024 edition promotes sustainability reports relating to the **year 2023** or - when not available - the most recent sustainability report (for a year prior to 2023) provided that it has been **published in 2023 or 2024** and has not been submitted for previous editions of these Awards.

### Categories of organisations

- 1. Large listed organisations together with large public-interest entities** already subject to the Non-financial Reporting Directive (NFRD), i.e. having:
  - More than 500 employees; and
  - More than EUR 25 million balance sheet total or more than EUR 50 million net turnover.
- 2. Large non-listed organizations** exceeding two of the three following criteria:
  - Net turnover: EUR 50 million,
  - Balance sheet total: EUR 25 million, and
  - More than 250 employees.

This category also includes listed organizations together with large public-interest entities not subject to the NFRD.
- 3. Small and medium-sized enterprises (SMEs):** all organizations between 50 and 250 employees, not considered as large organizations
- 4. Other organizations:**
  - Small-sized companies: companies smaller than 50 employees;
  - NGOs, not-for-profit organisations (ASBL/VZW), international not-for-profit organisations (AISBL/IVZW) or foundations, which are based in Belgium and operate in or outside the Belgian territory;
  - Educational institutions, federations, public sector, etc.

### Awards for the 2024 Edition

For the 2024 Edition, the Institute of Registered Auditors (IBR-IRE) decided to give the following awards:

1. The **Belgian Award for the Best Sustainability Report** in each category of organization, which will be selected by the Jury.
2. The **Belgian Award for the Best First Sustainability Report** which will be selected by the Jury amongst all first reports received (cross categories).
3. A **“Public Award”** for the **Most Original and most Creative Sustainability Report** which will be granted by a public vote on the day of the ceremony, based on a preselection of candidates by the Jury. The nominees will have the opportunity to give a presentation of their report on the day of the ceremony and to communicate on their social, environmental and governance transition.

### Timing to participate

All reports should be handed in online **before 1st July 2024** (For SMEs and other organizations, reports will be accepted until 22nd July). All reports will be submitted to the Jury who will evaluate all reports in two phases ([see website for the Jury process](#)).

### Table of content

The criteria have been divided into two parts:

1. Principles for defining report content & quality (60 %)
2. Impact of the report (40 %)

The percentage between the criteria has been changed to reflect the importance of impact of the report.

#### 4. REPORT CONTENT & QUALITY

The report content & quality section makes up 60% of the marks and is sub-divided into 6 sections:

1. Sustainability Context and Strategy (10%)
2. Governance, Ethics and Integrity (10%)
3. Stakeholder Inclusiveness and Engagement (10%)
4. Materiality and Boundaries (10%)
5. Quality: Accuracy, Timeliness and Completeness (10%)
6. Reliability and Clarity (10%)

#### 5. IMPACT OF THE REPORT

The impact of the report section makes up 40% of the marks and is sub-divided into 2 sections:

1. Quantified & impact assessment: Comparability, Balance and KPI's/objectives/Targets (25 %)
2. Overall impression including creativity & originality (15%)

The criteria will be applied to a sustainability report regardless of the way this is presented: as a separate report, or integrated or combined with the annual report. The sections of the criteria are described in more detail below.

## **PART ONE: PRINCIPLES FOR DEFINING REPORT CONTENTS & QUALITY (60%)**

### **1. Sustainability Context and Strategy (10 %)**

The report should present the organization's performance in the wider context of sustainability and a general strategic view of the organization's sustainability, in order to provide context for subsequent, more detailed reporting. The strategy and analysis may draw on information provided in other parts of the report, but is intended to give insight on strategic topics rather than simply summarize the contents of the report. A special focus is made on how organizations can align their strategies as well as measure and manage their contribution to the Sustainable Development Goals. The 17 goals cover very varied themes, such as climate change, health, employment, innovation, and even the development of transparent institutions and justice for everyone. For the sake of clarity, they are divided into 5 groups: People, Planet, Prosperity, Peace and Partnerships (see Appendix on SDGs).

#### *Sustainability context*

Information on performance should be placed in context. The underlying question of sustainability reporting is how an organization contributes, or aims to contribute in the future, to the improvement or deterioration of economic, environmental and social conditions, developments, and trends at the local, regional or global level. Reporting only on trends in individual performance (or the efficiency of the organization) fails to respond to this underlying question. Reports should therefore seek to present performance in relation to broader concepts of sustainability, including the aspects of sustainability as defined and accepted by all organizations through the Sustainable Development Goals. This involves discussing the performance of the organization in the context of the limits and demands placed on environmental or social resources at the sector, local, regional, or global level.

#### *General strategic view of the organization's sustainability*

- 1.1. The organization should provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability (commitment to economic and/or social and/or environmental goals by leadership).

The statement should present the overall vision and strategy for the short term, medium term, and long term, particularly regarding managing the significant economic, environmental and social impacts that the organization causes and contributes to, or the impacts that can be linked to its activities as a result of relationships with others (such as suppliers, people or organizations in local communities) or performance.

The statement should include:

- Strategic priorities and key topics for the short and medium term regarding sustainability, including respect for internationally recognized standards and how such standards relate to long term organizational strategy and success;
- Broader trends (such as macroeconomic or political) affecting the organization and influencing sustainability priorities;
- Key events, achievements, and failures during the reporting period;
- Views on performance with respect to targets;

- Outlook on the organization's main challenges and targets for the next year and goals for the coming 3–5 years;
  - Other items pertaining to the organization's strategic approach.
- 1.2. The organization should provide a description of key impacts on sustainability and effects on stakeholders and a description of the impact of sustainability trends, risks, and opportunities on the long term prospects and financial performance of the organization description of risks, and opportunities (it is a sort of executive summary).

The description should include:

- A description of the significant economic, environmental and social impacts of the organization, and associated challenges and opportunities. This includes the effect on stakeholders' rights as defined by national laws and the expectations in internationally recognized standards and norms. An explanation of the approach to prioritizing these challenges and opportunities.
- Key conclusions about progress in addressing these topics and related performance in the reporting period. This includes an assessment of reasons for underperformance or over-performance.
- A description of the main processes in place to address performance and relevant changes.

## **2. Governance, Ethics & Integrity (10 %)**

Governance, Ethics and integrity are part of G4 minimum content requirements and were already addressed in the last year's criteria. Transparency on the governance structure and composition of the organization is important to ensure the accountability of the relevant bodies and individuals. The report has to describe how the highest governance body is established and structured in support of the organization's purpose, and how this purpose relates to economic, environmental and social dimensions.

The organization has to describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.

The following issues should be covered in order to fulfill the principle

- 2.1. Governance structure of the organization, including committees of the highest governance body.
- 2.2. Identification of any committees responsible for decision-making on economic, environmental and social impacts.
- 2.3. Role of the highest governance body in setting the organization's purpose, values (or mission statements), and strategy and goals related to economic, environmental and social impacts (development, approval and updating).
- 2.4. The competencies, responsibilities and performance evaluation of the highest governance body.
- 2.5. The role of the highest governance body in risk management (internal audits, compliance), in sustainability reporting, in evaluating economic, environmental and social performance.
- 2.6. Remuneration and incentives.

- 2.7. Description of the organization's values, principles, standards and norms (i.e. codes of conduct, codes of ethics).
- 2.8. Its internal and external mechanisms for seeking advice on ethical and lawful behavior.
- 2.9. Its internal and external mechanisms for reporting concerns about unethical or unlawful behavior and matters of integrity.

In case of a large organization falling under the law of 3 September 2017 on non-financial information disclosure (more than 500 employees), their management report should disclose relevant and useful information on their policies, main risks and outcomes relating to at least:

- environmental matters,
- social and employee aspects,
- respect for human rights,
- anticorruption and bribery issues, and
- diversity in their board of directors.

### **3. Stakeholder Inclusiveness and Engagement (10%)**

The organization should identify its stakeholders, and explain how it has responded to their reasonable expectations and interests.

Stakeholders can include those who have invested in the organization as well as those who have other relationships to the organization. The reasonable expectations and interests of stakeholders are a key reference point for many decisions in the preparation of the report.

The report has to provide an overview of the organization's stakeholder engagement during the reporting period. It does not have to be limited to engagement that was conducted for the purposes of preparing the report. Therefore, the report has to include the following items:

- 3.1. List of stakeholder groups engaged by the organization;
- 3.2. Organization's approach to stakeholder engagement (consultation), including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken. The reasonable expectations and interests of stakeholders should be a key reference point for many decisions in the preparation of the report. However, not all of an organization's stakeholders will use the report. This presents challenges in balancing the specific interests and expectations of stakeholders who can reasonably be expected to use the report with broader expectations of accountability to all stakeholders;
- 3.3. Use of stakeholder feedback: key topics and concerns that have been raised through stakeholder engagement/consultation, and how the organization has responded to those key topics and concerns, including through its reporting specifically as part of the report preparation process.

### **4. Materiality and Boundaries (10%)**

The report should cover aspects that:

- Reflect the organization's significant economic, environmental and social impacts; or
- Substantively influence the assessments and decisions of stakeholders.



The organization should describe its supply chain or value chain (i.e. number and names of suppliers, organization, structure) and integrate the impact of the supply chain on the environment, on labor practices, on human rights and on the society, in the overall report, applying the concept of materiality.

Organizations are faced with a wide range of topics on which they could report. Relevant topics are those that may reasonably be considered important for reflecting the organization's economic, environmental and social impacts, or influencing the decisions of stakeholders, and, therefore, potentially merit inclusion in the report. Materiality is the threshold at which aspects become sufficiently important that they should be reported. Organizations should describe the process they have deployed to determine what is material or relevant for the organization over its value chain.

The report has to provide an overview of the process that the organization has followed to define the Report Content, the identified material Aspects and their Boundaries, and restatements (if any):

- 4.1. List of all entities included in the organization's consolidated financial statements or equivalent documents (and also excluded).
- 4.2. Process for defining the report content and the Aspect Boundaries : identifying relevant topics, determining boundaries for relevant topics, prioritization (what to analyze), validation and review.
- 4.3. List of all the material aspects identified and for each material aspect whether it is material within the organization and outside the organization;
- 4.4. Significant changes from previous reporting periods.

The **European Sustainability Reporting Standards (ESRS)** introduce a requirement for companies to report both on how sustainability issues affect their performance, position and development (the 'outside-in' perspective), and on their impact on people and the environment (the 'inside-out' perspective). This is known as the concept of 'double materiality'. Although not applicable yet (and in the future, not applicable for all companies or organizations), that alignment towards the double materiality methodology could be seen as a best practice.

### **5. Quality : Accuracy, Timeliness, Completeness (10%)**

The reported information should be sufficiently accurate and detailed for stakeholders to assess the organization's performance.

Responses to economic, environmental and social Disclosures on Management Approach and Indicators can be expressed in many ways, ranging from qualitative responses to detailed quantitative measurements. The characteristics that determine accuracy vary according to the nature of the information and the user of the information.

The organization should report on a regular schedule so that information is available in time for stakeholders to make informed decisions.

The usefulness of information is closely tied to whether the timing of its disclosure to stakeholders enables them to effectively integrate it into their decision-making. The timing of release refers both to the regularity of reporting as well as its proximity to the actual events described in the report.

The report should include coverage of material Aspects and their Boundaries, sufficient to reflect significant economic, environmental and social impacts, and to enable stakeholders to assess the organization's performance in the reporting period.



Completeness primarily encompasses the dimensions of scope, boundary, and time. The concept of completeness may also be used to refer to practices in information collection and whether the presentation of information is reasonable and appropriate and is linked to the materiality process: topics identified as material for the company are expected to be reported on in terms of performance, targets, ... Completeness does not mean details on every topics nor very long report. Instead, short and sharp reports will be appreciated.

In view of the quality, including accuracy and completeness, any mapping towards the ESRS standards and related qualitative and quantitative disclosure requirements could be seen as a best practice, also in view of already transitioning towards compliance with the [Corporate Sustainability Reporting Directive \(CSRD\)](#).

### **6. Reliability & Clarity (10%)**

The organization should gather, record, compile, analyze and disclose information and processes used in the preparation of a report in a way that they can be subject to examination and that establishes the quality and materiality of the information.

- 6.1. Stakeholders should have confidence that a report can be checked to establish the veracity of its contents and the extent to which it has appropriately applied Reporting Principles.
- 6.2. The inclusion of a verification statement is an important aspect of report credibility. The information and data included in a report should be supported by internal controls or documentation that could be reviewed by individuals other than those who prepared the report.

The organization should make information available in a manner that is understandable and accessible to stakeholders using the report. Information should be presented in a manner that is comprehensible to stakeholders who have a reasonable understanding of the organization and its activities.

## **PART TWO: IMPACT OF THE REPORT (40 %)**

The added value of the organization for the Society should be explained in the sustainability report. It should be a “societal” report. It must tell why the organization has more positive impact to the Society than negative, while integrating the objective of sustainability. Creating work should not be the only added-value of an organization. Organizations should question their societal utility. Public and non-profit sectors should not be exempted from questioning the sense of a public service created long time ago for example. Integrating positive and negative impact on society in the report should be the key to demonstrate the utility of an organization.

### **1. Quantified & impact assessment: Comparability, Balance and KPI's/objectives/Targets (25 %)**

Short and sharp reports will be appreciated (to the point). The trend towards shorter reports is highly appreciated.

Consumers/ citizens should have read the questioning of a public service on the way it functions for a sustainable management of public money.

The report should reflect positive and negative aspects of the organization's performance to enable a reasoned assessment of overall performance.

The overall presentation of the report's content should provide an unbiased picture of the organization's performance. The report should avoid selections, omissions, or presentation formats that are reasonably likely to unduly or inappropriately influence a decision or judgment by the report reader.

Balance is a principle based on G4 definitions which was already addressed in the previous year's criteria.

The organization should select, compile and report information consistently. The reported information should be presented in a manner that enables stakeholders to analyze changes in the organization's performance over time, and that could support analysis relative to other organizations.

Comparability is also necessary for evaluating performance. Stakeholders using the report should be able to compare information reported on economic, environmental and social performance against the organization's past performance, its objectives, and, to the degree possible, against the performance of other organizations.

KPI's, objectives and targets should be clearly defined in line with SMART principle :

- Specific
- Measurable
- Achievable
- Realistic and
- Time bound

Furthermore, the calculation method and scope of KPI's, objectives and targets should be clearly defined, with a clear preference to full coverage of entire operations of the company and its value chain (full impact assessment of the organization / groups' activities, products & services).

Organizations and companies with a higher maturity set clear objectives and targets against which they measure performance on a consistent basis.

The SDGs provide a global business and sector wide opportunity to help companies and organizations integrate their corporate and sustainability reporting. The SDGs are a set of goals to be achieved within a specific time frame and their achievement can be thought of as a series of outcomes. In this way, the SDGs can provide a framework to help transition from a focus purely on the outputs of a business / organization (i.e. products made, services delivered), to one in which the end outcomes and their impacts (i.e. use of natural resources, employment opportunities created, energy used) become much more fully considered. Some impacts will be positive and some negative. Ultimately the SDGs can put a financial value on the success of sustainable action both within the organization and in larger society. To achieve this, organizations need a reporting approach that takes into account both the importance of specific SDGs to the organization and how to meaningfully measure progress against them.

## **2. Overall impression including creativity & originality (15%)**

This criteria has been maintained as it has been considered as important by the organizers of the event. The extent to which the report communicates to the declared target audiences should be evaluated. Issues to consider are: layout and appearance, comprehensive navigation through report, communication and feedback mechanisms, use of internet, appropriateness of graphs, illustrations and photos, understandability, readability, accessibility and appropriate length. The relevance of the topics addressed to the stakeholders is of great importance.

Creativity and originality of the reports should be assessed here. Innovation in the lay-out of reports (online version or even in the format of a website entirely dedicated to the subject) should be encouraged as it makes it often more user-friendly, with the use of good videos and explanations or other interaction possibilities.

Also the format of presentation or well-chosen pictures motivates the reader to further read the report and should be appreciated.

However a web-based approach for example should not make it more difficult to get an overall view or to gather the relevant information. A nice presentation should not be one more promotion brochure and not a well-balanced presentation of the organization. Clarity and Accuracy as referred above should be kept in mind while evaluation the creativity-originality of the report.

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