“A good report shows the link between business and sustainability”

Many rules, many numbers, many questions. In everyday life, reporting is a challenge for many sustainability managers. Thorsten Pinkepank, responsible for sustainability relations at BASF, answers questions about sustainability reporting.

The EU Commission is currently discussing the introduction of its own non-financial reporting standard. Do you think this is a good approach? And what would you expect from such an EU-wide rule?

How much freedom and how many rules make sense for corporate sustainability reporting is also a crucial question in the discussion among reporting experts in Germany. More freedom means more possibilities for differentiation — more standards mean more comparability. If one is in favor of more comparability, as many users understandably are, for example in the financial sector, a legal standard “only” for Europe actually falls short again, because sustainability is not a topic for one region alone. My expectations would therefore in any case be maximum international connectivity and orientation to existing frameworks such as GRI (Global Reporting Initiative), SASB (Sustainability Accounting Standards Board), IIRC (International Integrated Reporting Council), as well as a dialog on this with international players such as IFRS (International Financial Reporting Standards). With regard to topics, only a few central criteria should be defined across all sectors. Further sector-specific criteria could be discussed with relevant stakeholders. What is particularly important for reporting companies in practice: a pilot phase for the transition because it is difficult to comply with standards “retrospectively.”

The UN Sustainable Development Goals, the SDGs, span over all the frameworks and standards like an umbrella. With 17 goals and 169 targets, these were originally conceived by and for states. But companies should also align themselves with them. What does this mean for the future? Will everything be turned inside out or will old wine simply be poured into new bottles?

The SDGs have indeed become a globally accepted reference framework. In terms of content, they were and are not new — GRI and others have been focusing on most of the topics for some time. Even if the SDGs are addressed to the states, they naturally also have a thematic orientation function for the private sector. It can be seen that they have a structuring effect, especially in connection with “impact reporting.” Take a look at the work of the Value Balancing Alliance, for example. The UNGC (UN Global Compact) is also currently working with a group of CFOs to try to harness the SDGs to develop criteria for sustainable investing. I therefore see the SDGs in the context of reporting more as a broader framework for orientation than as a framework for operational reporting.

Various studies show that the quality of many sustainability reports is mediocre. There is often a lack of concrete proof of the measurements and achievements of the communicated goals. What do you think is essential for a good sustainability report?

A report is good if it describes the link between business and sustainability in a comprehensible way. At its core, this includes elements such as materiality, strategy presentation, targets, and associated KPIs. A good report also reflects the analysis of important stakeholders and their expectations — and therefore also takes a stand on critical, controversial issues. I also see transparent alignment with standards and appropriate external scrutiny as a mark of quality. As it
becomes increasingly clear that sustainability plays a central role in both business strategies and customer decisions, I see a trend toward integrated reporting — a path that BASF, for example, has been following since 2007.

How have you managed at BASF to ensure that sustainability is so robustly anchored in the company?

At BASF, we have been thinking about product life cycles for a long time and have done a lot of calculations. In addition, a key element — alongside the integrated reporting process — was certainly a method for portfolio segmentation and management according to sustainability criteria. In simplified commercial terms, it showed that “more sustainable” products are also better business. Quite consistently, at all levels in the company, we increasingly clearly see sustainability as a paradigm of successful corporate management that we must integrate into our day-to-day core and decision-making processes.

BASF is active worldwide, so you have a good overview of developments in the individual regions of the world. What’s happening in the world?

Whoever develops the gold standard here is indifferent to sustainable development, but may be a future location factor. We see a dynamic development globally. Competition accelerates progress here, too — but ultimately it is still a matter of global cooperation. This is particularly evident in individual or sector-specific topics: BASF, for example, is working with other companies, NGOs, and also governments in the Global Battery Alliance to drive transparency for this value chain with a battery passport as the digital twin of a battery — this must be done together with Asia, Europe, and America.

GLOBAL BATTERY ALLIANCE

BASF is committed to responsible and sustainable global supply chains for mineral raw materials that, like cobalt, are an important component in the production of battery materials for electric vehicles.

For example, BASF is actively involved in the Global Battery Alliance (GBA) of the World Economic Forum, which it co-founded in 2017. The GBA consists of more than 70 members who are committed to making the value chain for batteries socially responsible, environmentally and economically sustainable, as well as innovative. The GBA is currently developing a battery passport for this purpose. In the future, this “digital twin” will contain information on the sustainability of a battery in order to increase transparency in the value chain.

Together with its partners BMW, Samsung SDI, Samsung Electronics, Volkswagen, and the Gesellschaft für Internationale Zusammenarbeit, BASF is also committed to sustainable cobalt mining. The joint project “Cobalt for Development” aims to sustainably improve working conditions in small-scale mining as well as living conditions for the surrounding communities in the Democratic Republic of the Congo. BASF will contribute the findings from the project to the GBA, for example.

For more information on the GBA, please visit: www.weforum.org/global-battery-alliance/home