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Assessing materiality of sustainability issues and their financial impact from an investor perspective.

A study in analyzing materiality as a sector-specific issue, applied to the Swedish Textile and Apparel Industry.

Bachelor Thesis in Business Administration
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Abstract

Degree project in Business Administration, School of Business, Economics and Law at Gothenburg University, Bachelor Thesis, Accounting, Spring Semester 2017

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Title: Assessing materiality of sustainability issues and their financial impact from an investor perspective

Background & Problem: Based on the assumption that sustainability efforts hinder the objective of profit maximization, companies have been thought to lack incentive for conducting their operations in a sustainable manner. There is however an increasing amount of stakeholder demand for corporate sustainability. The concept of shared value has highlighted the possibility of increasing, and more importantly sustaining, profit through better sustainability performance. Considering sector-specificity as being a prerequisite for materiality of sustainability factors, IASB definitions of materiality and primary users of reporting were taken into account when creating the aim of the study.

Aim of Study: This thesis aims to evaluate the concept of materiality of sustainability factors and whether integrating financial value creation in the sustainability analysis can be considered material for an investor.

Delimitations: This thesis will analyze the concept of materiality from the perspective of investors, not all stakeholders. This study does not aim to provide a conclusive statement on materiality, but has as its objective to discuss the concept of within sustainability investment analysis.

Methodology: Seeing as this study aims to evaluate the concept of materiality, an accounting principle defined by several different sources in an abstract manner, a qualitative research approach was deemed to enable a discussion on the subject. The collection of empirical data consisted of gathering public information as well as conducting seven midlength interviews. The analysis was a two-step process, with the first part being a prerequisite for the second part.

Analysis & Conclusions: The analysis showed great support for sector-specific materiality and confirmed that materiality is important to investors when selecting variables to analyze. The process of assessing materiality, and how well the company reports on issues deemed as material was found to be more important than extent of reporting. The reporting of two out of three studied companies does not appear to be sufficient in this regard. Argument was found for more consolidated approaches to sustainability and financial reporting, as well as for more standardized approaches to materiality. Links between financial value creation and sustainability performance were identified concerning governance, risks and opportunities.

Suggestions on Further Research: Standardization of sector-specific materiality on sustainability factors. Study on private investors' opinion on the same subject.
Taking more aspects of the companies into account when studying materiality from the investor perspective. Studying the company process of materiality analysis. Assessing the concept of materiality for other stakeholders, particularly creditors. Analyzing sustainability

of business models. Replicating this study in 2018 or 2019 to see if the Law of Sustainability reporting has any effects on the concept of materiality within sustainability reporting.

Keywords: Sustainability Reporting, Materiality, ESG, Sustainable Investment, Textile Industry

Chapters

Terminology & Definitions

CSR	Corporate Social Responsibility
ESG	Environmental, social, governance. Set of variables for analyzing sustainability performance for investors
GRI	Global Reporting Initiative
IASB	International Accounting Standards Board
T/A Industry or Company	Textile and/or Apparel Industry or Company

1. Introduction

This chapter begins with a brief background, followed by the problem discussion and the aim of study and research questions. Thereafter follows a discussion on and relevance and contribution.

1.1 Background

In 1970, Milton Friedman wrote 'The Social Responsibility of Business is to Increase its Profits'. This New York Times article proclaims that businesses cannot be held accountable for any form of social concern: 'What does it mean to say that "business" has responsibilities?', he asks, 'Only people have responsibilities.' (Friedman, 1970). That is, the market will itself choose whether to associate with businesses that fit their own values or not. With enough incentives, this would in turn bring profit to companies who follow society's values. This concept of social responsibility asserts that it belongs to individuals, not to businesses; that a business' only, and implicitly social, responsibility is to act in the best interest of its stakeholders – to create value. In order for stakeholders to be able to assess the value creation in a company, companies release financial statements. In the creation of these statements, companies must take several principles into account, one of which is materiality (Marton, Lundqvist & Pettersson, 2016). IASB defines materiality in its framework as information which influences the decisions made by its users. In this, materiality is to be evaluated in the context of the other financial information of the company (IASB QC11).

In *Creating Shared Value* by Michael Porter and Mark Kramer (2011), the authors discuss a new form of capitalism, where economic value is created in synergy with environmental and social value. Unilever's CEO Paul Polson has made himself, and his company, well-known for the clear profile in making sustainable business, with the key phrase: "You cannot grow a healthy business in an unhealthy society." (Unilever, 2015). From this perspective, sustainable practices in a company becomes necessary to create financial value in the long run. Eccles and Krzus (2010) argue for the benefits of integrated reporting, as it gives a better understanding of a company's potential and threats. They discuss *risks* and *opportunities* concerning sustainable practice in a company. The discussion is not so much about social or environmental risks and opportunities in their own right, as it is about how much they can affect the company's ability to create value. Much like the concept of shared value, this idea views sustainability not as something apart from the company, but a part of it.

1.2 Problem Discussion

From a perspective such as that of Friedman, profit seeking organizations lack major incentives to conduct their business in a sustainable manner. This because it will likely hinder the maximization of profits, at least short-term (Garcia-Castro, Ariño & Miguel, 2011). Another aspect is the abstract nature of sustainability. Sustainable profits are elusive and challenging to measure, making them difficult to justify to the shareholders. Moreover, generally applicable knowledge regarding the regulation and processes of sustainability auditing is scant (Drakenberg, 2012). There is, however, an increasing interest among stakeholders; both in regard to pressuring the companies to take on greater responsibility for sustainability as well as a demand for consistent and coherent regulation of the sustainability reporting (Drakenberg, 2012). Studies in Sweden have shown that many individuals prefer sustainable investing in their pension funds even if it does not affect the financial result. There is however a substantial part who are only interested if it improves the financial result of the fund (Sandberg, Jansson, Biel & Gärling, 2014).

Studies have shown positive correlation between corporate social responsibility (CSR) and financial performance (Orlitzky, Schmidt & Rynes, 2003). Sustainability efforts may have negative impact on the financial performance in the short-run but on a longer horizon, studies have shown that the financial performance improves as a result of increased CSR practices (Garcia-Castro et al., 2011). Several sustainability parameters have also been attributed to a higher credit rating. This shows possible linkages between CSR efforts and a better situation for the company in its financing (Attig, El Ghoul, Guedhami & Suh, 2013). There are also several examples of how companies have improved their financial performance, lowered their costs and increased efficiency, by improving their sustainability performance. Taking all this into account, a true representation of a company's sustainability practice in relation to its value creation would therefore have to include both negative and positive impacts (Eccles and Krzus, 2010. Sjöström, 2014. Zeidan & Spitzeck, 2015).

The IASB Framework states that companies' financial statements are created primarily for investors and creditors (IASB, OB5), implying that financial reports must focus on issues material for their investors.

In their 2012 article, Eccles, Krzus, Rogers and Serafeim discuss the need to define sector-specific materiality for sustainability metrics. They argue that there is a problem in not having generally accepted standards, including a concept of materiality, for sustainability reporting. One of the major principles in IASB's Framework is Comparability (IASB QC20, QC21) – between companies and over time. If it is, as Eccles et al. (2012) argues, that different sustainability metrics cannot be applied to all sectors, then it should at least be possible to apply greater comparability (and therefore usability) within a sector if the concept of materiality can be used to distinguish what parameters to report on.

1.3 Aim of Study

This thesis aims to evaluate the concept of materiality of sustainability factors and whether integrating financial value creation in the sustainability analysis can be considered material for an investor. Given Eccles et al.'s (2012) discussion on the need for sector-specific materiality when it comes to sustainability, this study aims to do this by applying existing research on one industry. In accordance with Eccles & Krzus (2010), Sjöström (2014) and Zeidan & Spitzeck (2015), this means taking on a holistic approach where both risks and opportunities concerning sustainability are examined.

To achieve this, the thesis strives to answer:

- How does the concept of materiality relate to the choice of sustainability variables investors consider in an investment analysis?
- How well does the current nature of sustainability reporting in an industry fit the concept of materiality from the investor perspective?
- In which regards is sustainability material for an investor in terms of financial decision-making?

1.4 Relevance & Contribution

With the law requiring larger companies to create a sustainability report as part of their financial statement coming into effect by the end of this year in Sweden, companies will have to define their impact on sustainability as well as the impact of sustainability issues on their operations and value creation. The law clearly specifies that material risks are to be reported on, and in order to do that, companies will need to assess what materiality means for them in terms of sustainability in their operations. Yet, there is no legal requirement for the auditor to assess materiality in the produced sustainability report, and thus it is in many cases left for the users to decide whether the reported information fits this criteria or not. This is difficult, as an external user cannot know whether information has been omitted. However, this study aims to contribute by improving the dialogue between users (in this case investors) and companies in terms of materiality in sustainability reporting. Further, the contribution of this study to the field will be the outcome of a better idea on what investors find material. Moreover, the end product will be useful for companies in aiding them to conduct more expedient materiality analysis.

This study aims to both provide a practical contribution in that it will apply definitions and discussions of materiality to a certain industry to provide better understanding of how to assess materiality for an investor in this industry. Furthermore, this study also aims to contribute theoretically to the current body of research by inducing a discussion on a wider application of the concept of materiality in sustainability reporting and sustainable value creation than what has been done in case studies.

2. Frame of Reference

In this chapter, a theoretical frame of reference for analyzing the results will be presented. Firstly, an overview of the legal requirements on sustainability reporting is introduced to provide context and an insight into the priorities of legislators. Following this, an explanation of ESG is presented – the concept of ESG will be discussed throughout the report. Further, a presentation of definitions of materiality, as well as discussions on materiality relating to sustainability factors, follows. The IASB definition of comparability is briefly outlaid. This chapter continues in presentations of discourse on perspectives regarding risk and opportunity management relating to sustainability. Here, a short presentation of a study from the creditor perspective is included as well as a presentation of the concept of Shared Value. Lastly, a presentation of theories concerning financial value creation in relation to sustainability is presented, including a presentation of the concept of eco-efficiency.

2.1 Legal Requirements on Sustainability Reporting

In 2014 the European Parliament decided on the *Directive on disclosure of non-financial and diversity information by large companies and groups.* Under this directive, affected companies must report on several sustainability issues. This directive has been harmonized into Swedish Legislation, (European Commission, 2014) with a presentation on details following.

Amendments in the Swedish *Annual Accounts Act* in *Law 2016:947,* following the EU directive, states that companies fulfilling at least two out of three criteria in terms of size need to include a sustainability report in their management report. These criteria are; having more than 250 employees (on average over last two financial years), having a balance sheet total of more than 175 million SEK and reported net sales of more than 350 million SEK over the last two financial years (ÅRL 6th chapter 10§).

The 12th paragraph states what should be included in the sustainability report. A translation of the paragraph follows:

“The sustainability report shall include those sustainability particulars which are needed for the understanding of the company’s development, position and results and consequences of the operations, including particulars in issues concerning environment, social conditions, personnel, respect for human rights and counteraction of corruption.
The report shall state

1. the company’s business model,
2. the policy that the company is employing on these issues, including the review procedures that have been carried out,
3. the result of the policy,
4. the material risks that are concerning the issues and are connected to the company’s operations including, when it is relevant, the company’s business connections, products or services which likely will be negatively affected,
5. how the company handles the risks, and
6. key performance indicators that are relevant for the operations.”

(ÅRL 6th chapter, 12§. Translated from Swedish by the authors.)

2.2 Environmental, Social & Governance (ESG) Variables

United Nation’s Principles for Responsible Investment (PRI) defines sustainable investment as a form of investing which incorporates environmental (E), social (S) and governance (G) factors into the decision. PRI goes on to define responsible investment as something separate from approaches looking into investors’ interests in investing sustainably or responsibly. Instead responsible investment considers ESG factors as something impacting risks and opportunities in a company, with a material effect on its returns (PRI, 2017). PRI as well as Lydenberg, Rogers & Wood (2010) in a report for the Initiative for Responsible Investment at the Hauser Center at Harvard University, defines some of the risks and opportunities related to each of the ESG factors.

Environmental	*Social*	*Governance*
Greenhouse gas emissions Waste and pollution Resource depletion Product & Operational Efficiency Product Environmental Impact Product Quality & Innovation Transport	Working conditions (incl. child and forced labor) Health & Safety Diversity in Workforce Local Communities Conflict Training & Development	Business Model Standards & Codes of Conduct Executive Pay Bribery & Corruption Board Diversity & Structure Tax Strategy Lobbying & Donations

2.3 Materiality; Definitions & Discussions

"Materiality is the threshold at which aspects become sufficiently important that they should be reported." (GRI, G4)

IASB's Conceptual Framework defines materiality as one of its enhancing qualitative characteristics, and describes it as following:
"Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting entity." (IASB QC11).

The Framework continues with defining materiality as being entity-specific, and something relating to the nature and/or magnitude of any item in the context of the financial report of an entity. Thus, IASB chooses to not define a certain quantitative level at which some aspect might become material for an individual entity or a certain situation (IASB QC11). In the Conceptual Framework, IASB also identifies the primary users of the financial reports as investors, lenders and other creditors (IASB, OB5).

The Swedish Annual Accounts Act describes materiality as a way to determine whether deviations from its regulations might be allowed. These deviations (omissions or misstatements) should then not be material, that is to say, have the potential to affect decisions made by users on the basis of the information in the report (*Law 2015:813*, ÅRL 2nd chapter 3a§).

In its information sheet on the new Sustainability Reporting regulation, FAR[1] mentions the Global Reporting Initiative (henceforth GRI) as the most accepted framework for sustainability reporting (FAR 2016). GRI defines itself as;
"an international independent organization that helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others." (GRI 2017a)
GRI's definition of their Materiality Principle defines material aspects as those that;

- "Reflect the organization's significant economic, environmental and social impacts; or
- Substantively influence the assessments and decisions of stakeholders." (GRI, G4)

Materiality remains as one of the reporting principles in the new GRI Standards (GRI Standards), which will follow G4 (GRI 2017b). GRI here elaborates on materiality as a positive or negative impact on the economy, the environment, and/or society. The discussion follows that for financial reporting, the materiality of any aspect is evaluated against its impact on financial decision-making, that is evaluated on one dimension. However, for sustainability reporting, materiality must be considered from a two-dimensional perspective. Thus, materiality for sustainability reporting concerns which matters are important enough that it becomes essential to include them in the report. Further, it is not only what matters are reported on, but the emphasis which are given to them in the report, that must be decided on when analyzing materiality. For determining materiality for sustainability issues, a company can consider both internal and external factors. The external factors are such as societal expectations and the company's influence on suppliers and customers, outside of their direct

[1] The institute for the accountancy profession in Sweden (Föreningen Auktoriserade Revisorer.)

demands and communicated concerns. Additionally, materiality should be determined in the light of which international standards and agreements the company or organisation would need to comply with (GRI Standards). GRI defines significant impacts as being those that, in general, "are a subject of established concern for expert communities, or that have been identified using established tools, such as impact assessment methodologies or life cycle assessments." (GRI Standards). Lastly, GRI expresses the importance of the organization being able to explain its process in determining the priority of sustainability topics (GRI Standards).

In a 2012 Morgan Stanley publication Eccles et al. discuss the need for sector-specific materiality and sustainability reporting standards. They identify one of the biggest challenges as being the lack of rigorous reporting standards of sustainability issues. The necessity for this is argued through the need of comparability of sustainability reporting in the investment community. Comparability would further be vital in enabling incorporation of sustainability performance in financial models. Moreover, the authors argue that there needs to be a better understanding of sustainability issues regarding value creation; how to evaluate materiality of ESG topics in terms of value creation. Their opinion is that this materiality must be defined on a sector-specific basis (Eccles et al. 2012). In the same article, the authors present the differences in reporting on issues that, according to them, should be relatively easy to formally report on. Even when in the same industry, the manner of reporting differs between companies. The authors provide some arguments for why this might be, discussing cost and why some companies may find it worthwhile to report on this, and some not. They review the issue by discussing the lack of standardized consensus of materiality within the sector, but provide no answer to the query. The reasoning in the article is derived from the notion that it would be easier for companies to report on sustainability if there were sector-specific guidelines on reporting and materiality rather than broad topic-based guidance (Eccles et al. 2012).

In their 2010 report Lydenberg et al. use the existing materiality tests developed by the AccountAbility and Global Reporting Initiative[2] and modifies them to arrive at a definition of materiality for sustainability reporting. They choose to take the positive opportunities concerning sustainability into account. Their materiality test consists of five categories, working like a funnel in that each category further narrows down to the minimum set of material issues to report on.

These five categories are:

- Financial impacts/risks.
- Legal/regulatory/policy drivers.
- Peer-based norms.
- Stakeholder concerns and societal trends.
- Opportunity for innovation.

(Lydenberg et al. 2010)

Eccles et al. (2012) elaborates, and sees these tests as a way to determine sustainable issues in a company that are relevant to an investor. They argue that this type of test will lead to similar results in an industry, and therefore sector-specific materiality of sustainability risks and opportunities is a reasonable way to go to improve reporting. This would, in the opinion of the authors, allow companies to focus on aspects of sustainability that lead to long-term

[2] author's note: which used the G3 standards at the time

value creation as well as decrease risk in terms of companies' competitiveness and access to capital as investors will be given greater insight into the companies' current situation regarding, for example, climate change (Eccles et al. 2012).

2.4 Comparability

Another of IASBs enhancing qualitative characteristics is comparability. IASB argues for its importance as the decisions users make from financial statements are choices between different alternatives, whether that alternative is holding or selling an asset or between investing in different assets. Meaning that comparability is important both over time and between entities (IASB, QC20).

"Comparability is the qualitative characteristic that enables users to identify and understand similarities in, and differences among, items." (IASB, QC21)

IASB goes on to distinguish between consistency, uniformity and comparability. Consistency is a means to achieving comparability, and uniformity may lead to lack of comparability as entities would make dissimilar things look similar for the sake of being uniform (IASB, QC22 & QC23). "For information to be comparable," QC23 continues; "like things must look alike and different things must look different." (IASB, QC23).

2.5 Risks & Opportunities

ESG issues can be considered to be both something creating outcomes and an outcome itself, or as Eccles and Krzus (2010) defines it – as an intangible asset or a key performance indicator (KPI). Kaplan, in an e-mail correspondence with Eccles published in this book (Eccles & Krzus, 2010), discusses how a company's reputation regarding ESG can affect its financial performance, both in regards to employees but also customers and investors. Further, Kaplan mentions reducing environmental incidents as well as improved workplace safety and health as something that can reduce costs and increase productivity.

In their 2013 study, Attig et al. found a positive correlation between a company's CSR performance, and its credit rating. This would mean, according to them, that increased efforts in the CSR areas can lower the financing costs of a company. Their findings suggest that particularly CSR dimensions related to managing stakeholder interest affect the perception of a company's creditworthiness (Attig et al., 2013).

In their 2011 article, Giannakis and Papadopoulos call attention to the small body of research that broadens risk considerations into involving the notion of sustainability across the supply chain. Giannakis and Papadopoulos (2011) set out to evaluate sustainability-related risks; through personal interviews and literature review, risks across the three areas of sustainability were identified. An inter-sectoral survey and two case studies in textile manufacturing companies were conducted to assess the dimensions of sustainability-related risk. The findings of Giannakis and Papadopoulos show that the majority of significant sustainability-related risks stem from companies' operations. The authors conclude that these endogenous risks are fairly controllable and that major exogenous sustainability-related risks are correlated to endogenous risks, suggesting a holistic approach to risk management as viable, and that through such risk management process, sustainability-related risks could be dealt with (Giannakis & Papadopoulos, 2011).

2.5.1 Creditors

In their 2012 paper on corporate lending decisions and eco-friendliness, Lodh & Nandy pose the question "Why does the environment matter for banks?" and goes on to outline the environmental impact on revenue and on information asymmetry. Their findings exhibit that banks discriminate between firms with different levels of environmentally friendly operations, in favor of those who are environmentally conscious (Lodh & Nandy, 2012).

2.6 Integrated Concept of Value

Analogous to conventional ways of measuring discount cash flows, Zeidan & Spitzeck (2015) presents the Sustainability Delta that is set to combine qualitative and quantitative methodologies. Contrary to how sustainability actions have been developed as a consequence of outside pressure, Zeidan & Spitzeck (2015) argue that a well curated ESG methodology includes an internal view which promotes strategic decisions by the management team. Zeidan & Spitzeck (2015) points out two chief constraints of the current ESG methodology: "(1) it is focused mainly on risks and does not consider opportunities, and (2) it does not consider future scenarios." (Zeidan & Spitzeck, 2015, p. 332), and presents the *Sustainability Delta* as something complementary to the ESG approach, making it more material. The Sustainability Delta requirements are company- and industry specific. Zeidan & Spitzeck (2015) proclaim that ESG analysis is a good way to bring materiality to sustainability issues, as it measures how companies are affected by – and responsive to – sustainability concerns based on the GRI questionnaire. Prices may be affected by price premiums based on sustainable goods and services, and the quality of such goods may in turn affect the level of sales. The result is that long-term revenue is likely affected by investments in more sustainable goods and services. Zeidan & Spitzeck (2015) also profess that the cost of capital is based on reputation and the eco-premium perceived by financial institutions.

Although stating that a trade-off between corporate social performance and corporate financial performance has been the traditional notion, Orlitzky et al. (2003) contend that this is not valid anymore. The conclusion of Orlitzky et al.'s (2003) quantitative meta-analysis of 52 studies of the relationship between corporate social performance and corporate financial performance, is that corporate social performance is positively correlated with corporate financial performance. The relationship appears to be bidirectional and simultaneous and reputation appears to be an important aspect of the relationship. However, according to Orlitzky et al. (2003), corporate social performance seems to be more correlated with accounting-based measures of corporate financial performance than with market-based indicators; corporate social reputation indices are more correlated with corporate financial performance than are other indicators.

Eccles and Krzus argue in their 2010 book that in the knowledge economy of today, an accurate depiction of the financial performance of today alone does not hold the same weight in determining the future financial performance as it once did. Instead, analysts and investors are relying on key performance indicators to assess the intangible assets of a company. One example of this is the company's ESG, or CSR, performance (Eccles & Krzus, 2010).

In the 2007 article *Universal Owners and ESG,* Kiernan emphasizes the challenges of measuring conventional financial performance indicators of companies. Kiernan disputes the perception of ESG factors as being inherently different and more elusive than conventional financial indicators, amongst other aspects exemplified by the malleable accounting assumptions. Kiernan argues that the traditional financial reporting is capturing less and less of a company's true value, investment risk and competitive potential. Regarding the feasibility of measuring the magnitude of the financial implication of ESG metrics, Kiernan asserts that one can to the very least make directional observations. "Increasingly, it is this unseen part of the "value iceberg", that much larger portion below the surface, which contains the primary drivers of the company's future value-creation capabilities, risks and unique comparative advantages." (Kiernan, 2007, p. 480)

In their 2011 article *Creating Shared Value*, Porter and Kramer state that the capital system is under scrutiny and that it is increasingly considered a paramount cause of social, environmental and economic problems; "Companies are widely perceived to be prospering at the expense of the broader community." (p.64). Porter and Kramer (2011) go on to say that a lot of the blame is on the companies themselves failing at understanding the broader aspects of value creation. External institutions have exacerbated the issue by approaching sustainability issues in an unfavorable manner for the business community. Porter and Kramer (2011) present the solution as the creation of shared value – a new way to reach financial success. According to Porter and Kramer (2011), it is the narrow interpretation of capitalism that has hindered business to respond to the societal needs. Further, Porter and Kramer (2011) discuss externalities, which are the social costs that a company does not bear. The concept of shared value acknowledges that societal and economic needs define markets. Porter and Kramer (2011) argue that dealing with societal issues does not equal higher costs for the firms, because of the innovation opportunity of using new technologies, operating methods and management approaches. Conclusively, Porter and Kramer suggests that every firm ought to look at decisions and opportunities through the lens of shared value, and that this in turn will mean greater innovation and growth for companies paired with greater benefits for society (Porter & Kramer, 2011).

2.6.1 Eco-efficiency

Financial performance indicators are commonly a measure of efficiency. Outperformance with regards to efficiency, is an indication of value creation (Figge & Hahn, 2013). The term eco-efficiency was coined in the late 20th century by the World Business Council. Corporate eco-efficiency indicators are a measurement of how well a company uses scarce environmental resources. In a financial management realm, companies generate value when the return on capital is greater than the cost of capital. Opportunity costs represent the return of an alternative use of the capital. Thus, the cost of capital is typically determined through the opportunity cost (Figge & Hahn, 2013). The average market return on capital is used to compute the opportunity cost of capital. By applying opportunity cost cogitation to the use of environmental resources in companies, Sustainable Value broadens the value-based notion of financial markets. Environmental resources are similar to economic resources, even if the process of developing natural capital is substantially different from that of economic capital. According to Figge and Hahn, the concept of Sustainable Value expands value-based approaches to encompass environmental and social aspects (Figge & Hahn, 2013).

2.7 Application in this Study

In the first step of the analysis, the article of Figge and Hahn, and their notion of corporate eco-efficiency indicators, will be applied to the decision making process of choosing relevant ESG variables.

For the second part of the analysis, this study aims to analyze investors' responses from interviews as well as companies' published material in their sustainability reports from the outset of these definitions, also taking into account the publications by Eccles et al. (2012) and Lydenberg et al (2010) on the subject, to discuss materiality of sustainability factors. Definitions of materiality presented in this study cover both Swedish accounting regulation, international accounting norms as well as sustainability accounting norms. As Eccles et al. (2012) discusses, materiality of sustainability factors should be considered as sector-specific. Pertaining to the IASB definition of materiality as being contextual, the frame of reference was used in deciding to approach materiality as sector-specific, and thus apply the discussion on a specific industry. The discussion on the concept of materiality that stems from this chapter, being applied on the empirical data, will continue to aid in discussing the materiality of ESG variables. The article of Eccles et al. (2012) is further used to argue for the benefits of standardization of sector-specific materiality, where the IASB definition of comparability will contribute to the discussion. The argument of Giannakis & Papadopoulos (2011), for supply chain risks being manageable within the company, further supports this discussion. Moving further into the discussion on materiality, the article of Attig et al. (2013) together with that of Lodh and Nandy (2012) will allow for a discussion on materiality from a user-conscious perspective, while Zeidan and Spitzeck's (2015) study will contribute to the discussion on internal processes in relation to sustainability. On the discussion of materials within the environmental variables, Lydenberg et al.'s (2011) article will provide argument for its materiality. Discussing materiality in the context of governance variables, the articles of Eccles et al. (2012) and Lydenberg et al. (2011) will further the argument for stakeholder concerns affecting the assessment of materiality, and in this especially the investors.

The theories presented in the subchapters *risks and opportunities* and *integrated concept of value* will be used for discussing financial value creation in relation to sustainability in the later part of the analysis. Discussing a more integrated concept of value in the final part of the analysis, the study of Giannakis and Papadopoulos (2011) will contribute in arguing for the feasibility of risk management in the supply chain. Research of Eccles and Krzus (2010) combined with that of Orlitzky et al.. (2003) will provide input to the discussion on opportunities, together with the article of Lydenberg et al. (2010). Together with that of Porter and Kramer (2011), the article of Orlitzky et al. (2003) will be used to discuss integration of financial and sustainable value creation. Finally, the discussion presented by Kiernan (2007), combined with discussions from Eccles and Krzus' (2010) book, will be used to reason around the prospect of putting equal requirements on sustainability reporting as those on financial reporting.

3. Methodology

This aim of this chapter is to account for the methodology, working procedure and moreover to evaluate its trustworthiness, as well as establishing the delimitations of the study. This in order to convey an understanding of the research procedure.

3.1 Type of study

Seeing that this study aims to evaluate the concept of materiality, an accounting principle defined in an abstract manner by a multitude of sources , a qualitative research approach was deemed fit to enable a discussion on the subject. Even though a quantitative analysis could add value to the discussion, this study does not aim to quantitatively link certain values and numbers, create benchmarks or find correlations and thus a quantitative approach is further disqualified from this study. Seeing that the aim of this study is to investigate the concept of materiality to enable a greater understanding of the perceptions of materiality regarding sustainability factors; a qualitative approach better allows for blueprinting discrepancies and coherence in a nuanced manner.

3.2 Working Procedure

The specific area of this study was decided upon after a period of reading scientific articles and publications on sustainability reporting and investment. This evolved into the chosen topic, and suiting parts of the vast corpus of research concerning sustainability were selected to form the frame of reference.This material was found in the Gothenburg University library internet resources, and key search words such as "sustainability", "materiality", "shared value", "financial value" were used. The method was decided early on to be qualitative, as argued for above, and to consist of interviews complemented with public company information. An initial scan of the company reporting as well as external reporting on the companies will be done in order to formulate the interview material. Data from the Bloomberg Terminal will also be used in the creation of the interview material.

In order to investigate the concept of materiality within sustainability reporting, this study takes aim from different definitions of and previous discussions on materiality, both for more traditional, financial information and for sustainability – or non-financial – information. Combined with previous research on financial risks and opportunities concerning sustainability, and the connection between financial value-creation and sustainability factors, the concept of materiality is set against company information and investor opinions. In addition, a sustainability auditor will be interviewed to provide a more comprehensive outlook on materiality and sustainability reporting.

The first step of the analysis will consist of evaluating reporting on and by the companies in order to determine which variables collected from the Bloomberg Terminal that should be discussed in the interviews. This process will be done through reading the companies' sustainability reports as well as news reports concerning the T/A industry, and reports from special interest groups. Information on all variables from the Bloomberg Terminal will not be included, as it is deemed to be too extensive for the scope of this report. The material in the empirical data-section will instead consist of information on the variables that will have been chosen for the interviews. Reporting on these will be found through searching for keywords, both the terms of the variables themselves and synonyms. The two sets of empirical data will then be juxtaposed and analyzed with the outset from the theoretical frame of reference, and conclusions will be drawn accordingly.

After the interviews had been conducted, certain variables which the investors' had brought up during the interviews were searched for and included in the report, as well as some areas which had surfaced frequently or had been greatly emphasized by some or all of the companies. Details on how interviews were conducted follows below, as does the manner in which the answers were processed and presented.

3.3 Literature Review

For the theoretical frame of reference, academic literature (books and articles in scientific journals) were used, as well as reports and information from different organizations. The literature used in this study approaches the issue of materiality and value in sustainability issues from different premises. This has been a conscious decision in order to address established practice in these areas. To gain an exhaustive understanding of the underlying concepts, the references are either published and peer reviewed or gathered from well-known and, what was deemed to be, credible organizations and companies. In some instances, the decision was made to rely on the reputation of the institutions behind behind the authors, as it could not be established whether they were peer-reviewed or not. Among these institutions are Harvard Business School and the Sustainability Accounting Standards Board. Additionally, definitions from well-renowned and widely used frameworks of accounting were applied, as well as extracts of Swedish law.

3.4 Data collection

3.4.1 Interviews

This set of data was collected through conduction of telephone interviews with sustainability investor analysts. Interviews were carried out over telephone rather than in person due to geographical circumstances. This might increase the probability of miscommunication, and in order to combat this all respondents were asked to review and verify the material used in the report. Following the analyst interviews, an in-person interview with a local sustainability auditor was held. As this study might be perceived as biased due to only taking investor opinion into account, the auditor interview was included in order to bridge the investor stance and company reporting. Since the focal point of the study is materiality from an investor perspective, the single auditor interview was included to add another dimension to the analysis. Initially, the number of telephone interviews were to consist of six to eight interviews. However, six interviews were deemed to be most proportionate to the timeframe of this study. The amount of empirical data from the interviews was considered sufficient enough to conduct a satisfactory analysis, much due to the extensive answers given by most respondents resulting in interviews longer than anticipated. For example, while the estimated length per interview was 20 minutes, the longest was 42 minutes and the majority exceeded 30 minutes. The respondents were chosen on basis of their expertise and experience within the field of sustainable investment. Moreover, the organizations the respondents work for are well-established, which enhances the credibility of their answers. In order to make the analysis as comprehensive as possible, the respondents were chosen to represent different investment institutions with different characteristics. Further, to avoid institutionalized approaches to materiality affecting the collective findings, all respondents are from different institutions. The information collected from interviews constitute the primary data of this study. The semi-structured interview material was carefully revised in order to ensure that the questions were not leading. To warrant the questions' robustness, an academic advisor was consulted. The questions evolved around the concept of materiality, and integrating that concept into the choice of variables an investor would consider in doing a sustainability analysis. They were made to both capture the investors' own opinion on the most material variables, and to have them choose between variables to better enable a thorough analysis. The theoretical frame of reference influenced the set of questions, and in particular the question about considering financial value in relation to sustainability performance.

The interviews were semi-structured, with six outlining questions, where the majority did not require the respondent to choose from a set of answers. In order to make the most out of each interview, the questions were sent out in advance to allow the interviewee to prepare. Some questions were not sent out, as they were deemed to risk changing the answers of earlier questions. However, during the course of this study, the approach to the subject changed somewhat, meaning that the questions had to be somewhat adjusted. One of the respondents answered the initial set of questions, and the five others were informed that changes had been made. The respondents agreed to answer the new questions. Both sets of questions can be found in appendix 8.1.1 and 8.1.2. The questions were made to be open and allow for generally applicable answers, and answers that allowed the respondents to articulate their

own opinions, to enable reflection and width. As the approach to this issue might differ between respondents, the structure of questions was designed in order to avoid being leading, while encouraging respondents to answer the questions while keeping the concept of materiality in mind. To achieve this, the question regarding materiality was placed first and the question about linking sustainable practice to financial value-creation was placed last. This was done in order to make the respondents refrain from considering financial value-creation in their answers if they would not do so in their profession. To avoid the respondents mentioning supply chain issues if they would not have otherwise, the question on contractors was placed after the questions on variables. The questions were focused around the textile industry as a whole, and while the companies studied were brought up in the discussion (either by the the authors or the respondents), no mention was made of which companies were studied in this report in the interview material. This was in order to avoid influence of opinions on any of the companies, positively or negatively.
The interviews were conducted by telephone, and were recorded to enable transcription – and consequently a thorough analysis – so as to avoid misinterpretation. The length of the interviews was between 23 and 42 minutes.

Respondents
The interviewees were found through The Swedish Investment Fund Association (Fondbolagen), Swesif (Swedish Sustainable Investment Forum) and LinkedIn; they represent heterogenous organizations with different investment strategies. Moreover, these respondents were chosen based on their expertise and willingness to participate in the study. The interviews were conducted by phone as the chosen respondents all work in Stockholm.

AMF Annelie Götbring, Head of Responsible Investments, April 19, 2017
Catella Anna Strömberg, Portfolio Manager / Sustainability Officer, May 2, 2017
Första AP-fonden Nadine Viel Lamare, Head Sustainable Value Creation, April 24, 2017
Handelsbanken Jenny Gustafsson, Head of Responsible Investments, May 2, 2017
Company X Anonymous (N/N), ESG Analyst, April 24, 2017[3]
Skandia Helena Larson, Senior Investment Analyst, May 2, 2017

KPMG's sustainability profile was taken into consideration when choosing a sustainability auditor to interview. As KPMG has a local office in Gothenburg, it was possible to make the interview in person, which was also considered in the choice.

KPMG Åsa Ekberg, Sustainability Auditor, May 11, 2017

3.4.2 Bloomberg
As this study aims to arrive at conclusions applicable in a broader setting than covered in this report, it was necessary to create interview questions with sufficient empirical weight. The Bloomberg terminal was used to find which variables they apply on the Swedish textile and apparel (T/A) company. As H&M is the only company in this study represented on Bloomberg, the variables applied to them were chosen. Following this, sustainability reports from the companies as well as news reports and reports from special interest groups were used to determine which of these variables should be presented for the analysts. For a step-by-step on this process, refer to chapter 5.1. This does mean, however, that the analysis will not cover the full scope of materiality but rather approaches the subject within one area with objective to provide useful conclusions.

[3] Anonymized as respondent could not be reached to give permission to publish comments.

3.4.3 Selection of Industry & Companies

This study has as its objective to analyze materiality of sustainability variables for an investor. Definitions of materiality include it being contextual (IASB QC11) and Eccles et al. (2012) stress the importance of sector-specificity in analyzing materiality for sustainability factors. Thus, in order to conduct a satisfactory discussion that would lead to a relevant conclusion, one industry had to be chosen. This process included reviewing the existence of reporting by and on companies of sufficient size, and the existence of sizable risks and opportunities concerning all three areas within ESG – environmental, social and governance. To fulfill these criteria, the T/A industry was selected due to the existence of companies of greater transparency and size as well as issues surrounding production. These estimations have been made by reviewing sustainability reports as well as reports from external organisations on ESG aspects.

Three companies were chosen in order to represent a larger part of the industry while being manageable within the time frame of this study. These companies (H&M, Filippa K and Hemtex) represent different segments of the T/A industry, in that one is a large affordable clothing chain, one is a designer brand and one is a home textile chain. Their differences in ownership structure were also taken into consideration; while this may impair comparability, this study aims to analyze the requirements of investors, regardless of the manner in which they invest, and thus companies with different structures were chosen. H&M is partly family-owned, and partly traded, however it is classified as a public company. Filippa K's majority owner is an investment firm and Hemtex is the daughter company of a public group (ICA-gruppen).

3.5 Data Timeframe

Empirical data from external news outlets and reporting organisations were chosen from recent years to ensure that the issues mentioned are such that can be assumed to still be relevant today. From the companies, the sustainability reports from 2015 were studied. The choice was made to only study one year as the aim of this study is not evaluate how a company's sustainability reporting has improved or otherwise changed, but rather how well they suit their purpose today. Some information was taken from Filippa K's 2013 and 2014 reports as, for 2015, they did not report on certain processes whose results influenced the 2015 report. Since not all of the companies had published their 2016 report at the time when they were studied, the decision was made to not include 2016 for any company. Current Bloomberg data concerning ESG variables was downloaded during the period of the study. Interviews were conducted during the process of this study. The six interviews with the analysts took between 23 and 42 minutes. The duration of the interview with the sustainability auditor was approximately one hour.

3.6 Method of Empirical Data Analysis

The purpose of the empirical data collection is to create a solid foundation for the analysis of materiality. The decision to create an analytical framework by arranging the collected empirical data in categories based on the structure of the interview material takes aim from the ambition of a thematic analysis to enable structured evaluation of materiality. With reservation for the risk of answers being taken out of context in favor of the thematic structure. Yet, this choice of data arrangement was made to allow for overall coherency of the report, as well as for a clear structure of the analysis. Great care will be taken to encapture the context in which answers are given. As the interview objects will be asked to review their answers prior to publication, there is no great concern that the answers will be misleading of the respondents' opinion and statements.

This study is centered around a two-step analysis. In the first step (5.1), company and industry information will be applied to the Bloomberg variables for H&M's HMB stock, and from the outset of the theoretical frame of reference twelve variables from the three Bloomberg dimensions of sustainability; environment, society, governance; will be chosen to represent T/A industry specific aspects. Following this, the variables will be formulated into an interview question, which will allow for the part of the analysis concerning environmental, social and governance factors, to be conducted. Seeing that this method of analysis is dependent on narrowing down the data, the implication will be that a completely exhaustive analysis of materiality will not be feasible. However, with this being a very broad area, it was decided that this delimitation was necessary to instead allow for an exhaustive analysis from a certain angle. Another issue with structuring the analysis into three separate categories of sustainability is that some issues might belong to more than one of these categories. To mitigate this, great care will be taken to approach issues that might be trans-sectional from all perspectives.

The second step of the analysis (5.2-5.4) is organized to allow for the initial discussion on materiality (5.2) to permeate the subsequent analysis of ESG variables (5.3) and financial value creation in relation to sustainability (5.4). The discussion on *materiality* will take aim from the materiality definitions and materiality discourse relating to sustainability presented in the frame of reference, and will apply them to both respondee discussion, as well as the materiality analyses (or lack thereof) from the companies' sustainability reporting. The ESG variables are structurally separated (*Environmental, Social* and *Governance*), with the beginning of each part presenting the companies' reporting on the selected variables. Further, a discussion will follow regarding the extent and detail of the reporting on these variables measured against respondents' opinions, as well extending the discussion on materiality from the former chapter. Apart from the selected variables, some variables that were either frequently mentioned in interviews, or noted as being of perceived importance to the companies in their reporting, are discussed in the same manner. The discussion on *financial value creation in relation to sustainability* will commence with outlining the respondee reasoning on the subject. Thereafter discussion on risk will follow, relating this to issues that have been discussed as material in earlier chapters, applying theory to companies' sustainability reporting and reports from special interest groups, and bringing up interview answers relating to risk and sustainability. In contrast to risk management, a discussion on opportunity will follow, applying theory to interviewee opinion and company reporting, successively relating this to materiality. Consecutively, there will be a discussion on the integration of the financial value creation into the sustainability reporting, comparing theory with actual reporting, in the light of the respondee stance. Based on the objective of materiality being centered around stakeholders and users, a discussion will follow on stakeholder interest in reporting on financial aspects relating to sustainability and the possibility to require companies to report on it, with perspectives from different respondents tying into framework definitions and theory.

3.7 Trustworthiness, Authenticity & Critique of Data Selection and Research Method

Bryman & Bell (2013) state that some researchers argue that qualitative studies should be evaluated from other criteria than quantitative studies. This is due to the prerequisite for applying reliability, replicability and validity criteria being dependent on the theoretical possibility of finding an absolute truth. The critics' main argument is that there is more than one valid description of reality. Hence, the intent of this study is to fulfill the criteria of trustworthiness and authenticity, as suggested by Bryman & Bell (2013) rather than those of reliability, replicability and validity.

3.7.1 Interviews

The interviews were conducted with professionals whose expertise lie in sustainable investment. By interviewing analysts from different institutions, the imminent problem of response bias was mitigated. The identity of the interviewees were not kept anonymous, and although this may have affected their willingness to speak openly, the transparency was deemed to increase the trustworthiness of the study. As a finite number of analysts were interviewed, it is possible that there might still remain some bias. Yet, for the timeframe and extent of this study this number was deemed adequate.

Due to the more extensive nature of the interview with the auditor, only one interview was conducted, which may result in bias affecting the empirical data. It is, however, assumed that the bias is at most slight. This because auditors are certified to estimate the reliability of a company's published information.

Regarding research ethical consideration for diversity, the aim was to represent gender by including respondents of all sexes. However, the majority of relevant potential interview subjects were women, and the analysts who agreed to participate all happened to be women.

3.7.2 Industry & Company Data

This section consists of two parts. One being reported by the companies themselves, and one being reported on the companies by external groups and organizations.

Secondary data can be problematic in terms of both trustworthiness and authenticity in that studies based on them, such as this one, is dependent on the perceived objectivity and accuracy of the information reported. In the information provided by the companies (in this instance the sustainability reports) there is an evident risk of information asymmetry, in that the authors of this report cannot be fully aware of the trustworthiness and authenticity of the information reported. In order to combat this potential misinformation, this study is supplemented with information from news sources, as well as reports from different special interest groups. This in order to create a more reliable and complete picture of what areas the company impact on sustainability issues. The purpose of this report is not to evaluate the sustainability reporting of any company or measure the level of correctness in them, but instead to evaluate how their reporting conforms to an investor-oriented concept of materiality. Consequently – assuming that the companies themselves know their business best – it was decided that internally provided information combined with external information should give the most comprehensive understanding of the company's sustainability impact. Further, seeing that the objective of this report is to discuss the concept of materiality from an investor perspective, it was deemed more aligned with this purpose to only consider such information that is available to investors. Moreover, it is also possible that the special interest groups could have their own agendas, which in turn would affect their reporting. To abate this, and increase the trustworthiness and authenticity, the organizations chosen are either well-renowned, specialized in their areas or in some ways tied to public institutions.

3.7.3 Literature

The majority of the literature used in this study is from peer-reviewed sources, such as articles in scientific journals. Being a relatively new field of study, many sources were complemented with additional articles to add depth and credibility to their approaches and conclusions concerning this subject. While some of the sources were published in journals which could potentially have their own agendas, the institutions behind these publications are deemed to be highly credible. Also, combining these articles with the peer-reviewed ones allow for a broader perspective on the subject. This is an area in which very few things can be considered as universal truths and thus no sources, neither peer-reviewed nor others, are treated in the analysis as established truths. As for the books used, one was written by a doctor in business and economics at one of Sweden's major academic institutions. The other was written by a former faculty member of Harvard Business School and a member of the Sustainability Accounting Standards Board Advisory Council.

3.7.4 Research Method

The initial question regarding research method is whether to conduct a qualitative or quantitative study. Ultimately, the choice was made to pursue a qualitative study, with little argument for the possibility of a quantitative approach to lead to the kind of conclusions that is the aim of this study. However, it should be noted that, as this report aims to evaluate the importance of certain aspects regarding sustainability and its relation to financial value creation, there might be argument for including some quantitative aspects. For example, on the topic of supply chain related scandals, analyzing correlation between stock prices could add another dimension. This was decided against as it was deemed to be too extensive for the scope of this study. The argument for a qualitative approach being more apt for the aim of this study remains, and the extra dimension that some quantitative influence might have added can instead be recommended as further research.

An issue that is persistent with qualitative studies is the risk for subjectivity (Bryman & Bell, 2013). In this study, it can to some extent be argued that the authors' subjective assessments influenced the selection of variables from the Bloomberg Terminal. This concern was mitigated by following a selection process where previous research was evaluated and industry specific reporting over several years was considered. In the end, it is probable that some subjective assessment remained, however this was deemed to be slight in proportion to objectivity of the process. Furthermore, in order to not allow for the authors' subjective opinion on the companies studied to affect the interview answers, the choice was made to not discuss the companies within the context of the report, but rather focus the discussion on the industry as a whole. Another risk of subjectivity arises due to the choice to conduct the analysis in two steps. Seeing that the first step is a prerequisite for the second step, there is potential concern for any subjective assessment that occurs in the first step to also affect the second step. This concern is partly mitigated through the structured process through which step one is conducted, but as for most qualitative studies, there can be no guarantee that all subjectivity is eliminated.

Only three companies' reporting will be studied, which in itself makes for a limited examination of the T/A industry. Moreover, only the sustainability reporting will be studied and no consideration for the character and quality of the financial reporting is taken. It is possible that information in the financial reports complements the sustainability reporting which would make for a more comprehensive analysis, had it been used. Yet again, the decision to not include further company published information was made due to the scope of this study.

3.8 Delimitations

This thesis will analyze from the perspective of investors', not all stakeholders. Furthermore, it will not cover structural differences between public and private companies.
This study does not aim to provide a conclusive statement on materiality, but has as its objective to discuss the concept of materiality within sustainability investment analysis.

4. Empirical Data & Material

The empirical data is presented as follows, in order to mediate the material in a clear manner. The chapter begins with a presentation of Bloomberg and its ESG metrics. Following that, a presentation of internally produced company information is made, after which the sustainability reporting of the studied companies, with respect to each sustainability dimension (Environmental, Social and Governance) is presented. Finally, the companies' sustainability reporting with regards to materiality and financial value creation is described.

4.1 Bloomberg

Bloomberg Terminal is a platform for financial professionals, streaming financial and trade data for over 300,000 users all over the world (Bloomberg, 2017). Among its services the Bloomberg terminal offers an analytical tool for evaluating a stock's sustainability impact through ESG metrics, with the functions *ESG* (Environmental, Social & Governance Analysis) and *FA ESG* (Financial Analysis: Environmental, Social & Governance Overview). For each stock, certain variables, in absolute terms and ratios, are displayed. This study will use the ESG variables applied to H&M (see appendix 1). For this instance, most variables are displayed, however not such as are yes/no questions rather than numeric and not such as were deemed to be representative of the same indicators as the variables which are represented.

Environment	*Social*	*Governance*
GHG Emissions Direct/Indirect CO2 Emissions Travel Emissions Energy Renewable Energy Use Water Waste % Raw Material from Sustainable Sources	Women Management Women Employees Employee Turnover Employees Unionized Lost Time Incident Rate Community Spending Avg employee age No. Suppliers Audits (%)	Independent Directors Women Directors Director Avg Age Director Meeting Attitude Board Size Political Donations Board & Executive Compensation Board Avg Age

4.2 Internally Produced Company Information

4.2.1 On Sustainability Reports & the Companies

As a consequence of the new EU-directive, Swedish law *2016:947* has been implemented, and will require all companies with over 250 employees, over 175 million SEK in balance sheet total and over 350 million SEK in net sales over the last two years to publish a sustainability report, starting at the financial year 2017. Following the main rule, the sustainability report should be included in the management report, but the company can opt to draw the report as a separate document. The board is responsible for its content but does not have to sign the sustainability report. The auditor ensures that there is a sustainability report, and is not required to review its content. The sustainability report is supposed to contain information regarding sustainability aspects needed to ensure understanding of the company's development, position, results and the global impact of the organization. Five aspects need to be covered: environmental impact, social conditions, labor, human rights and anti-corruption (ÅRL 6th chapter, 10-14§§). Of the three companies in this study, only H&M has chosen to have an auditor perform a limited assurance on the report (H&M, 2016).

The T/A industry supply chain is known for its sustainability issues. Production of textile and apparel consumes a significant amount of raw materials, land and labor. The manufacturing process and the disposal of T/A products generate negative environmental impacts. In addition to being a resource intensive production process, textile manufacturing often takes place in countries with inadequate environmental legislation which can lead to serious pollution. During the past decade, the textile consumption has increased by some 40% in Sweden. Production of one kg of textile creates on average 15 times as much carbon dioxide. Moreover, the production process requires large amounts of water and energy. Cotton production commonly takes place in countries where water is a scarce resource, and cotton production is a water intensive process. Cotton production also requires great amounts of pesticides. Further, cotton production uses arable land. The second most common fabric – polyester – is made from oil, and its production is energy intensive. The environmental effect of textile also stems from transport emission, sales and product use. The chemical exertion is significant in all parts of the production line, which is potentially hazardous for both environment and people. (Naturvårdsverket, 2013)

Hemtex is a home textile retail chain, originating in 1973. It has been a public firm since 2005 until late 2015. Since 2009 it is a daughter company in what is today known as ICA-gruppen, and in 2015 it was fully acquired into this group (Hemtex 2017a). Hemtex published its first sustainability report in 2010 (Cision, 2017) and has published reports every year since. Filippa K was founded in 1993 and is a Swedish fashion brand. The head office is situated in Stockholm, Sweden. Four collections are released annually. The company is present in 30 markets through its own e-commerce, brand stores and premium retailers. Filippa K has 350 employees. Filippa K is private and was bought by the investment company Novax in 2005. Novax is a subsidiary of the Axel Johnson group (Novax, 2017). H&M – Hennes & Mauritz – was founded by Erling Persson in 1947 and has its headquarters in Stockholm, Sweden. Hennes & Mauritz AB is a publically traded company that engages in the sale of clothing, accessories, footwear, cosmetics, and home textiles. Its line of products include accessories, underwear, cosmetics, sportswear. It is also the mother company of COS, Weekday, Cheap Monday, Monki, and H&M Home. H&M has produced annual sustainability reports since 2002 (Forbes, 2017).

Here follows an ESG- and company specific overview of the content in terms of what areas were reported on. The studied reports are from 2015.

4.2.2 Reporting on ESG Metrics

4.2.2.1 Environment

ENVIRONMENT	*HEMTEX*	*FILIPPA K*	*H&M*
GHG EMISSIONS			
WATER			
% RAW MATERIAL FROM SUSTAINABLE SOURCES			
CHEMICALS			
TRANSPORT			

Dark: *Reported,* Light: *partly reported,* White: *not reported*

Hemtex and Filippa K refer to CO^2-emissions, whereas H&M discuss GHG emissions. While H&M reports on total GHG emission throughout the production process, the other two companies only report on transport and stores (Hemtex, 2016. Filippa K, 2016. H&M, 2016). H&M does a full Life Cycle Assessment for the climate impact across the value chain (H&M, 2016). All companies report on water usage. Hemtex discusses their policies and their efforts concerning the water issue (Hemtex, 2016). Hemtex are also members of the Swedish Textile Water Initiative (STWI). Filippa K discusses water usage in the context of a resource savings summary, this however only includes some of the suppliers. Moreover, they present their STWI assessment score, again with only some of suppliers being a part of STWI (Filippa K, 2016). H&M reports on distribution of water impact along it's value chain, how much of the impact refers to raw materials versus production or use. H&M also mentions litres of water used per kilogram of clothing, and reports on percentages of each tier of water usage (for example, 70% of clothing was produced with less than 100 litres of water per kg). Further, they discuss the water issue from several other perspectives, including for example cubic metres of water used in areas with water scarcity (H&M, 2016). Hemtex presents target numbers for better cotton as well as its percentage of total cotton. Further, they discuss their wishes to increase the share of products made from other sustainable material and has held training for some employees on the subject (Hemtex, 2016). Filippa K reports on the percentage of sustainable fibers (Filippa K, 2016). H&M reports on percentage of organic or recycled cotton in their total cotton use. Moreover, H&M reports on the total share of sustainably sourced material (H&M, 2016). All three companies are part of the Better Cotton Initiative (BCI)[4] and are exploring the opportunities of Lyocell[5], as one sustainable textile option. They also all offer recycling options in their stores against compensation, and to varying degrees discuss possibilities to reuse this material (Hemtex, 2016. Filippa K, 2016. H&M, 2016).

[4] BCI is a global non-profit (BCI, 2017a) organization that aims to normalize cotton production that is better to both society and the environment through a full supply chain impact (BCI, 2017b).

[5] Lyocell is a wood pulp based textile, cited as environmentally friendly and an option to cotton (Business Insider, 2017).

Hemtex reports on different efforts they, and the initiatives they are part of, are doing concerning chemicals both from an environmental and a social perspective. To ensure that suppliers are complying with the restricted chemicals list, Hemtex performs regular spot-checks (Hemtex, 2016). Filippa K highlights initiatives on reducing chemical use for suppliers' production and for raw materials, that they are part of, as well as projects they are partaking in on the subject (Filippa K, 2016). H&M discusses the chemical impact of increasing the share of organic cotton, which, apart from using less water, also uses less chemicals and pesticides. They also mention their efforts in improving chemical management at supplier level, through audits as well as training. H&M report specifically on the chemical issue in leather treatment and production of leather goods, both on an environmental and social level. H&M has as its target to have zero emissions of hazardous chemicals by 2020 (H&M, 2016).

Hemtex reports on type of transport used, CO^2 emissions on transport per product as well as total CO^2 emissions from transport (Hemtex, 2016). Filippa K describes the logistics in terms of plans to improve transport from supplier the and transports to stores (Hemtex, 2016). H&M reports on their transport emissions and elaborates on the percentage of total emissions in a breakdown of climate impact across the value chain (H&M, 2016). Hemtex reports on energy consumption from offices and stores on terms of CO2 emissions (Hemtex, 2016). Filippa K reports on the energy consumption from offices and stores (Filippa K, 2016). H&M reports on the brand store energy consumption, with specificity regarding building diesel, district heating, electricity and building natural gas, oil & others (H&M, 2016). Hemtex reports on countries of production in percentage of total import (Hemtex, 2016). Filippa K reports on production per country based on percentage of purchase order value. Moreover, they report on percentage of purchase order volume from EU versus non-EU countries, and the percentage of order volume from European countries as well as from "low risk countries" (Filippa K, 2016). H&M reports on number of suppliers and number of factories depending on region, classifying into EMEA (Europe, Middle East, Africa), South Asia and Far East.

Hemtex reports on their procedures in ensuring that all animal-based materials are cruelty-free and on their product policy concerning animal welfare (Hemtex, 2016). Filippa K reports on animal welfare being a front runner criteria for 2020 (Filippa K, 2016). H&M reports on animal welfare with regards to fur, endangered species, wool and down (H&M, 2016). Hemtex does not not discuss the sustainability of the business model itself. (Hemtex, 2016) Filippa K discusses the business model in terms of the transition into sustainable growth, and striving to be a part of a circular economy. (Filippa K, 2016). H&M discusses their business model in the context of being a partner of the Ellen MacArthur Foundation that aims to accelerate the transition into a circular economy (H&M, 2016).

4.2.2.2 Social

SOCIAL	*HEMTEX*	*FILIPPA K*	*H&M*
WOMEN MANAGEMENT	White	Dark	Dark
WOMEN EMPLOYEES	Dark	Dark	Dark
EMPLOYEES UNIONIZED	White	White	White
LOST TIME INCIDENT RATE	Light	White	White
COMMUNITY SPENDING	Light	Light	Dark
NO. SUPPLIERS AUDITS (%)	Dark	Dark	Dark
DATA SECURITY	White	White	Light

Dark: *Reported,* Light: *partly reported,* White: *not reported*

The report mentions Hemtex' ratio of female to male employees, as well as that of senior management (Hemtex, 2016). Filippa K reports on the constitution of the senior management group, as well as the percentage of men and women in leading positions in general. They also report on percentage of employee gender (Filippa K, 2016). H&M reports on share of women employees as well as women in management (H&M, 2016). None of the companies report specifically on number or percentage of employees unionized. Hemtex however, states that all its employees in Sweden and Finland are covered under collective bargaining agreements, and all three companies report on supporting union membership for their employees (Hemtex, 2016. Filippa K, 2016. H&M, 2016). Hemtex' report include one occurrence of workplace incident. Neither Filippa K nor H&M have reported on workplace accidents, and none of the companies report on the lost time incident rate. All three companies are members of the Bangladesh Plaza Accord (Hemtex, 2016. Filippa K, 2016. H&M, 2016). There is discussion on the membership of ICA Global Sourcing, which allows Hemtex to have better control over their contractors and subsequently of their compliance with the Code of Conduct through being present in production countries (Hemtex, 2016). Filippa K states that its code of conduct is based on the FWF Code of Labor Practices, which the suppliers undertakes to adopt (Filippa K, 2016). H&M describes how they are building upon their previous code of conduct to adopt a more holistic sustainability commitment (H&M, 2016).

Hemtex reports on having an ethics policy, which not only applies to all employees but also their suppliers, and to some extent on its details. They also state that they have not been subject to corruption-related lawsuit during the year. On the subject of protection of human rights, Hemtex refers to its Code of Conduct and performed social audits (Hemtex, 2016). Filippa K states that all employees are expected to follow their protocol on bribes towards suppliers, customers, partners and so on. Anti-corruption is also reported on to be a part of their Code of Conduct, as well as protection of human rights (Filippa K, 2016). H&M reports on having a zero tolerance policy for corruption, and also taking part in proactive work against it. They also mention their Code of Ethics and the training they provide for understanding it, and discuss transparency on all levels to be vital for this. In the report, H&M provides information on number of found infringements to the Code of Ethics and their actions on this, most of these concerned corruption. The Code of Ethics is applied both to employees and business partners. They also mention not being subject to any legal cases regarding corruption during the year. H&M discusses its supply chain management rather extensively, discussing their commitment to fair living wages among other things, as well as their presence in Myanmar and how they can act to ensure their presence is beneficial to the country instead of harmful (H&M, 2016).

As for employee issues, Hemtex reports on ethics processes and on safety measures, both in regards to work environment as such and the manufacturing (Hemtex, 2016). Filippa K primarily reports on health and safety with regards to absence due to illness. Moreover, supplier audits where health and safety were a concern are mentioned (Filippa K, 2016). H&M discusses workplace safety in the context of its conscious commitments (H&M, 2016).

H&M discusses customer data integrity in the context of their human rights management. (H&M, 2016). Filippa K and Hemtex do not include information on customer data security (Hemtex, 2016. Filippa K, 2016).

4.2.2.3 Governance

GOVERNANCE	*HEMTEX*	*FILIPPA K*	*H&M*
INDEPENDENT DIRECTORS			
WOMEN DIRECTORS			
POLITICAL DONATIONS			

Dark: *Reported,* Light: *partly reported,* White: *not reported*

None of the companies specify the independency of their directors, however all discuss the gender distribution in terms of the exact share of women and men. No company discusses diversity of the board in any other way, such as average age, international background etcetera (Hemtex, 2016. Filippa K, 2016. H&M, 2016). Hemtex clearly states that they do not give any political donations (Hemtex, 2016), while Filippa K and H&M do not mention this subject (Filippa K, 2016. H&M, 2016).

4.2.3 Materiality

Hemtex closes the 2015 report by explaining the reporting being done by the G4 framework, meaning it has assessed the most material sustainability aspects of its' business to report on. Following this is a list of GRI indicators, and either explanations or references to pages in the report where they are elaborated on (Hemtex, 2016). Filippa K conducted a Corporate Responsibility (CR) survey among all its stakeholders in 2013, and Filippa K states that the purpose was to assess the stakeholder opinion regarding the future CR strategy. The results were grouped into six areas which evolved into the Filippa K commitments for 2030, these areas also set the tone for following reports. No other materiality analysis is mentioned in later reports (Filippa K, 2014, 2015, 2016). H&M define how they report in detail, and also their process for assessing material aspects to report on. This involves both identifying what aspects are material, through GRI G4, and prioritizing aspects on their materiality. This prioritization was done through assessing key stakeholder interests, media coverage, mentions in sustainability benchmarks, indices and rankings, social and environmental impacts and importance to business strategy (as they say, in order to assess social, environmental and economic impact). Aspects found through this process were narrowed down into focus groups, to make the report easier to use, and then plotted in a materiality matrix. The matrix was then subject to a key stakeholder validation, in which they report it was accepted on the large, but with some minor adjustments to positioning. This was done in 2013, but updated slightly in 2015 after feedback on the 2014 report. The materiality matrix' axes are "frequency raised by stakeholders" (p.127) and "significance of economic, environmental and social impacts" (p.127) and is grouped into four boxes, explaining level of detail in reporting. For each area in the materiality matrix, explanation is made to the standard(s) by which it is reported on. H&M also reports on salient human rights issues, and their actual and potential impact, including where in the report it is discussed (H&M, 2016).

4.2.4 Financial Value Creation in Relation to Sustainability

The brand unique selling point of Filippa K, and arguably the business model, is based on the concept of sustainable style and thus sustainability at large. Filippa K describes how they select a few styles each year that are supposed to be *Front Runners* of "long lasting simplicity", and thus have minimal negative impact. One of the criterias of being a Front Runner is being financially sound. Under the headline "long-term sustainable success", Filippa K discloses financial information regarding EBT. Moreover, they conclude that their profits contribute to society through taxes. Hemtex does not disclose any financial information in its 2015 report (Hemtex, 2016). One of the focus areas of H&M's commitments is economic performance. Further, H&M states that their aim is to create shared value for the company itself, as well as for customers and local community. H&M presents a progress overview of investments in shared value along the value chain. The focus areas covered are: "create and contribute to more and better employment opportunities", "help train one million cotton farmers to grow cotton with less impact on the environment and improve livelihood", "provide at least 500 000 people with access to safe water in countries where our products are made" and "implement the new community development strategy" (H&M, 2016).

4.3 Externally Produced Industry Information

The Swedwatch report *44 children*, which investigates children of mothers who work for suppliers of Swedish T/A companies, shows that the low wages of the textile workers as a consequence violates children's rights. The study is based on interviews with, and observations of, 44 children.[6] Despite working long hours, the wages of the textile workers are not enough to cover an acceptable living standard for the families. The report states that factors such as lack of social safety nets, lack of union freedom and corruption – paired with the low wages and long working hours keep the families in poverty. A questionnaire that is presented in the report was answered by 18 T/A companies, who unanimously said that they are partially responsible for the subsistence of the workers' children, and that living wages is the most important factor in making their lives better. (Swedwatch, 2014).

A report from a research programme stretching between January 2016 to April 2016 led by the Burmese Women's Union reports on the conditions in textile and garment manufacturing

[6] The interviews were carried out in March 2014 by the Swedwatch local partners: the AWAJ Foundation and the Human Development Research Centre. Interviews have also been carried out with 12 parents who work sewing clothes for the Swedish market. In addition to these interviews, Swedwatch visited Bangladesh in April 2014 for more observations and interviews with representatives of the unions, local manufacturers, NGOs, schools and other experts.

in Myanmar. It reports on the negative consequences of a new minimum wage policy, which is still low in comparison to other countries and has lead to increases in consumption good costs which are not outweighed by increases in salary. Instead the report suggests amending the law to be at Living Wage level. According to the report, many factories do not live up to national and international laws minimum standards, lacking both sufficient toilets and water. Safety issues is a big problem for female workers as long working hours leaves them having to walk home in the dark, which in combination with the police's disinterest in pursuing sexual offenders creates a vulnerable environment. The Burmese Social Security Law from 2014 was enacted to ensure health benefits among other things, but many workers report not having access to the benefits from this law despite paying the mandatory fee. The report also criticizes the effect of the Labor Organization Law from 2011, which has not done enough to allow workers to organize themselves in unions, instead they may still face retaliations (Burmese Women's Union, 2016).

An article from April 2017 in the Swedish magazine OmVärlden discusses this report and how it brings to light problems that the magazine reported on two years prior. A supplier to H&M in Myanmar is mentioned as having issues with long working days, lack of toilet breaks and a harsh working environment. The article refers back to a discussion with Anna Gedda, Head of Sustainability at H&M, in 2015 where she stated this as unacceptable, which the conditions were once again called now in 2017 by a press contact, referring to their Code of Conduct and ensuring that actions will be taken if controls or audits show that working conditions are not living up to their standard (Omvärlden, 2017).

Theuw & Overeem published for Dutch organization SOMO (Centre for Research on Multinational Cooperations) a report in February 2017 on the situation of T/A workers in Myanmar. The report brings forward issues concerning child labor, below minimum wage pay, unpaid overtime, long working days and even some instances of forced labor. The report mentions H&M as one of the larger companies purchasing from these suppliers. There is also discussion on the potential of the T/A industry's presence on the economy, but there is also clear risk for negative consequences, causing an even worse situation than before (Theuw & Overeem, 2017).

In 2009, the investigative journalism program, Kalla Fakta discovered, that Hemtex did not disclose information on its policy for ethically sourced down (TV4, 2009). Mats Wallin, retail consultant, Unlimited Communication, mentions this in his 2014 article, where he argues that secrecy around CSR is bad for society. Wallin proclaims this in the context of stakeholders demanding corporate responsibility which, according to him, equals revenue if met (Dagens Handel, 2013).

Greenstrategy, a consultancy firm for the T/A industry on sustainability issues (Greenstrategy, 2017a), writes on its webpage about the positive aspects of conducting a life cycle analysis to understand the "cradle-to-cradle" impact. They mention Filippa K as example, as they have done a full strategic life cycle analysis on one piece of women's garment to illustrate the full need of resources for creating the piece, as well as the impact it had after production, for example for transport and marketing (Greenstrategy, 2017b).

4.4 Interviews

4.4.1 Investors & Analysts

Refer to appendix 2 for questions asked. Refer to 5.1 for discussion on selection of which variables were asked about.

4.4.1.1 Materiality

Nadine Viel Lamare (personal communication, April 24, 2017) at Första AP-fonden mentions sector specificity as the focal point within her materiality analysis, that the materiality is very different in different industries. Viel Lamare (ibid) describes that he overriding strategy of Första AP-fonden is resource efficiency, and by that they mean responsible use of natural resources, human resources and financial resources. Första AP-fonden mainly look at so-called quality companies, and Viel Lamare (ibid) points out that studies have shown that quality companies as financial terminology has been in practice long before the existence of sustainability terminology. It appears that if one, in a systematic investment strategy, according to Viel Lamare (ibid), adds sustainability, or ESG, as an extra parameter when one builds a portfolio, the return increases and the risk decreases, which in turn makes for a good sharp ratio. Regarding the level of detail that is reported on, Viel Lamare (ibid) mentions GRI4 as an improvement. Prior to its introduction, companies had a tendency to report on everything, which hindered the understanding of what the company considered material. Even though it also is important from a business perspective, Viel Lamare believes that companies are generally subpar at analyzing their own materiality, and requests more comprehensive materiality analyses with information on how the companies perceive their materiality.

Annelie Götbring (personal communication, April 19, 2017) at AMF states that all industries have their own aspects of materiality. In order to make a fair analysis, one has to try and assess whether they might have neglected to include vital aspects. Götbring (ibid) states that a major part of company analysis consists of sector specific benchmarking; that looking at an individual company within the context of the sector, analysts try to get an understanding of the major materiality aspects for each company.

Anna Strömberg (personal communication, May 2, 2017) at Catella also mentions sector and industry specificity as crucial. Strömberg (ibid) also mentions the business model, the fact that some companies have their own production while other have subcontractors. Strömberg (ibid) also highlights region and market specific materiality. From these “macro” parameters, Strömberg (ibid) derives an understanding of what kind of issues are important for the individual company. It is the production that Strömberg (ibid) finds most material for the T/A industry, even though the production generally is outside of the realm of the company itself. Strömberg (ibid) emphasizes the importance of supply chain management as most T/A companies have their production in Asia, that the condition of the production trumps a female board member in terms of materiality. Regarding the level of detail within the reporting, Strömberg (ibid) points out that it is important that the focal point of the company is clearly conveyed in the report.

“To include a lot of detailed information can have a diluting effect. One wants information on the company’s focus areas; detailed. More depth than width.” (A Strömberg, personal communication, May 2, 2017)

Jenny Gustafsson (personal communication, May 2, 2017) at Handelsbanken describes the initial phase of the materiality analysis as a sustainability risk analysis. Gustafsson (ibid) will begin by looking at the risks that are specific to the sector. Based on historical data and prior analyses available, Gustafsson (ibid) decides which sustainability parameters are material to analyze. Gustafsson (ibid) mentions the importance of control systems that ties the sustainability efforts together, in order to insure that information reaches the right people in the hierarchy. Another parameter that Gustafsson (ibid) stresses is a selfmade impact assessment from the organization, that the company understands its own operations. She says that a considerable amount of companies believes that their responsibility stays within Sweden or Europe, and that it could be a sign of a limited understanding of their sustainability impact.

Gustafsson (ibid) says that Scandinavian T/A companies in general are far ahead regarding sustainability reporting, and that they are relatively good at creating KPI:s, and that the best reports within the sector are quite far ahead. What Gustafsson (ibid) finds most alarming, however, are those who state that they do not have any supply chain issues. She views well formulated KPI:s as a performance indicator of the sustainability work. However, Gustafsson (ibid) discusses that sustainability reporting historically has been largely driven by KPI's. But the recent development of companies trying to exemplify their impact has contributed to a more pleasant reading experience, and that it also is interesting to see actual examples of how promises have been materialized.

Helena Larson (personal communication, May 2, 2017) at Skandia discusses the contextual aspect of materiality; that you have to look at geographical location, the size of the company, its business model, type of production, supply chain model etcetera, that it is the core of materiality analysis. Larson (ibid) exemplifies CO^2, that it is a general parameter that one could assume would be inter-sectorally applicable, but that it would not be relevant to compare power supply production with automotive production as the KPI:s would be very different; eg. CO^2 to megawatt hours versus CO^2 to number of cars produced. In order to really understand the company and its situation, Larson (ibid) maintains that one has to place it in a context. Larson (ibid) says that one is likely able to determine which companies are the worst and best of the class, but in pursuance of a granular analysis, her experience is that wide indicators are not useful.

Regarding which ESG variables are important to analysis of a T/A company, Larson (ibid) states that one has to begin by looking at the characteristics of the production – if the production is within the operations, the company has a greater ability to control its condition, other than that, the subcontractors are always relevant for the T/A sector, as it is material whether the production is in Asia or Europe. Moreover, Larson mentions chemicals usage as a primary ESG variable. As to the level of detail within the reporting, Larson (ibid) discusses the G3 guidelines, that the company could opt to either have an a, b or c-report, where the a-report was the most extensive. Larson (ibid) says that it was popular to choose the a-report, that reporting on everything was viewed as the noble thing to do. Larson (ibid), however, did not appreciate this, she says that she finds it much more interesting to read about ten aspects that the company deems to be material; that it is difficult to understand a company that reports on everything. Larson (ibid) says that this is not as big of a problem as it used to be, by reason of the G4 focus on materiality, and that she as an analyst, regardless knows what parameters to look up. She also thinks that it is a waste of time to report in detail on everything. Yet, Larson (ibid) also mentions that companies who reports in a more concise manner, risk getting a lot of questions and that reporting on everything thus is a precaution.

N/N (personal communication, April 24, 2017) at X describes how X has defined the key issues based on the American SASB[7], which in turn is a product of empirical research. Moreover, N/N (ibid) also stresses the contextual aspect of materiality.

4.4.1.2 Environmental

Amongst the chosen environmental Bloomberg parameters, Nadine Viel Lamare (personal communication, April 24, 2017) at Första AP-fonden highlights the sourcing of material and the carbon footprint among the environmental parameters that are material to the T/A industry. Viel Lamare (ibid) also mentions water but proclaims that it is very difficult to measure in a reliable way. Chemical usage and chemical safety are two important parameters to Viel Lamare (ibid); she points out that T/A companies also markets makeup and accessories, making chemical safety even more important. Regarding greenhouse gas (GHG) emission, Viel Lamare (ibid) is unsure if these variables reflects the actual production and along the supply chain, which most often occur at suppliers. The same goes for the water issue, that it is difficult to isolate the company specific effect on the water supply and quality, and the fact that the local impact of water shortage and is considerable and geographically contextual, means that making sense of such a measurement requires a lot of additional information. Viel Lamare (ibid) says that transparency regarding such matters is lacking.

Annelie Götbring (personal communication, April 19, 2017) at AMF mentions sourcing, supply chain, greenhouse gas emissions, water issues; general economizing of resources. Götbring (ibid) talks about climate effect in a broad sense, where aspects of chemical use and CO^2 emissions are included in her analysis. Among the specifically chosen Bloomberg variables, Götbring (ibid) finds both GHG emissions, water usage and water recycled as material to the T/A industry. The issue with water is especially important to cotton production, according to Götbring (ibid), since cotton requires a significant amount of water, which means that the materiality is particularly company specific with regards to the percentage of materials used. Götbring (ibid) also says that other companies and supply chains require more transportation, which implies that water is more material to some companies and greenhouse gas emissions is more material to other. Regarding the CO^2 numbers that are reported in Bloomberg, Götbring (ibid) would like to see “scope 3”, where the carbon footprint of the product after it has been marketed is captured. This in order to create a more all-encompassing picture. Götbring (ibid) instantiates this with solar cell production seeming less sustainable that automotive production, that one needs blanket data to depict the carbon footprint. Moreover, Götbring (ibid) says that they try to look at the company in a future oriented way; will the company be a part of the transition to a low fossil society? How do its long term processes rhyme with a sustainable development? And that in the light of that, KPI:s are too narrow and not material. Götbring (ibid) argues that more parameters are needed to make a robust investment decision.

Götbring (ibid) believes that more and more companies will measure and report their environmental impact as the tools of measurement are developed. Götbring (ibid) describes that AMF aims to influence the companies that they are stakeholders in, to measure and report on their carbon emissions; that it is preferable and material that companies own their own measuring and reporting, rather than basing their reporting on sector estimates. The new EU regulation regarding sustainability reporting, is a sign that things are moving in the right direction, but that it remains to be seen if the rest of the world jumps on the train.

[7] Sustainability Accounting Standards Board

Anna Strömberg (personal communication, May 2, 2017) at Catella distinguishes water and percentage of raw materials from sustainable sources as the most relevant of the variables presented. Strömberg (ibid) also confirms chemicals as being of great importance in the T/A industry. Transport emissions is agreed on as something important, however Strömberg (ibid) says that this might be a more significant issue in other sectors dealing with other types of goods.

When presented with the selected Bloomberg variables Jenny Gustafsson (personal communication, May 2, 2017)) at Handelsbanken defined all parameters as critical and as difficult to grade between one another. Gustafsson (ibid) discusses the connection between parameters, for E as well as S and G; that sustainable sourcing is a part of the supply chain issue. However, these are, according to Gustafsson (ibid), the three most relevant variables to consider in the environmental analysis of a T/A company. Gustafsson (ibid) specifically mentions water as an issue concerning both E and S, as water intensive production often occurs in areas with a lacking supply of water.

Helena Larson (personal communication, May 2, 2017) at Skandia states that in her opinion the climate issue is not as important as water for the T/A industry. This due to almost every T/A company being somewhat connected to cotton, which is very water intensive. Although, as Larson (ibid) says, all companies are affecting the climate it is not the central issue for the T/A industry. Larson (ibid) mentions shipping, or transport, as something that is important, but the production itself does not require much energy. As for sustainable sourcing Larson (ibid) discusses the issue with using Bloomberg's numbers. Since one cannot know where the number is coming from, Larson (ibid) is more interested in looking into this herself to understand what is behind the number. Concerning chemicals Larson (ibid) defines it as very relevant for the T/A industry, regardless of what kind of textiles the company is dealing with. However, Larson (ibid) specifies that it depends on where in the world the production is and contrasts EU's strict regulation on chemicals with the situation in Bangladesh and India.

For the T/A industry N/N (personal communication, April 24, 2017) at X defines greenhouse gas emissions as a hygiene factor, but not the most important issue. N/N (ibid) discusses the issue with analyzing water as the part of the process where it is relevant often is outsourced, and thus the question is how the contractors or suppliers handles water. N/N (ibid) agrees on water being a contextual issue, and dependent on what regions production takes place in and that water exposure must be analyzed. For example, N/N (ibid) says, managing the water issue means very different things in Sweden and India. N/N (ibid) also defines percentage of raw materials from sustainable sources as something she considers. Further, N/N (ibid) leads a discussion on sustainability of the business model and whether for example fast fashion can be called sustainable in the long-term. Linking it with, among other things, cotton production and the water issue, N/N (ibid) talks about initiatives in research and development to find new materials and ways to recycle old clothing into new fabric. That is, how different materials can be used instead of water intensive cotton. In N/N's (ibid) opinion it is a good thing if companies use renewable energy, partly as a step to achieving the climate agreement, but it is not the main issue for T/A companies.

4.4.1.3 Social

Nadine Viel Lamare (personal communication, April 24, 2017) at Första AP-fonden mentions the labor intensive aspect of the T/A industry, and that it in part is highly dependent on the store employees. Viel Lamare (ibid) says that employees are central to how the product is actually delivered. And Viel Lamare (ibid) also highlights data security and integrity, that T/A companies are involved in e-commerce and that such issues are pervasive and central. Viel Lamare (ibid) discusses women management in the context of diversity. Material to the textile industry, would be a significant amount of women at leading positions as it is such a female dominated sector at large, according to Viel Lamare (ibid). Employees unionized is more of a hygiene factor to Viel Lamare (ibid), and not material as such. Lost time incident rate is more relevant for Viel Lamare (ibid) if the company has its own production, because she says that companies seldom report on the suppliers' loss. Community spending is not a factor that she takes into consideration, whereas suppliers' audits is of importance to Viel Lamare (ibid). However, Viel Lamare (ibid), is more interested in the quality of the audits itself rather than the number of them that has been made; she is interested in both but mere numbers is not enough as it does not say anything about the quality of the audits and the outcome. Moreover, Viel Lamare (ibid) takes the condition of the suppliers into consideration when analyzing a company.

Anneli Götbring (personal communication, April 19, 2017) at AMF emphasizes workplace issues, relating to the fact that the fund is owned by the Swedish Trade Union Confederation (LO) and the Confederation of Swedish Enterprise (Svenskt Näringsliv). Choosing between the Bloomberg variables, Götbring (ibid) continues on the same track, mentioning the right to organize, actions on human rights, discrimination, impact on the communities they are present in as well as workplace safety and incidents. Götbring (ibid) also discusses the problem with finding information on forced labor and child labor, as she deems it to be very important.

Presented with the selected variables, Anna Strömberg (personal communication, May 2, 2017) at Catella chooses number of suppliers audits, employee unionization and lost time incident rate, as the the most material among these variables. When asked about data security in relation to the growth of e-commerce Strömberg compares T/A companies to companies such as Amazon, where the business model is largely dependent on customer data storage and usage. Strömberg says that even for a larger T/A company such as H&M, how customer data is handled is not as important as for, for example, Amazon. Especially not in comparison to other issues facing H&M such as problems in the production, child labor and other supply chain-related issues.

Jenny Gustafsson (personal communication, May 2, 2017) at Handelsbanken was not inclined to select any of the presented variables, but rather defines her areas of focus as labor management and supply chain labor standards. For labor management, looking at whether the company has it's own factories or are using others' factories Gustafsson (ibid) exemplifies discussing terms of employment - using permanent workers versus short-term contracts. In Gustafsson's (ibid) opinion this is more important than number of women in management or women employees. Conditions for women workers are more important than number, and while conditions are relevant it is part of a larger issue in the labor management. Gustafsson (ibid) also mentions that having more women in management can help in improving female worker conditions.

Gustafsson (ibid) discusses supply chain management and the supply chain labor standards, the company's system for dealing with supply chain issues. Within this, Gustafsson (ibid) specifies the importance of having the right to organize, workplace security for women in terms of proper toilets and other risk factors, as well as overall workplace security and safety both for women, men and children's rights. Gustafsson (ibid) summarizes this as a human rights issue at heart. As a way to measure this, Gustafsson (ibid) agrees on number of suppliers audits being vital. Furthermore, the method with these audits are performed is very important. That is to say, whether they are performed by the company themselves or externally, whether they are pre-announced or not, or at least pre-announced audits supplemented with un-announced audits. Gustafsson (ibid) also mentions looking into who in management or the board receives the results of the audits as a way to analyze how seriously the company takes these audits.

Within supply chain labor standards, Gustafsson (ibid) adds chemical safety, stating that - while this also affects the consumer in how chemicals might affect the wearer -, looking further back in the supply chain there are instances of terrible conditions surrounding the use of chemicals in production. For lost time incident rate, Gustafsson (ibid) comments that she considers it more of a KPI. Concerning community spending, Gustafsson (ibid) calls it interesting and a positive thing to be doing, but subpar to damage being caused by a company's operations in a community. Gustafsson (ibid) defines it as important in that it might allow a company to remain operating in a region. It is then not the most relevant variable, but it is important to the extent that a company must invest enough in the region that the business is not damaging to the community and that the operating standards are high enough that harm is not done to either people or environment in the communities where the company is present. In terms of social issues outside of production and supply chain Gustafsson (ibid) mentions women board members as well as data security for companies with significant e-commerce. Gustafsson (ibid) exemplifies with customers having their credit card information stolen, and defines it as a material risk for companies.

Helena Larson (personal communication, May 2, 2017) at Skandia says that the number of audits done, is irrelevant to her, if one does not have a benchmark, which is not the case here. Regarding women management and women employees, Larson (ibid) argues that it is not important as the sector is female dominated. Employees unionized is difficult to determine, in regards to materiality, as this is dependent on where the company operates, according to Larson (ibid). She describes the different cultures of unions, that Sweden and Western Europe has a strong tradition of unions, whereas that of USA is weak, and that the unions of Mexico and Colombia are "bad". Larson (ibid) says that in general, the more aggregated the level of the reporting is, the more deep she will have to investigate herself, in order to make it material. Lost time incident rate is relevant to Larson (ibid) with respect to sick leave, however, she proclaims that there are other sectors where lost time incident rate is more material, where such an aspect can affect the business itself. Community spending is relevant to Larson (ibid) if the company operates in a developing country.

"If you are in Ethiopia and are trying to build a textile industry, contributing to the local community in order to increase your social license operator is expected, if you do not succeed in that, there may be difficulties in establishing yourself there." (H Larson, personal communication, May 2, 2017)

N/N (personal communication, April 24, 2017) at X talks about diversity rather than women management as being important. N/N (ibid) says that the management should reflect the constitution of the company. Regarding employees unionized, N/N (ibid) says that it is particularly important in developing countries with lack of regulation around minimum wages. Lost time incident rate is not material in the T/A industry according to N/N (ibid).

Community spending and number of suppliers audits are both factors that N/N (ibid) takes into consideration when analyzing a T/A company.

4.4.1.4 Governance

Nadine Viel Lamare (personal communication, April 24, 2017) at Första AP-fonden states that they consider independent directors as well as women directors in all companies they are analyzing, and especially the former. As for women directors, Viel Lamare (ibid) clarifies that they consider diversity in broader terms, with share of women being one aspect. For the T/A industry specifically, Viel Lamare (ibid) says a company with only men in the board would indeed invoke questions. Viel Lamare (ibid) describes their usual scan of the governance, what the board looks like, who is in it, who knows each other and whether anyone is truly independent, whether the board's constitution allows them to represent all owners, which is not sector-specific. Concerning political donations Viel Lamare (ibid) states that she would not actively look for the information, but she would consider it if presented with it, and search for unusually high numbers. Viel Lamare (ibid) deems it as rather uncommon to have high numbers, or anything at all, so unless any other screening had alerted her to involvement in suspicious activity by the company, she would not search for it.

Governance issues such as management, board constitution in terms of share of women and independent directors is also highlighted by Anneli Götbring (personal communication, April 19, 2017) at AMF. Götbring (ibid) mentions this as important in assessing a company's risks and opportunities going forward. Women directors are also important, according to Götbring (ibid), in that they might lead to a more equal distribution downwards in the company. Discussing political donations, Götbring (ibid) states that it is difficult to draw any conclusions from this. Partly due to the many types of donations not being made public, which makes it difficult to compare actual donations between companies. But Götbring (ibid) also mentions the issue with putting a label on donations as good or bad. Regardless, Götbring (ibid) considers it as positive that a company is transparent with its donations, but it is hard to be certain that everything is included in the presented number. From a more long-term perspective on sustainability and investing, Götbring (ibid) leads a discussion on the importance of a strong governance with good processes and routines, in allowing for good management of environmental and social issues. For Götbring (ibid), well-managed governance allows them to have a dialog with the company on environmental and social issues and working on improvements in these areas in the long-run.

Anna Strömberg (personal communication, May 2, 2017) at Catella does not find governance to be the most material dimension for the T/A industry. One factor that stands out to Strömberg, however, is whether the board is independent or not.

Jenny Gustafsson (personal communication, May 2, 2017) at Handelsbanken does not consider political donations to be of particular importance on the topic of governance factors. What might be interesting however, Gustafsson (ibid) elaborates, is whether these donations fit the sustainability profile of the company. Gustafsson (ibid) says that independent directors are definitely important, and she also mentions compensation to senior management and board as a focus area; whether sustainability performance is tied to compensation. Apart from compensation, Gustafsson (ibid) discusses the issue of who is responsible for following up on sustainability-related issues and who reports about it to the board, as a central area within governance. Gustafsson (ibid) also states that women directors are important.

To Helena Larson (personal communication, May 2, 2017) at Skandia all three presented variables are very relevant, and for all sectors not just the T/A industry. Larson (ibid) claims that most governance indicators are possible to use cross-sector. However, political donations, Larson (ibid) says, is more relevant for the oil and gas industry. As for the T/A industry, it could still be interesting, given that there is a strong lobby presence seeing as there can be strict regulation in the industry, Larson (ibid) elaborates.

N/N (personal communication, April 24, 2017) at X states that they do consider independent directors, for women directors however, their main concern is of overall diversity in the board in terms of age, global representation in global companies as well as share of women. For the T/A industry, N/N (ibid) says they do not look at political donations.

4.4.1.5 Financial Value Creation in Relation to Sustainability

The financial aspects of materiality is at the core of Första AP-fonden's sustainability investment strategy, says Nadine Viel Lamare (personal communication, April 24, 2017). The analysts of Första AP-fonden do think that it adds value in the investment analysis to look at sustainability issues, but they would not look at sustainability unless they believe that it will have a positive impact on the return. Viel Lamare (ibid) goes on to say that Första AP-fonden looks at the history of eventual controversies of the company since that may have an effect on the stock price. Regarding the correlation between being a well managed business and being a sustainably managed business, Viel Lamare (ibid) says that it to the very least is a good indicator. According to Viel Lamare (ibid), the correlation is not perfect, however, looking at sustainability adds information.

"I think, and I have for a long time, that if you look generally on how sustainability is managed, and in that maybe not just materiality but overall, I can think that it provides an extra security or insecurity depending on what you see on whether the company is well-managed. A proxy for good management, there is afterall a very large overlap between the two." (N Viel Lamare, personal communication, April 24, 2017)

Viel Lamare (ibid) says that is very difficult to isolate sustainable value creation from financial value creation, that there is a continuous discussion whether sustainability pays off or not, if the consumer is willing to pay for it. Viel Lamare (ibid) describes how she as a sustainability analyst naturally is very pleased with imposing sustainability work, but that her financial analysts may be of a different opinion. At Första AP-fonden, they try to measure the financial benefits of sustainability, and there is an ongoing discussion on how it could be perceived to best evaluate it, according Viel Lamare (ibid). Moreover, Viel Lamare (ibid) goes on to say that it is easier to isolate sustainability effects in systematic quantitative strategies, and that they in Första AP-fonden's work have seen that adding ESG factors reduces risk and drawdown. Viel Lamare (ibid) proclaims that sustainability is a long-term issue, which today is a cost, but that will pay off in the long-run. However, as companies that are well-managed today and known for focusing on sustainability often already have a higher stock price to reflect this. Thus, it becomes a trade-off, where their analysts have to assess what extra future benefits may come from the sustainability efforts. From a strict returns perspective, Viel Lamare (ibid) says it might be better to invest in a company that is about to make the sustainability journey of for example H&M as it is not yet priced in, thus making it possible to add extra return.

Annelie Götbring (personal communication, April 19, 2017) at AMF says that by reason of the difficulty she sees in developing KPI's for sustainability, it is also difficult to isolate the financial value creation. Götbring (ibid) maintains that she looks at the company in a holistic manner when conducting a sustainability analysis since the factors of production differs so much between different countries. AMF has decided to invest in the most sustainable companies in each sector, which Götbring (ibid) describes as a cleanse of their investment universe. Götbring (ibid) says that this is due to the belief of AMF that sustainable companies are those who will bring the highest future turnover, and that being a pension fund enables them to have a future focused investment horizon.

Anna Strömberg (personal communication, May 2, 2017) at Catella would like to see more financial substance in the sustainability reporting, that the sustainability variables are linked to financial performance indicators.

"To actually say that this can save us that much money, while at the same time making us a more sustainable actor. Because I can feel that, that the companies are a bit ashamed, you do not want to highlight that this can go hand in hand with a sound financial development for the company." (A Strömberg, personal communication, May 2, 2017).

When Strömberg (ibid) runs a financial sustainability analysis, they are very case oriented. Strömberg (ibid) illustrates this with the discount rate being lower for a company with a strong socially sustainable profile. Strömberg (ibid) assumes that the volatility of a company is lower for one with a high sustainable profile; the the risk of being sued for instance is lower if you take good care of the employees. Volatility can thus be included in the discount rate and this enables comparison between what a high and low discount rate means for the company market value. Strömberg (ibid) also mentions the use DCF methodology as means to quantify the sustainable value creation of a company. The prognosis period Strömberg (ibid) looks at is between three and five years, and after a cash flow period of approximately ten years, one normally acquires the terminal value. Regarding sustainability generated cash flows however, Strömberg (ibid) lets the cash flow last for longer – approximately fifteen years.

Jenny Gustafsson (personal communication, May 2, 2017) at Handelsbanken describes the process of assessing new investments at Handelsbanken. All fund managers will do a sustainability assessment in addition to the fundamental, financial assessment of a company, for their active funds. Every quarter year, Gustafsson (ibid) says, they perform deeper analysis of a specific sustainability issue, assessing it from a sustainability risk and opportunity perspective and translating it into financial terms. "This is a prerequisite for us to do our job as investors." (J Gustafsson, personal communication, May 2, 2017). Gustafsson (ibid) elaborates on translating sustainability impacts into financial terms, and explains that it is not done in a systematic way per se, but rather situation-specific. Gustafsson (ibid) presents an example that an estimate might be made of an increase in cost of 4% of annual revenue if certain legislation passes that would affect the company. Exemplifying on opportunities that may rise from sustainability in a business, Gustafsson (ibid) gives examples on innovation in material, an area in which she sees a lot of potential growth and opportunity, sustainability work as a prerequisite for public procurement and fossil fuels from a stranded assets perspective. Gustafsson says Handelsbanken usually invests, in their active management, on a 3-5 year horizon. Continuing on the topic of quantification, Gustafsson (ibid) expresses her interest in having companies report more on financial value creation relating to sustainability performance. Gustafsson (ibid) says this is a way for the company to show their awareness of the effect sustainability has on the company, and gives as example the increasing popularity of integrated reporting.

Helena Larson (personal communication, May 2, 2017) says that it is the future oriented aspect of the value creation that is material when analyzing a company, beliefs about the company – on how it will address future challenges. Larson (ibid) admits that they partly base the prognosis on the historical data, but that focus is placed on determining the direction in which the company seems to be developing. Larson (ibid) consider the evaluation of sustainable financial creation her mission, but says that it is very difficult to quantify it. Larson (ibid) mentions the business model, and the risk aspects that can affect the stock price. Singular business ethical questions can have major impact and require a lot of management attention time. Larson (ibid) says that the desire is to invest in companies that can spend time on operational excellence and business development rather than crisis management. The sustainable value creation opportunities are primarily a matter of branding and attracting skilled employees according to Larson (ibid), making opportunities even more difficult to quantify than risks. The time frame Larson looks at is quite long (ibid).

N/N (personal communication, April 24, 2017) at X expresses the main thing she misses in sustainability reporting today as measurable impacts. That is to say, what certain initiatives has led to, or what improvements have come from supplier audits, in numbers and percentages. N/N (ibid) exemplifies with the Bangladesh Plaza Accord, what actual improvements have come from it in terms of fire safety and building integrity. N/N (ibid) specifies that she would like a translation of measured impacts into money. On the topic of sustainable business models, N/N (ibid) states that it is an aspect they take into account, especially when analysis shows that the company does not handle these questions in terms of risk management. The water issue is brought up, and N/N (ibid) calls for a reasoning, for example, on what would happen to the company's costs if water was priced according to its supply in many producing countries.

"It is hard to separate what is what in this, because it is all related." (N/N, personal communication, April 24, 2017).

N/N (ibid) finds that in order to use KPIs for assessment, they would need to be established indicators in order to allow for comparison. However, to fully use these they need to be, N/N (ibid) says, translated into financials terms or increases in costs. Meaning, that in the end, it comes down to subjective assessment.

4.4.2 Sustainability Auditor

Åsa Ekberg (personal communication, May 11, 2017) at KPMG clearly specifies during the interview both that the limited assurance done by them is not synonymous with a financial audit, or, in more correct terms, a reasonable assurance, and that their task is to validate that there are no material faults in the report. Their limited assurance is based on a risk analysis where they identify the biggest risks, which they then focus the limited assurance on. Apart from this, Ekberg (ibid) says, they consider statements and numbers which stand out from the rest. Additionally, they look at KPIs, energy usage, and what Ekberg (ibid) calls critical aspects – that is, such as would affect the reader's perception of the company.

Ekberg (personal communication, May 11, 2017) describes that in the beginning of their limited assurance, they perform a media scan, where they identify relevant events which the company should mention in order to be able to assess whether all relevant information included in the report. Besides this, Ekberg (ibid) says, they look at the company's materiality analysis, at the information it is based on and how the company has valued this information. Ekberg (ibid) is very clear on that this is just a part of the limited assurance, and not the focus. However, Ekberg (ibid) says they do consider the overlap of the materiality analysis and the actual report. Generally comments on the materiality analysis, according to Ekberg (ibid), is more of an advising nature on aspects that may benefit from being reconsidered to next year's report rather than things that are corrected during the examination, especially for companies which have produced sustainability reports for a while. Ekberg's (ibid) perception of materiality concerns the wider strokes of the company and its operations, both in regards to what they should report on but also actively work on. Ekberg (ibid) mentions discussions that followed the switch from GRI G3 to G4 which brought materiality into focus, prompting some companies to neglect areas such as environment in their reports, claiming it was not material to their business. However, now, Ekberg (ibid) says, most companies have gotten used to conducting their materiality analysis. On G4, Ekberg (ibid) discusses reporting on material issues, those that are important to stakeholders. Ekberg (ibid) is of the opinion that a sustainability report is not necessarily confined to be primarily focused for investors and creditors, but would rather identify a wider user group.

On the subject of quantifying sustainability information, Ekberg (personal communication, May 11, 2017) sees improvements in companies' abilities to produce real, reliable information. Still, Ekberg (ibid) says, the methods and models used are not quite equipped to give a full picture. There are many assumptions and conditions applied in the process. They are advanced models, with frameworks built on different criteria, but they are still models, Ekberg (ibid) elaborates. In Ekberg's (ibid) opinion, this is not too much of an issue, or rather that this is the best way available, but it does require transparency in how the models have been built and what assumptions they are based on. This transparency is also, according to Ekberg (ibid), vital in allowing for comparison between companies. Estimations may work, Ekberg (ibid) says, for an initial overview, but to be able to compare one would need to look into the criterias behind the models. Ekberg (ibid) describes that certain statements, especially such that are stating that a company's sustainability work has lead to, or will lead to, benefits - either financial or of a more general nature, must be well-founded. This assessment is often based on the idea of what will change the user's perception of the company; the more defined a statement is, the more foundation it should have. Ekberg (ibid) highlights a big difference between financial and sustainability reporting, at least from an auditor's perspective. While some of the information in a sustainability report, Ekberg (ibid) says, can be examined in a way that is similar to a reasonable assurance, much information is of a vague nature that cannot be absolutely verified in that it is more subjective and qualitative.

Commenting on connecting financial value and sustainability in the materiality analysis, Ekberg (ibid) says that it can indeed be a part, but in the end it comes down to the stakeholders, external and internal. While management may adjust the results from the materiality analysis according to their perception of the company's position and the different issues in relation to each other, financial value should be a part of this. According to Ekberg (ibid), this is not something she has seen as clearly defined. Ekberg (ibid) comments on sustainability as a part of the business model, a perspective she perceives more and more companies has taken to, and that will influence reporting in the future. For today, however, Ekberg (ibid) wishes for more structure in the sustainability reporting concerning business model, strategies, targets and evaluation.

5. Analysis

The initial part of this chapter is a presentation of the selected variables. Adjacent to this, the analysis of the empirical data begins, starting with materiality, followed by analysis of the ESG variables and concludingly analysis of financial value creation. The analysis of the ESG variables serves as an application of, and argument for, reasoning in the materiality and financial value creation chapters.

5.1 Selected Variables

With the perception of Figge & Hahn (2013), that environmental resources are similar to economic resources – and the notion of corporate eco-efficiency indicators being a measurement of how well a company uses scarce environmental resources – in mind, the selected variables from Bloomberg were narrowed down to twelve. These variables were selected based on their perceived relevance for the T/A industry, stemming partly from reports mentioned in the empirical material as well as the studied companies' sustainability reports. For Environment, *GHG Emissions* was chosen as it encompasses several other climate related variables, such as CO^2 and renewable energy use. *Water* was chosen due to textile production, particularly cotton, being water intensive and due to the fact that production takes place in developing countries where water is scarce (Naturvårdsverket, 2013). The variable *percentage of raw material from sustainable sources* was chosen as it can reflect the initiatives from some of the companies studied to invest in more sustainable materials as well as their participation in the Better Cotton Initiative.

Women management and *employees* were chosen, due to gender equality being a problem in the workplace in several industries, and this report wants to analyze whether this would be a material issue in a female dominated industry. *Employees unionized* was chosen due to it being a labor-intensive industry often with production in developing countries. *Lost time incident rate* was chosen due to the high frequency of accidents in the workplace being reported in this industry, most notably the Bangladesh Plaza incident, which has led all companies in this study to join the Bangladesh Plaza Accord. *Community spending* was chosen as all companies report extensively this. *Numbers of suppliers audited* was chosen for the same reason as incident rate, and due to the fact that this is also reported on and discussed by the companies. The rest were not selected as they were deemed as not as important for this industry.

For Governance *independent directors* was chosen as a well-functioning board was assumed to be vital to enabling sustainability improvements in other areas. *Women directors* were chosen for the same reason as women management and employees. *Political donations* were chosen partly as it reflects the actions of the board, not just its constitution. Further, as the companies operate in developing countries with low minimum wages and lack of safety regulations, which leaves them with a lot of potential influence, depending on size of the business. Another reason this was chosen is because all companies report on their anti-corruption policies and/or work, while only Hemtex reports on political donations. Therefore, it was deemed as interesting to look into whether this would be an important indicator for investors on corruption, especially given that anti-corruption is one area mentioned in the new sustainability reporting law. The rest were not selected firstly because they were deemed to be difficult for a private investor to analyze, and secondly to narrow down the number of variables they were deemed as not as important as the other ones.

Environment	*Social*	*Governance*
GHG Emissions Direct/Indirect CO2 Emissions Travel Emissions Energy Renewable Energy Use Water Waste % Raw Material from Sustainable Sources	Women Management Women Employees Employee Turnover Employees Unionized Lost Time Incident Rate Community Spending Avg employee age No. Suppliers Audits (%)	Independent Directors Women Directors Director Avg Age Director Meeting Attitude Board Size Political Donations Board & Executive Compensation Board Avg Age

In addition to these variables, answers early on in the interview process lead to questions being asked on transport, chemicals and data security as well.

5.2 Materiality

All interviewed analysts and investors, emphasizes sector specificity as being fundamental to the materiality analysis. Eccles et al. (2012) discusses sector specificity as prerequisite for the defining guidelines on materiality.

"Materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report. Consequently, the board cannot specify a uniform quantitative threshold for materiality or predetermine what could be material in a particular situation" (IASB QC11).

The idea of sector specificity appears to be in compliance with the IASB definition. Due to this sector specificity of materiality in sustainability issues, it can be argued that the materiality analysis is the key stone of the sustainability report. Gustafsson, for example, stresses the importance of companies showing that they understand their sustainability impact. For the companies studied in this report, only H&M appears to have conducted an extensive materiality analysis (Hemtex, 2016. Filippa K, 2016. H&M, 2016). The manner in which H&M (2016) has conducted its materiality analysis is in accordance with the GRI Standards' discussion on materiality needing to be decided taking both internal and external factors into account, and the manner of reporting also follows the notion that the process of determining materiality and priority among sustainability concerns should be reported on. Moreover, the analysis follows by large, the five categories of the materiality test suggested by Lydenberg et al. (2010). Filippa K (2014) has done a "CR survey" in 2013, however it is unclear which stakeholders were consulted or whether these focus areas represent what Filippa K considers to be their most material issues . As for Hemtex (2016), having followed GRI G4 they state that they are reporting on their most material issues. How they have arrived at these specific issues – that is to say their materiality analysis – is not specified. This can then be compared to Gustafsson (personal communication, May 2, 2017), and Viel Lamare (personal communication, April 24, 2017) who also says she would like more info on how companies perceive their materiality and more comprehensive materiality analyses. This brings forward the issue that even when companies report on aspects that investors agree are material, they should also be able to show that they understand what is material to them specifically. If there were more standardized ideas of sector-specific materiality, perhaps it would, as Eccles et al. (2012) argues, be easier for companies – especially those of smaller sizes – to let their sustainability reporting revolve around materiality and to conduct materiality analyses. This fits into Götbring's (personal communication, April 19, 2017) approach, she also considers materiality to be sector specific, and continues to say that to assess major material aspects she would benchmark against others in the sector. Meaning that it might also be easier for an investor to analyze the sustainability report were there more standards on assessing materiality, especially taking IASB's arguments for comparability (IASB, QC20-23) being vital in allowing for correct decision-making by users. As IASB (QC23) clearly states that uniformity is not the goal, standards on assessing materiality might be a way to achieve comparability while allowing reports to remain true and fair in their representation. Moreover, Eccles al. (2012) argue that better comparability is key in facilitating incorporation of sustainability performance in financial models. Strömberg (personal communication, May 2, 2017) goes on to say that apart from sector, she also considers the business model and especially whether a company has its own production or not, as well as region or market specific materiality. Given Giannakis and Papadopoulos (2011) study showing that most sustainability-related risks in the supply chain should be manageable within the company, claiming that these aspects are also something that should be taken into consideration when standardizing materiality on a sector-level should not be unreasonable.

With the study of Attig et al. (2013), and their findings suggesting that CSR dimensions which are related to managing stakeholder interest affect the perception of a company's creditworthiness, and the Lodh and Nandy (2012) findings exhibiting that banks discriminate between with firms with different levels of environmentally friendly operations, in favor of those who are environmentally conscious, companies would presumably create exhaustive reports in order to lower its cost of capital. H&M's (2016) report is accordingly vast and elaborate, and the report of Filippa K (2016) describes certain aspects in great detail. Filippa K conducted a Corporate Responsibility survey among all its stakeholders in 2013 (Filippa K, 2014), which resulted in their strategic focus areas around which the 2015 report revolves, although no materiality analysis is mentioned (Filippa K, 2016). H&M (2016) define how they report, and also their process for assessing material aspects to report on. This involves both identifying what aspects are material, through GRI G4, and prioritizing aspects on their materiality. This prioritization was partly done through assessing key stakeholder interests. When Larson (personal communication, May 2, 2017) discusses the G3 guidelines, where the a-report was the most extensive, she describes how reporting on everything was viewed as the noble thing to do. Larson (ibid) did not appreciate this, as she prefers to see what the company deems to be material and that she finds it difficult to understand a company that reports on everything. Similarly, Strömberg (personal communication, May 2, 2017) states that she wants the focal point clearly conveyed, and that she is looking for more depth than width. Yet, Larson (ibid) mentions that companies who decided to report in a more concise manner, risked getting a lot of questions and that reporting in a very detailed manner is a way to avoid that. This suggests that it is not a question of detail versus materiality, as much as materiality analysis being a vital part of sustainability reporting. Moreover, Gustafsson (personal communication, May 2, 2017) says that sustainability reporting historically has suffered from being very KPI-focused, and that the level of detail might be a mitigating effort, and that it also is relevant to see actual examples of how promises have been materialized. In addition, Ekberg (personal communication, May 11, 2017) discusses reporting on material issues in the context of being those that are important to stakeholders, and is of the opinion that the stakeholder scope of sustainability reporting is wider than IASB's (OB5) definition. This could further motivate the extent and level of detail reported on.

Contrary to how sustainability actions have been developed as a consequence of outside pressure, Zeidan & Spitzeck (2015) argues that a well curated ESG methodology includes an internal view which promotes strategic decisions by the management team. This is aligned with Gustafsson (personal communication, May 2, 2017) proclaiming the importance of control systems that ties the sustainability efforts together, in order to ensure that information reaches the right people in the hierarchy. Correspondingly, Gustafsson (ibid) stresses the importance of a self-made impact assessment from the organization as evidence of the company understanding its own operations. She says that a considerable amount of companies believes that their responsibility stays within Sweden or Europe, and that such a thing is a sign of general neglect of sustainability. Conclusively, more than anything, Gustafsson (ibid) views sophisticated sustainability reporting as an indicator of the quality of the sustainability work itself.

5.3 ESG Variables

5.3.1 Environmental

Emphasized throughout the interviews are the water and chemical issues. Following the discussion on materiality, and as explicitly stated by several analysts, this is due to it being the most important issue specifically for the T/A industry. While greenhouse gas emissions were discussed in all interviews, for most respondents it was clear that in relation to water, and in some cases chemicals, this is far from the most important and relevant issue to study or analyze.

GRI (G4, GRI Standards) discusses sustainability materiality as something with a positive or negative impact by a company in all three areas; economy, environment and society. By this definition water and chemicals would be material, as they are issues which affect both environment and society in negative ways – something that is affirmed by Gustafsson (personal communication, May 2, 2017) concerning water and cotton production. All three companies disclose information on water usage (Hemtex, 2016. Filippa K, 2016. H&M, 2016), however, H&M (2016) is the only one that discuss the issue in actual terms of proportion to production, such as liters of water used per kilogram of clothing. This is aligned with Viel Lamare (personal communication, April 24, 2017) saying that water consumption is difficult to measure and N/N (personal communication, April 24, 2017) stating that water is a contextual issue, as well as Götbring (personal communication, April 19, 2017) arguing that more parameters are needed to make a robust investment decision. H&M (2016) reports on cubic metres of water used in areas with water scarcity. The ability to disclose such information of H&M (2016), could be a consequence of its size and thus supplier impact. One of Lydenberg et al.'s (2010) tests for materiality is Opportunity for Innovation, something all companies partake in to a varying degree. One clear example of this is the increasing use of the material Lyocell, as one part of the strive to change. Following the discussion on water use for cotton production, and having defined it as a most likely very material issue, finding new materials that are not just organic cotton would indeed be an area in which innovation can take place. This also stretches beyond new materials, such as Lyocell, and into the field of reusing recycled fabric, actually making old clothes and home textile products into new ones. While only about half of the analysts interviewed for this study specified percentage of raw materials as one of the material subjects, taking cotton's water impact into account it could reasonably be argued that increasing the share of sustainable raw materials would indeed be a material issue.

Supply chain issues in general were often mentioned as being regionally contextual. Some discussions of the social aspects of this will follow in the next segment, however, for many analysts this was also highly relevant to the water issue. As N/N (personal communication, April 24, 2017) says, handling the water issue is very different in Sweden and in India. Then, to be able to use the numbers reported on by the companies, an investor would need to know where production takes place. All three companies report on percentage of production on a regional basis, with Hemtex (2016) and Filippa K (2016) specifying share per country for some markets. Given the analysts' opinions on this matter, this would then lead to more usable numbers on aspects such as water.

The respondents all maintain that the chemical issue is of high importance when analyzing the T/A industry. Regarding the chemical issue, Hemtex (2016) reports on efforts concerning chemicals both from an environmental and a social perspective. Filippa K (2016) highlights initiatives on reducing chemical use for suppliers' production and for raw materials. H&M (2016) discusses the chemical impact of increasing the share of organic cotton as well as specifically reporting on the chemical issue in leather treatment and production of leather goods, both on an environmental and social level. Larson (personal communication, May 2, 2017) defines it as very relevant for the T/A industry, regardless of what kind of textiles the company is dealing with. However, Larson (ibid) specifies that it depends on where in the world the production is, which emphasizes the contextuality of materiality yet again. While all companies report in a rather detailed manner on their transport CO^2 emissions, it was generally not a topic that inspired much interest among the analysts, in relation to supply chain and production issues. Taking GRI's materiality definition (G4, GRI Standards) into account, this would be a material issue as transport does indeed have an impact on the environment. However, as GRI Standards elaborates, proportion should be given according to the relative impact, and given IASB's definition of materiality (QC11) including that it should be evaluated in relation to its context, it could be argued that this topic should rank rather low in materiality for this industry.

Somewhat relating to the sustainable raw material aspect, but being less resource- and more ethically focused, both Hemtex (2016), Filippa K (2016) and H&M (2016) report on animal welfare in regards to down, fur, leather etcetera. This topic might, however, be an example of how materiality differs even within the sector. While H&M and Filippa K, not having fur products, mainly discuss ethical issues concerning leather and wool, Hemtex has faced criticism for not reporting enough on their purchases of down when reports were released on the harsh circumstances for the birds. Filippa K (2016) discusses the business model in terms of the transition into sustainable growth, and striving to be a part of a circular economy, similarly H&M (2016) discusses their business model in the context of being a partner of the Ellen MacArthur Foundation that aims to accelerate the transition into a circular economy. This could be viewed as a mitigation of what N/N (personal communication, April 24, 2017) argues for when she questions sustainability of the business model itself and whether fast fashion can be called sustainable in the long-term.

5.3.2 Social

All respondents focus their answers around supply chain management in different ways. The arguments for this generally concern the fact that issues in the supply chain are larger than issues within the company, as production is often outsourced to contractors and subcontractors outside Europe. Several respondents define that this is dependent on where production takes place – similar to the water issue – and largely due to the fact that regulation in producing countries is not always designed in favor of the workers. The choice to focus on supply chain is coherent with the GRI definition of materiality (G4, GRI Standards) in that focus should be on the areas which has a significant impact on economy, society and environment. GRI further clarifies that the emphasis placed on any subject in the sustainability reporting is another matter of materiality, meaning that the materiality of an issue should be in relation to the extent to which it is reported on. In accordance with the IASB definition (OB5) of the primary users being the investors, the investor opinion that supply chain management being material is thus relevant for the company. Discussing supply chain, most investors indicated that supplier audits were very important, which could be seen as logical since an indicator of a company's concern over their supply chain issue - an issue that is very material - would by extension also be material to report on. This is something all three companies do, to a somewhat varying degree they all report on share of suppliers that have been audited and either on processes for or examples on actions on found infringements. The respondents lead discussion on women employees and women management from different perspectives. To most it is subordinated to the supply chain issue, but even in itself, some respondents see it as less material to the T/A industry specifically as they perceive this to rarely be an actual issue. However, all three companies do report on this. Given that the discussion made by analysts is centered around it not being a problem as the industry is often female dominated, it might be that the companies perceive it as important to mention that they are not doing anything wrong, rather than doing something right.

Considering employees unionized, it is to many respondents automatically less important due to it not being related to the supply chain. Götbring (personal communication, April 19, 2017) highlighting this aspect must also be seen in the light of the institution she represents being partly owned by a union association. Larson (personal communication, May 2, 2017) discusses geographical context and union culture in different regions, something that becomes very relevant for H&M and might be related to them not disclosing this information. On the same topic, Hemtex (2016) is the only company reporting on workplace incidents and none of the companies reports on lost time incident rate. Following the discussions made by several interview respondents, both these variables become less relevant when production is outsourced, as it is for these companies. While the respondents many times consider right to organize as important and explicitly convey their wish that companies report on supplier level, it could be hypothesized that both level of unionization and lost time incident rate are difficult to gather reliable information on. What they do report on, on supplier level, is their Code of Conducts and what measures they are undertaking to ensure suppliers live up to it. Both Viel Lamare (personal communication, April 24, 2017) and Gustafsson (personal communication, May 2, 2017) discuss the importance of quality audits. Gustafsson (ibid) elaborates on whether they are pre- or unannounced, if they are done externally or internally by the company and who receives the results on a higher level. For at least the first two aspects, this is reported on by the companies, with Hemtex (2016) and H&M (2016) clearly defining what actions they take when infringements are found. However, given the reports found in Myanmar it is unclear what an investor can expect from H&M when it comes to acting on infringements. While H&M's sustainability report might be audited, as Ekberg (personal communication, May 11, 2017) states, it is a screening rather than a financial audit and its purpose is only to exclude material faults - which it could be argued that not acting on one infringement does not qualify as.

5.3.3 Governance

Even though women board members are mentioned by all of the respondents as being important in their evaluation, some discuss this from a broader diversity perspective, where variables such as age and international representation is included. Regarding female representation, many of the respondents says that it is particularly material for the T/A industry, as the customer base – and many times the employees – are mainly female. Claiming this as a material aspect could then be argued for, partly in accordance with IASB's (QC11) notion of materiality having to be contextual. But also following the GRI (G4, GRI Standards) definition of significant impact as being subject to established concern for expert communities, apart from the IASB (OB5) definition of primary users being investors and creditors, this adds another argument to taking investors' concerns into consideration. This is also aligned with the materiality test presented by Lydenberg et al. (2010), where one aspect is stakeholder concerns, which Eccles et al. (2012) elaborates on, further connecting the assessment of materiality and the investor usability of sustainability reporting.

Hemtex (2016) includes information regarding not giving any political donations. Neither Filippa K (2016) nor H&M (2016) discloses such data. Viel Lamare (personal communication, April 24, 2017) states that she would not actively look for information on political donations, but she would consider it if presented with it. Götbring (personal communication, April 19, 2017) considers it positive that a company is transparent with its donations, but it is hard to be certain that everything is included in the presented number. Moreover, Götbring (ibid) also mentions the issue with labeling donations as good or bad. In the manner of the respondents' reasoning, the sparingly disclosed information could be viewed as a reflection of the difficulty in reporting on it in a reliable way. Meaning that the political donations did not reflect the investor opinion, and should thus not have been included as a potentially material variable. From a more long-term perspective on sustainability and investing, Götbring (ibid) leads a discussion on the importance of a strong governance with good processes and routines, in allowing for good management of environmental and social issues. Furthermore, Viel Lamare (ibid) is of the opinion that sustainability management is a proxy for good management overall.

5.4 Financial Value Creation in Relation to Sustainability

When discussing on financial aspects of sustainability, most respondents tend to focus on risk management and the possibility of increasing costs, especially concerning incidents and stricter regulation. The horizon is generally long-term, depending on the nature of the fund, but at least three years. The interviews clearly show that quantifying sustainability, and assessing the potential financial impact of sustainability issues and performance, is very difficult. Methods range from more formal analysis tools to very subjective assessments. This aligns with Eccles et al. (2012) stating that there needs to be a better understanding of how to evaluate materiality of ESG topics in terms of value creation.

Both Viel Lamare (personal communication, April 24, 2017) and Larson (personal communication, May 2, 2017) bring up scandals as relevant to them, since it gives an indicator on risk for scandals in the future. Viel Lamare (ibid) connects this directly to the stock price, while Larson (ibid) discusses it from the perspective that it might divert management's attention from regular business developing activities. For the company then, it becomes vital to have sufficient risk management. On the topic of risk management in supply chains, which in the T/A industry is not only the area investors focus their materiality analysis around but also the area in which reports from external organizations place their focus, Giannakis' & Papadopoulos' (2011) study shows that it should indeed be possible for a company to manage their risks. However, with a recurring report (Omvärlden, 2017) from Myanmar showing that issues pertaining to an H&M supplier in 2015 still remaining, even though H&M was alerted to this at the time, the question can be raised if it is that H&M does not care as much about supply chain management as they claim or if it is actually not as manageable as Giannakis' & Papadopoulos' (2011) study claims. One large issue, that is also the subject of the Swedwatch (2014) report on children's rights, regards minimum wage versus living wage. H&M (2016) does report on their efforts on ensuring living wages in their supply chain, and specifically discuss the issue with Myanmar and how to ensure their presence there is beneficial to the country rather than harmful. However, in their report Theuw & Overeem (2017) discuss that while there is potential for Myanmar to benefit from T/A production, the risk for negative consequences is also very much present. While the kind of proactive efforts H&M takes might well classify as risk management, if H&M does not provide clear action when scandals occur – as Theuw & Overeem (2017) express concern over –, that might lead to higher concerns for future scandals. On the topic of proactive reporting, it is also worth to mention Hemtex (2016) not reporting on only using cruelty-free down. While that is not a scandal in itself, at the time were conditions for birds were discovered, Hemtex might have been unfairly affected as information on their practices in purchasing down were not disclosed. For an investor, this would show less risk of future scandals concerning their sustainability performance, but a higher risk in that they might suffer a similar hit in the future due to not reporting sufficiently on positive aspects.

Adding another perspective to risk and sustainability, Strömberg (personal communication, May 2, 2017) mentions that one aspect with which she might quantify sustainability is through giving the company a lower discount rate. This she links to being generally able to assume a lower volatility for companies with good sustainability management. Strömberg's (ibid) opinion could be linked to the result of Attig et al.'s (2013) study, where higher credit ratings are connected to sustainability performance – that is the risk of the company is lower. Kiernan (2007) also arrives at the conclusion that a company's sustainability performance is one factor needed to sufficiently determine the investment risk.

In the e-mail from Kaplan to Eccles mentioned in the book *One Report* (2010), Kaplan discusses sustainability as a part of the company's reputation and that in this, it can help the financial performance, among other things through their employer branding, something that Larson (personal communication, May 2, 2017) also sees as an opportunity for companies. Orlitzky et al. (2003) also find, in their study, some evidence that the correlation between sustainability and financial performance is somewhat linked to the company's reputation. This might be the reasoning behind including animal welfare in the sustainability reports, as all three companies do. Since this might be considered a purely ethical issue, proactively reporting on it could then rather be considered as catering to employers and customers, and branding themselves as ethical companies. Larson (personal communication, May 2, 2017) discusses the future oriented aspect of value creation, the ability to address future challenges, something that Filippa K (2016) focuses heavily on in their reporting. But all three companies, to varying degrees, report on their efforts to adapt their business model to fit a changing industry climate, especially concerning materials. Gustafsson (personal communication, May 2, 2017) lifts innovation in materials as a particularly interesting opportunity concerning sustainability. N/N (personal communication, April 24, 2017) also exemplifies sustainability risks with water prices going up in water scarce countries leading to increasing costs. This then provides a reasoning in which the opportunity for innovation – which Lydenberg et al... (2011) also defines as a one of the materiality tests – also serves as a tool for risk management, establishing two possible benefits of sustainable action-taking. This is aligned with Porter's & Kramer's (2011) reasoning, as they argue that being more sustainable should not be more expensive as it opens up for opportunity to be innovative.

Orlitzky et al.(2003) contending that the traditional notion of a trade-off between corporate social performance and that corporate financial performance is not valid anymore, is parallel to the respondents' unison sentiment of it being very difficult to isolate financial value creation from sustainable value creation. Filippa K (2016) is the only company of the three to include a financial statement in its report – Filippa K discloses financial information regarding EBT (Earnings Before Taxes). This is however not integrated into, or put in relation to, the sustainability report as such. Porter & Kramer (2011) proposing that companies should look at decisions and opportunities through the lens of shared value, which will mean growth for companies paired with greater benefits for society, is aligned with both Orlitzky et al... (2003) and the respondents, and alludes to the insufficiency of current sustainability reporting for investors. The concept of shared value is used to describe performance in one of the studied reports: H&M (2016) states that their aim is to create shared value for the company itself, as well as for customers and local community, and presents a progress overview of investments in shared value along the value chain. However, the progress is only described in terms of contributing to community rather than financial value creation. In the the opinion of Porter & Kramer (2011), that companies themselves are failing at understanding the broader aspects of value creation, one could profess that H&M, in this regard, does just that. However, Strömberg (personal communication, May 2, 2017) points out that companies might be ashamed of benefiting financially from being sustainable, which could explain the lack of financial disclosure regarding H&M's shared value.

Consideration for other stakeholders than those with primarily financial objectives, could account for the discrete reporting on sustainable financial value creation. Nonetheless, from the investor perspective, such as that of N/N (personal communication, April 24, 2017), measurable impacts in reporting – what initiatives has led to and their impacts and financial implications – is highly material. Seeing that the IASB Framework (OB5) states that companies' financial statements are created primarily for investors and creditors, and by reason of the sustainability report being a required part of the annual account, one could argue that reporting in a manner that caters to the investors should be a priority. Conversely, Ekberg (personal communication, May 11, 2017) highlights the difference between financial and sustainability reporting, at least from an auditor's perspective. While some of the information in a sustainability report, can be screened in a way that is similar to a reasonable assurance, much of information cannot be absolutely verified in that it is more subjective and qualitative. Per contra, Kiernan (2007) emphasizes the challenges of measuring conventional financial performance indicators of companies and questions why ESG measures are considered more elusive than conventional financial indicators. Kiernan (2007) argues that the traditional financial reporting is capturing less and less of a company's true value, investment risk and competitive potential, and asserts that one can to the very least make *directional* observations on sustainable value creation. Additionally, this is supported by Eccles and Krzus (2010) stating that, in the knowledge economy of today, an accurate depiction of financial performance is not as apt at determining the future financial value creation anymore. This suggests that while sustainability reporting might, to some extent, be elusive compared to financial reporting, would one, as Kiernan (2007) argues, consider financial reporting as well to not be completely representative then the differences are not as prominent as one could imagine. Instead, it would allow for stricter demands on sustainability reporting, something that could be argued is in line with the new EU regulation.

6. Conclusions

This chapter consists of conclusions and suggestions on further research, linking it to the objective of the study.

Through the presented empirical material, its application according to the decided methodology and through the context of the frame of reference, this study will arrive at conclusions on its topic, surrounding materiality of sustainability factors and sustainability in relation to financial value. This study has discussed the concept of materiality applied to sustainability issues in the Swedish T/A industry. This application was done on grounds of the idea of the need for sector-specific materiality. The conclusions surrounding the research questions are thus such conclusions as could be arrived at while applying this topic to the T/A industry, and should be evaluated accordingly.

The questions that this chapter will revolve around are as follows;

- How does the concept of materiality relate to the choice of sustainability variables investors consider in an investment analysis?
- How well does the current nature of sustainability reporting in an industry fit the concept of materiality from the investor perspective?
- In which regards is sustainability material for an investor in terms of financial decision-making?

In conclusion of the analysis, it has become clear that sector-specific materiality is indeed very important for the interviewed investors and that these investors do consider materiality when choosing variables to analyze. The importance of materiality is particularly evident regarding supply chain issues, as they are given much greater weight than are other issues in the overall assessment. However, throughout the discussion on variables, the concept of materiality is constantly present, meaning that it permeates the choice of sustainability variables that the investors consider. The concern is not so much whether companies report on less material aspects, as whether they are able to properly assess their material issues, eg. through a materiality analysis, and how well they report on those issues.

This display of awareness regarding their most material aspects, especially in the form of a materiality analysis, appears to be lacking in two out of three companies. It has been suggested that a sophisticated sustainability report might be an indicator on the level of sustainability engagement in higher levels of management, which could further stress the importance of a materiality analysis-centered sustainability report. Financial aspects are not as integrated into current sustainability reports as some investors would like. Argument can be found that companies *should* integrate financial aspects into their sustainability reporting to a higher degree, and that this is not an unreasonable request due to the inherent abstract nature of company reporting. This study finds argument for the opportunity of improving reporting by consolidating approaches to sustainability reporting with that of financial reporting. Furthermore, standardized ideas of sector-specific materiality could enable a sustainability reporting that is more aligned with investor requisites and also allows for greater comparability. This study finds argument for the merit of standardization, as well as the possibility to achieve it, and therefore encourages further research into the topic. Throughout the ESG analysis, supporting argument for the benefits of this for investors can be found in the apparent differences between the mono-sectoral sustainability reports. On the contrary, the same arguments also highlight potential complications in implementing this standardization.

There are indications that robust governance of sustainability efforts is important; culminating in greater confidence in future sustainability performance, and its potential implications for the financial performance. This study confirms the notion that it is difficult to financially measure sustainability impact. However, especially considering supply chain issues, risks relating to sustainability issues can be found as material in their possible effect on the company's short-term ability to create value at it's full potential. On this topic, there is argument for more detailed reporting on sustainability risk management as well as reporting on the financial impacts of potential complications. Support was also found for opportunities concerning sustainability areas being material in impacting the financial value creating ability of a company, and thus in financial decision-making for an investor. Particularly, support for this was found regarding a company's reputation towards stakeholders such as desirable employees and customers, as well as for innovation opportunities.

The initial outset of this study was to discuss materiality independently and consequently allow for a discussion on financial value creation in relation to sustainability performance. However, during the course of the data collection and subsequent analysis, it became evident that these two areas must be studied in a more integrated manner in order to acquire an understanding of how investors assess materiality of sustainability factors.

Through answering these questions this study contributes by enforcing the notion that materiality of sustainability factors should be sector-specific, as well as by providing a better understanding of the importance of the process in which companies determine materiality. This study also sheds light on current reporting practices within sustainability reporting, and how this relates to the concept of materiality. It finds argument for the advantages of standardized sector-specific materiality, and thus encourages further research. Moreover it contributes in providing an understanding of how materiality analysis relates to the financial decision making of investors. This study also contributes to the discourse on consolidating approaches to sustainability reporting and financial reporting. While not in itself a part of the research questions, the discussion on specific variables that was conducted in order to answer these questions contributes with a better understanding of the material aspects that are specific for the T/A industry.

6.1 Suggestions on Further Research

In conducting this study, several areas have been noticed that could benefit from further research. A discussion that is touched upon in the analysis is that of standardization of sector-specific materiality on sustainability factors, something that Eccles et al. (2012) argues for in their study and that this study finds further argument for. The possibilities for such standardization, its consequences and in further details its benefits are all areas that might be of interest to research on a deeper level.

A minor setback of this study would be that only institutionally tied analysts, mainly fund managers, have been interviewed. To understand the interests of all types of investors, the study would have benefitted from including private investors. This was however deemed as too time consuming for the scope of this report as such a study arguably would have had to include a larger number of respondents to allow for proper conclusions to be drawn. This does withal facilitate another study to take on the subject with this approach.

Taking more aspects of the companies into account when studying materiality from the investor perspective would reasonably create a deeper understanding. In addition to this, studying the company process of materiality analysis would further contribute to this particular body of research. Assessing the concept of materiality for other stakeholders, particularly creditors, is another way to build upon this study.

This study has briefly discussed sustainability of a business model itself, a discussion that would encourage further research into this topic.

Seeing that the Law of Sustainability reporting is about to come into action, it would be valuable to replicate this study in 2018 or 2019 to see if this has any effects on the concept of materiality within sustainability reporting.

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8. Appendices

8.1 Interview Questions

8.1.1 Analysts: Initial Set of Questions

1) How do you go about in evaluating materiality regarding the sustainability aspects in a company? *Hur bedömer du väsentlighet i hållbarhetsaspekterna hos ett företag?*
2) Which ESG variables would you primarily look at when conducting an analysis on a company within the textile industry? *Vilka ESG-variabler skulle du primärt titta på vid en analys av ett företag inom textilindustrin?*
3) Which ESG variables would you primarily look at when conducting an analysis on a company within the textile industry? (We will use a number of ESG-variables from Bloomberg). *Vilka av dessa ESG-variabler skulle du fokusera på i syfte att jämföra textilföretag emellan? (Vi kommer att utgå från ett antal ESG-variabler från Bloomberg).*
4) From the outset of the variables in the prior question; what would you put them against in order to enable comparability between all different types of companies within the industry? *Utgående från variablerna i föregående fråga; vad skulle du ställa dem mot för att möjliggöra jämförelse mellan alla olika typer av företag inom branschen?*
5) Do you have any sustainability KPI:s of your own that you find applicable for the T/A industry (both sector specific and general)? *Har du några egna hållbarhetsnyckeltal som du finner lämpliga att applicera på textilföretag (både branschspecifika och övergripande)?*
6) Do you specifically try to evaluate how sustainability aspects and the financial value creation affect each other? *(Försöker du specifikt utvärdera hur hållbarhetsaspekter och det finansiella värdeskapandet i företagen påverkar varandra?)*

8.1.2 Analysts: Revised Set of Questions

1) How do you go about in evaluating materiality regarding the sustainability aspects in a company? *(Hur bedömer du väsentlighet (materiality) i hållbarhetsaspekterna hos ett företag?)*
2) Which ESG variables would you primarily look at when conducting an analysis on a company within the textile industry? *(Vilka ESG-variabler skulle du primärt titta på vid en analys av ett företag inom textilindustrin?)*
3) Which of these ESG variables would you focus on in order to compare companies within the T/A industry? (We will use a number of ESG-variables from Bloomberg). *(Vilka av dessa ESG-variabler skulle du fokusera på i syfte att jämföra textilföretag emellan? (Vi kommer att utgå från ett antal ESG-variabler från Bloomberg).)*
4) What do you miss in the current sustainability reporting of T/A companies? *(Vad saknar du i hållbarhetsrapporteringen idag hos textilföretag?)*
5) Do you take the situation of subcontractors into consideration in your evaluation, and if so, do you want the companies to report on this? *(Tar du in förhållanden från underleverantörer i produktionen i din bedömning, och vill du i så fall att företagen rapporterar om detta?)*

6) Do you specifically try to evaluate how sustainability aspects and the financial value creation affect each other? *(Försöker du specifikt utvärdera hur hållbarhetsaspekter och det finansiella värdeskapandet i företagen påverkar varandra?)*

8.1.3 Sustainability Auditor

- How much of the sustainability reporting is possible to verify, and how much does one have to simply trust the company? *(Hur mycket går att verifiera i hållbarhetsrapporter och hur mycket får man bara lita på företaget i fråga?)*
- To what extent is quantification of sustainability feasible today? *(I vilken utsträckning är kvantifiering av hållbarhet möjlig idag?)*
- Is requiring companies to produce trustworthy information regarding the financial effects of their sustainability impact realistic? *(Är det realistiskt att be företagen producera tillförlitlig information om de finansiella effekterna av deras hållbarhetsarbete och påverkan?)*
- How do you evaluate materiality within sustainability reporting? *(Hur bedömer du väsentlighet i hållbarhetsredovisningar?)*
- Level of detail and extent; where does one draw the line for materiality? *(Detaljnivå och omfattning; var går gränsen för väsentlighet?)*
- Which stakeholders do you take into consideration when assessing materiality? *(Vilka intressentgrupper tar du beaktning när du bedömer väsentlighet?)*

8.2 Bloomberg Terminal Data (H&M HMB)

Metrics
Current
Environmental
GHG/Revenue
Energy/Revenue
Water/Revenue
Waste/Revenue
Water Recycled %
Social
Women Empls Mgmt Ratio
Women Employees %
Employee Turnover %
Employees Unionized %
Lost Time Incident Rate
Governance
Independent Directors %
Women Directors %
Director Avg Age
Director Meeting Attd %
Board Size

(Bloomberg Terminal, 2017a)

Rest of data in individual pdf-files (Bloomberg Terminal, 2017b)

Ticker: HMB SS Equity	Periodicity: Annuals	Currency: SEK	Note: Years shown on the report are Fiscal Years	Company: Hennes & Mauritz AB

Filing: Most Recent

Overview

	Original:2005 A	Original:2006 A	Original:2007 A	Original:2008 A	Original:2009 A	Original:2010 A
For the period ending	2005-11-30	2006-11-30	2007-11-30	2008-11-30	2009-11-30	2010-11-30
ESG Disclosure Score	36.84	32.06	48.33	45.45	44.50	48.33
Environmental						
Environmental Disclosure Score	31.25	28.13	37.50	34.38	31.25	34.38
Direct CO2 Emissions	13.95	9.66	10.32	5.27		
Indirect CO2 Emissions	117.65	120.95	59.16	173.34		
Total CO2 Emissions	131.59	130.60	69.48	178.62		
CO2 Intensity per Energy	0.28					
Total GHG Emissions					250.15	281.89
Total Energy Consumption	471.41					1,558.54
Social						
Social Disclosure Score	29.82	22.81	52.63	47.37	43.86	52.63
Number of Employees	34,614.00	40,368.00	47,029.00	53,430.00	53,476.00	87,000.00
Employee Turnover %			37.00	34.00		
% Employees Unionized					67.00	50.00
% Women in Workforce	80.00		80.00	79.00	81.00	81.00
% Women in Mgt	44.00		33.30	33.00	38.00	63.93
Community Spending			10.69			32.70
Governance						
Governance Disclosure Score	53.57	48.21	62.50	62.50	67.86	67.86
Size of the Board	13.00	13.00	12.00	13.00	11.00	12.00
Indep Directors	4.00	4.00	3.00	7.00	7.00	8.00
% Indep Directors	30.77	30.77	25.00	53.85	63.64	66.67
Board Duration (Years)	1.00	1.00	1.00	1.00	1.00	1.00
# Board Meetings	6.00	7.00	7.00	7.00	7.00	0.10
Board Mtg Attendance	96.15	94.51	94.64	92.31	92.94	91.00
Political Donations			0.00	0.00	0.00	0.00

Ticker: HMB SS Equity | Periodicity: Annuals | Currency: SEK | Note: Years shown on the report are Fiscal Years | Company: Hennes & Mauritz AB

Filing: Most Recent

	Original:2011 A	Original:2012 A	Original:2013 A	Original:2014 A	Original:2015 A	Original:2016 A
For the period ending	2011-11-30	2012-11-30	2013-11-30	2014-11-30	2015-11-30	2016-11-30
ESG Disclosure Score	47.85	47.37	47.37	48.33	46.89	
Environmental						
Environmental Disclosure Score	39.58	38.54	38.54	38.54	38.54	
Direct CO2 Emissions						
Indirect CO2 Emissions						
Total CO2 Emissions						
CO2 Intensity per Energy						
Total GHG Emissions	342.50	344.91	356.37	341.67	507.14	
Total Energy Consumption	922.38	957.61	1,034.22	1,120.01	1,279.89	
Social						
Social Disclosure Score	47.37	52.63	49.12	49.12	38.60	
Number of Employees	64,874.00	72,276.00	81,099.00	93,351.00	148,000.00	
Employee Turnover %						
% Employees Unionized	63.00	60.00	56.00	53.00		
% Women in Workforce	79.00	78.00	77.00	76.00	76.00	
% Women in Mgt	72.00	74.00	73.00	72.00		
Community Spending	33.77	41.44	29.99	73.09	110.35	
Governance						
Governance Disclosure Score	62.50	57.14	60.71	64.29	69.64	
Size of the Board	10.00	10.00	10.00	10.00	10.00	10.00
Indep Directors	7.00	7.00	7.00	6.00	6.00	6.00
% Indep Directors	70.00	70.00	70.00	60.00	60.00	60.00
Board Duration (Years)	1.00	1.00	1.00	1.00	1.00	1.00
# Board Meetings	6.00	6.00	7.00	6.00	7.00	7.00
Board Mtg Attendance	91.02	100.00	97.14	91.52	93.50	94.28
Political Donations						

Ticker: HMB SS Equity | Periodicity: Annuals | Currency: SEK | Note: Years shown on the report are Fiscal Years | Company: Hennes & Mauritz AB

Filing: Most Recent

Social

	Original:2005 A	Original:2006 A	Original:2007 A	Original:2008 A	Original:2009 A	Original:2010 A
For the period ending	2005-11-30	2006-11-30	2007-11-30	2008-11-30	2009-11-30	2010-11-30
Social Disclosure Score	29.82	22.81	52.63	47.37	43.86	52.63
Number of Employees	34,614.00	40,368.00	47,029.00	53,430.00	53,476.00	87,000.00
Employee Turnover %			37.00	34.00		
% Employees Unionized					67.00	50.00
Employee Average Age						29.00
% Women in Workforce	80.00		80.00	79.00	81.00	81.00
% Women in Mgt	44.00		33.30	33.00	38.00	63.93
Social Supply Chain Management	No	No	Yes	Yes	Yes	Yes
Sustain Sup Guidelines Encomp ESG Area Pub Disclsd	No	No	No	No	No	Yes
Number of Supplier Audits Conducted						
% Suppliers Audited						
Community Spending			10.69			32.70
Health and Safety Policy	Yes	Yes	Yes	Yes	Yes	Yes
Fair Remuneration Policy	No	No	No	No	No	No
Training Policy	No	No	Yes	Yes	Yes	Yes
Employee CSR Training	No	No	No	No	No	No
Equal Opportunity Policy	No	No	Yes	Yes	Yes	Yes
Human Rights Policy	Yes	Yes	Yes	Yes	Yes	Yes
Policy Against Child Labor	n/a	Yes	Yes	Yes	Yes	Yes
Business Ethics Policy	Yes	Yes	Yes	Yes	Yes	Yes
Anti-Bribery Ethics Policy	No	No	Yes	Yes	Yes	Yes
Employee Protection / Whistle Blower Policy	No	No	Yes	Yes	Yes	Yes
UN Global Compact Signatory	Yes	Yes	Yes	Yes	Yes	Yes
Bloomberg Gender-Equality Index						

Ticker: HMB SS Equity | Periodicity: Annuals | Currency: SEK | Note: Years shown on the report are Fiscal Years | Company: Hennes & Mauritz AB

	Original:2011 A	Original:2012 A	Original:2013 A	Original:2014 A	Original:2015 A
For the period ending	2011-11-30	2012-11-30	2013-11-30	2014-11-30	2015-11-30
Social Disclosure Score	47.37	52.63	49.12	49.12	38.60
Number of Employees	64,874.00	72,276.00	81,099.00	93,351.00	148,000.00
Employee Turnover %					
% Employees Unionized	63.00	60.00	56.00	53.00	
Employee Average Age	29.00	29.40			
% Women in Workforce	79.00	78.00	77.00	76.00	76.00
% Women in Mgt	72.00	74.00	73.00	72.00	
Social Supply Chain Management	Yes	Yes	Yes	Yes	Yes
Sustain Sup Guidelines Encomp ESG Area Pub Disclsd	Yes	Yes	Yes	Yes	Yes
Number of Supplier Audits Conducted	2,024.00	2,646.00	3,121.00	3,623.00	3,980.00
% Suppliers Audited			82.00	84.00	80.00
Community Spending	33.77	41.44	29.99	73.09	110.35
Health and Safety Policy	Yes	Yes	Yes	Yes	Yes
Fair Remuneration Policy	No	No	Yes	Yes	Yes
Training Policy	Yes	Yes	Yes	Yes	Yes
Employee CSR Training	No	No	No	No	No
Equal Opportunity Policy	No	Yes	Yes	Yes	Yes
Human Rights Policy	Yes	Yes	Yes	Yes	Yes
Policy Against Child Labor	Yes	Yes	Yes	Yes	Yes
Business Ethics Policy	Yes	Yes	Yes	Yes	Yes
Anti-Bribery Ethics Policy	No	Yes	Yes	Yes	Yes
Employee Protection / Whistle Blower Policy	No	Yes	Yes	Yes	Yes
UN Global Compact Signatory	Yes	Yes	Yes	Yes	Yes
Bloomberg Gender-Equality Index					

Ticker: HMB SS Equity	Periodicity: Annuals	Currency: SEK	Note: Years shown on the report are Fiscal Years	Company: Hennes & Mauritz AB

Filing: Most Recent

Governance

	Original:2005 A	Original:2006 A	Original:2007 A	Original:2008 A	Original:2009 A	Original:2010 A
For the period ending	2005-11-30	2006-11-30	2007-11-30	2008-11-30	2009-11-30	2010-11-30
Governance Disclosure Score	53.57	48.21	62.50	62.50	67.86	67.86
Board Structure						
Size of the Board	13.00	13.00	12.00	13.00	11.00	12.00
Unitary or Two Tier Board System						
# Employee Representatives on Board						
Classified Board System	n/a	n/a	n/a	n/a	n/a	n/a
Board Independence						
# Non Exec Dir on Board						
% Non Exec Dir on Board						
# Independent Directors	4.00	4.00	3.00	7.00	7.00	8.00
% Independent Directors	30.77	30.77	25.00	53.85	63.64	66.67
CEO Duality	No	No	No	No	No	No
Independent Chairperson	n/a	n/a	n/a	n/a	n/a	n/a
Independent Lead Director	n/a	n/a	n/a	n/a	n/a	n/a
Presiding Director	n/a	n/a	n/a	n/a	n/a	n/a
Former CEO or its Equivalent on Board	n/a	n/a	n/a	n/a	n/a	n/a
Board & Exec Diversity						
# Women on Board						
% Women on Board	38.46	46.00	41.67	53.84	56.00	58.30
Female Chief Executive Officer or Equivalent	n/a	n/a	n/a	n/a	n/a	n/a
Female Chairperson or Equivalent	n/a	n/a	n/a	n/a	n/a	n/a
# Executives / Company Mgrs						
CEO or Equivalent Appointed from Within	n/a	n/a	n/a	n/a	n/a	n/a
# Female Executives						
% Female Executives						
Age of the Youngest Director						
Age of the Oldest Director						
Board of Directors Age Range						
Board Average Age	60.23	57.15	53.42	53.54	53.73	53.92
Board Duration (Years)	1.00	1.00	1.00	1.00	1.00	1.00
Executive Director Board Duration						
Board Committees						
# Board Meetings	6.00	7.00	7.00	7.00	7.00	0.10
Board Meeting Attendance %	96.15	94.51	94.64	92.31	92.94	91.00
Independent Directors Board Meeting Attendance %						
# Dir Attending Less than 75% of Mtgs						
Audit Committee						
Size of Audit Committee						
# Independent Dir on Audit Cmte						
% Independent Dir on Audit Cmte						

Ticker: HMB SS Equity	Periodicity: Annuals	Currency: SEK	Note: Years shown on the report are Fiscal Years	Company: Hennes & Mauritz AB

Filing: Most Recent

	Original:2005 A	Original:2006 A	Original:2007 A	Original:2008 A	Original:2009 A	Original:2010 A
For the period ending	2005-11-30	2006-11-30	2007-11-30	2008-11-30	2009-11-30	2010-11-30
Independent Audit Committee Chairperson	n/a	n/a	n/a	n/a	n/a	n/a
# Non Exec Dir on Audit Cmte						
Audit Committee Meetings			3.00	4.00	4.00	4.00
Audit Committee Meeting Attendance Percentage						
Compensation Committee						
Size of Compensation Committee						
Outside Compensation Advisors Appointed	n/a	n/a	n/a	n/a	n/a	n/a
Nomination Committee						
Size of Nomination Committee						
CSR/Sustainability Committee	n/a	n/a	n/a	n/a	n/a	n/a
Board & Exec Activities						
Non-Executive Director with Responsibility for CSR	n/a	n/a	n/a	n/a	n/a	n/a
Executive Director with Responsibility for CSR	n/a	n/a	n/a	n/a	n/a	n/a
Executive Compensation Linked to ESG	No	No	No	No	No	No
ESG Linked Compensation for Board	n/a	n/a	n/a	n/a	n/a	n/a
Clawback Provision for Executive Compensation	n/a	n/a	n/a	n/a	n/a	n/a
Chg of Ctrl Benefits/Golden Parachute Agreements	n/a	n/a	n/a	n/a	n/a	n/a
Political Donations			0.00	0.00	0.00	0.00
Shareholder Rights						
Dual Class Unequal Voting Rights - Common Shares	n/a	n/a	n/a	n/a	n/a	n/a
AGM Voting Results						
Director Compensation						
GRI						
GRI Criteria Compliance	Yes	No	Yes	Yes	Yes	Yes
Global Reporting Initiatives Checked	No	No	No	No	No	No

Ticker: HMB SS Equity | Periodicity: Annuals | Currency: SEK | Note: Years shown on the report are Fiscal Years | Company: Hennes & Mauritz AB

	Original:2011 A	Original:2012 A	Original:2013 A	Original:2014 A	Original:2015 A	Original:2016 A
For the period ending	2011-11-30	2012-11-30	2013-11-30	2014-11-30	2015-11-30	2016-11-30
Governance Disclosure Score	62.50	57.14	60.71	64.29	69.64	
Board Structure						
Size of the Board	10.00	10.00	10.00	10.00	10.00	10.00
Unitary or Two Tier Board System	1.00	1.00	1.00	1.00	1.00	1.00
# Employee Representatives on Board	2.00	2.00	2.00	2.00	2.00	2.00
Classified Board System	No	No	No	No	No	No
Board Independence						
# Non Exec Dir on Board	8.00	8.00	8.00	9.00	9.00	9.00
% Non Exec Dir on Board	80.00	80.00	80.00	90.00	90.00	90.00
# Independent Directors	7.00	7.00	7.00	6.00	6.00	6.00
% Independent Directors	70.00	70.00	70.00	60.00	60.00	60.00
CEO Duality	No	No	No	No	No	No
Independent Chairperson	No	No	No	No	No	No
Independent Lead Director	No	No	No	No	No	No
Presiding Director	No	No	No	No	No	No
Former CEO or its Equivalent on Board	No	No	No	No	No	No
Board & Exec Diversity						
# Women on Board	7.00	5.00	5.00	5.00	5.00	5.00
% Women on Board	70.00	50.00	50.00	50.00	50.00	50.00
Female Chief Executive Officer or Equivalent	No	No	No	No	No	No
Female Chairperson or Equivalent	No	No	No	No	No	No
# Executives / Company Mgrs	7.00	5.00	15.00	15.00	16.00	10.00
CEO or Equivalent Appointed from Within	Yes	Yes	Yes	Yes	Yes	Yes
# Female Executives	4.00	4.00	6.00	6.00	7.00	6.00
% Female Executives	57.14	80.00	40.00	40.00	43.75	60.00
Age of the Youngest Director	37.00	38.00	44.00	45.00	46.00	44.00
Age of the Oldest Director	65.00	70.00	71.00	67.00	68.00	68.00
Board of Directors Age Range	28.00	32.00	27.00	22.00	22.00	24.00
Board Average Age	63.60	55.40	56.40	54.40	55.40	54.10
Board Duration (Years)	1.00	1.00	1.00	1.00	1.00	1.00
Executive Director Board Duration	1.00	1.00	1.00	1.00	1.00	1.00
Board Committees						
# Board Meetings	6.00	6.00	7.00	6.00	7.00	7.00
Board Meeting Attendance %	91.02	100.00	97.14	91.52	93.50	94.28
Independent Directors Board Meeting Attendance %	97.61	100.00	97.95	87.50	90.47	97.77
# Dir Attending Less than 75% of Mtgs	1.00	0.00	0.00	0.00	1.00	1.00
Audit Committee						
Size of Audit Committee	3.00	3.00	3.00	3.00	3.00	3.00
# Independent Dir on Audit Cmte	2.00	3.00	3.00	2.00	2.00	2.00
% Independent Dir on Audit Cmte	66.67	100.00	100.00	66.67	66.67	66.67
Independent Audit Committee Chairperson	Yes	Yes	Yes	No	No	No

Ticker: HMB SS Equity | Periodicity: Annuals | Currency: SEK | Note: Years shown on the report are Fiscal Years | Company: Hennes & Mauritz AB

Filing: Most Recent

	Original:2011 A	Original:2012 A	Original:2013 A	Original:2014 A	Original:2015 A	Original:2016 A
For the period ending	2011-11-30	2012-11-30	2013-11-30	2014-11-30	2015-11-30	2016-11-30
# Non Exec Dir on Audit Cmte	3.00	3.00	3.00	3.00	3.00	3.00
Audit Committee Meetings	4.00	4.00	4.00	4.00	4.00	4.00
Audit Committee Meeting Attendance Percentage	100.00	55.00	100.00	100.00	100.00	100.00
Compensation Committee						
Size of Compensation Committee	0.00	0.00	0.00	0.00	0.00	0.00
Outside Compensation Advisors Appointed	n/a	n/a	No	No	No	No
Nomination Committee						
Size of Nomination Committee	5.00	5.00	5.00	5.00	5.00	5.00
CSR/Sustainability Committee	No	No	No	No	No	No
Board & Exec Activities						
Non-Executive Director with Responsibility for CSR	No	No	No	No	No	No
Executive Director with Responsibility for CSR	No	No	No	No	No	No
Executive Compensation Linked to ESG	No	No	No	Yes	Yes	Yes
ESG Linked Compensation for Board	No	No	No	No	No	No
Clawback Provision for Executive Compensation	No	No	No	No	No	No
Chg of Ctrl Benefits/Golden Parachute Agreements	No	No	No	No	No	No
Political Donations						
Shareholder Rights						
Dual Class Unequal Voting Rights - Common Shares	No	Yes	Yes	Yes	Yes	Yes
AGM Voting Results						
Director Compensation						
GRI						
GRI Criteria Compliance	Yes	Yes	Yes	Yes	Yes	n/a
Global Reporting Initiatives Checked	No	No	No	No	No	n/a

Ticker: HMB SS Equity | Periodicity: Annuals | Currency: SEK | Note: Years shown on the report are Fiscal Years | Company: Hennes & Mauritz AB

Filing: Most Recent

Exec & Dir Comp

	Original:2007 A	Original:2008 A	Original:2009 A	Original:2010 A	Original:2011 A	Original:2012 A	Original:2013 A	Original:2014 A	Original:2015 A	Original:2016 A
For the period ending	2007-11-30	2008-11-30	2009-11-30	2010-11-30	2011-11-30	2012-11-30	2013-11-30	2014-11-30	2015-11-30	2016-11-30
Executive Compensation										
Pension & Nonqual Defined Pension	20.60	60.20	17.40	3.30		3.60	3.70		3.90	4.00
# of Exec Changes in Fiscal Year	0.00	0.00	2.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Date of Last Executive Change	n/a	n/a	07/01/2009	n/a	n/a	n/a	n/a	n/a	n/a	n/a
# Execs Included in Compensation	1.00	1.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
CEO										
CEO Duality	No	No	No	No	No	No	No	No	No	No
Total Compensation Paid					13.90			12.60	15.00	13.40
Total Salaries and Bonuses Paid	14.00	16.80	20.40	11.20	14.10				14.60	
Total Salaries Paid	12.50	14.70	18.30	11.00	13.90	12.00	12.30	12.60	12.60	
Total Bonuses Paid	1.50	2.10	2.10	0.20	0.20				2.00	
All Other Compensation Paid						0.00	0.00	12.60	0.40	13.40
Pension & Nonqual Defined Pension	20.60	60.20	17.40	3.30		3.60	3.70		3.90	4.00
# of CEO and Equiv Changes in FY	0.00	0.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Date of Last CEO and Equiv Change	n/a	n/a	07/01/2009	n/a	n/a	n/a	n/a	n/a	n/a	n/a
# CEO and Equiv Included in Comp	1.00	1.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
CEO Tenure at Fiscal Year End	7.75	8.75	0.42	1.42	2.42	3.42	4.42	5.42	6.42	7.42
Other C-Suite										
Board Compensation										
Total Compensation Paid	3.90	4.25	4.25	3.88	4.25	4.85	4.55	4.55	4.48	4.60
Fees Paid in Cash	3.90	4.25	4.25	3.88	4.25	4.85	5.03	4.55	4.48	4.60
# of Board Changes in Fiscal Year	1.00	1.00	0.00	1.00	0.00	0.00	0.00	1.00	0.00	0.00
Date of Last Board Change	01/01/2007	05/08/2008	n/a	01/01/2010	n/a	n/a	n/a	01/01/2014	n/a	n/a
# Directors Included in Comp	8.00	9.00	8.00	7.00	8.00	8.00	7.00	7.00	6.00	6.00

Ticker: HMB SS Equity | Periodicity: Annuals | Currency: SEK | Note: Years shown on the report are Fiscal Years | Company: Hennes & Mauritz AB

Filing: Most Recent

Environmental

	Original:2005 A	Original:2006 A	Original:2007 A	Original:2008 A	Original:2009 A	Original:2010 A
For the period ending	2005-11-30	2006-11-30	2007-11-30	2008-11-30	2009-11-30	2010-11-30
Environmental Disclosure Score	31.25	28.13	37.50	34.38	31.25	34.38
Direct CO2 Emissions	13.95	9.66	10.32	5.27		
Indirect CO2 Emissions	117.65	120.95	59.16	173.34		
Total CO2 Emissions	131.59	130.60	69.48	178.62		
Travel Emissions (Th Tonnes)	12.54	16.69	21.33	21.48		
GHG Scope 1					11.95	11.47
GHG Scope 2					238.20	270.42
Total GHG Emissions					250.15	281.89
GHG Scope 3	166.82	169.80	167.64		148.01	215.38
Total Energy Consumption	471.41					1,558.54
Electricity Used	427.82		450.00	500.00		
Renewable Energy Use			220.00	170.00		
% Raw Material from Sustainable Sources						
Renewable Electricity Target Policy	n/a	n/a	n/a	n/a	n/a	n/a
Energy Efficiency Policy	No	Yes	Yes	Yes	Yes	Yes
Emissions Reduction Initiatives	Yes	Yes	Yes	Yes	Yes	Yes
Environmental Supply Chain Management	Yes	Yes	Yes	Yes	Yes	Yes
Green Building Policy	No	Yes	Yes	Yes	No	No
Waste Reduction Policy	Yes	Yes	Yes	Yes	Yes	Yes
Water Policy	Yes	No	Yes	Yes	Yes	Yes
Sustainable Packaging	No	No	Yes	Yes	Yes	Yes
Environmental Quality Management Policy	No	No	No	No	No	No
Climate Change Opportunities Discussed	No	No	No	No	No	No
Risks of Climate Change Discussed	No	No	No	No	Yes	Yes
Climate Change Policy	No	No	Yes	Yes	Yes	Yes
New Products - Climate Change	No	No	No	No	No	No
Biodiversity Policy	No	No	No	No	Yes	Yes
Verification Type	No	No	No	No	No	No

Ticker: HMB SS Equity	Periodicity: Annuals	Currency: SEK	Note: Years shown on the report are Fiscal Years	Company: Hennes & Mauritz AB

Filing: Most Recent

	Original:2011 A	Original:2012 A	Original:2013 A	Original:2014 A	Original:2015 A
For the period ending	2011-11-30	2012-11-30	2013-11-30	2014-11-30	2015-11-30
Environmental Disclosure Score	39.58	38.54	38.54	38.54	38.54
Direct CO2 Emissions					
Indirect CO2 Emissions					
Total CO2 Emissions					
Travel Emissions (Th Tonnes)					
GHG Scope 1	17.54	15.28	16.43	10.72	9.31
GHG Scope 2	324.96	329.63	339.94	330.95	497.83
Total GHG Emissions	342.50	344.91	356.37	341.67	507.14
GHG Scope 3	188.58	229.70	279.01	324.79	328.47
Total Energy Consumption	922.38	957.61	1,034.22	1,120.01	1,279.89
Electricity Used	835.24	887.69	945.21	1,056.75	1,222.22
Renewable Energy Use	125.29	159.78	170.14	285.32	953.33
% Raw Material from Sustainable Sources	7.60	11.40	15.80	21.20	31.40
Renewable Electricity Target Policy	n/a	n/a	No	Yes	Yes
Energy Efficiency Policy	Yes	Yes	Yes	Yes	Yes
Emissions Reduction Initiatives	Yes	Yes	Yes	Yes	Yes
Environmental Supply Chain Management	Yes	Yes	Yes	Yes	Yes
Green Building Policy	No	No	No	No	No
Waste Reduction Policy	Yes	Yes	Yes	Yes	Yes
Water Policy	Yes	Yes	Yes	Yes	Yes
Sustainable Packaging	Yes	No	No	No	No
Environmental Quality Management Policy	No	No	No	No	No
Climate Change Opportunities Discussed	No	No	No	No	No
Risks of Climate Change Discussed	Yes	Yes	Yes	Yes	Yes
Climate Change Policy	Yes	Yes	Yes	Yes	Yes
New Products - Climate Change	No	No	No	No	No
Biodiversity Policy	No	No	No	No	No
Verification Type	No	No	No	No	Yes