

# Sustainability reporting

## - getting that elusive return on investment

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It may surprise you to know that at least some of my clients who do sustainability reporting\* believe that the report itself is not the primary outcome. Whilst the report is the tangible objective (in some ways the “easily identifiable” goal), the primary benefits they receive from reporting are what the process itself delivers to the business, and the opportunities it provides to help them move their sustainability agenda forward.



So why do some reporters recognise this, and others do not? Why do some organisations grind away on their reports year after year, feeling like reporting is a treadmill that does not advance their management of, or performance around, sustainable outcomes? How can reporting be leveraged within business so the publication of the report is not the end of the process, but rather a means to an end?

### **What happens when preparing a sustainability report?**

When you break down best practice reporting into its fundamental components, distinct processes are evident that involve consultation, information collection, decisions, data aggregation, cross checking, goal setting, approval and distribution. These processes can be categorised into steps that are familiar to many reporters – stakeholder engagement, materiality, report development, review, (possibly assurance), and finally publication. The following article looks at each of these steps and how they can be leveraged by your organisation to advance your sustainability agenda and hopefully benefit other business functions at the same time.

### **Stakeholder engagement**

Inclusiveness is increasingly being recognised as not only a desirable trait of organisations, but an expected behaviour. Stakeholder engagement on its own is not inclusiveness, as many believe. Inclusiveness is more than just asking your internal and external stakeholders what’s on their mind, or what’s annoying them about your organisation. It’s about looking to involve them in anticipating the future, identifying emerging issues, asking if they are interested in helping to identify solutions or, in fact, to be part of the solution – in other words, it is looking to establish a working relationship rather than a conversation.

Stakeholder consultation in reporting creates the opportunity to consider, on a systematic basis, who your stakeholders really are, how they have changed in the recent past, how their expectations of the business shifted, and how they have reacted to what your organisation has delivered over the last year. Reporting provides both a regular prompt and a legitimate reason (if you need one) to engage stakeholders across a range of issues and to offer them the opportunity to contribute their knowledge of particular (and often complex) issues in the outside world to benefit your strategy development, planning and response management. In 25 years of engaging stakeholders around reporting I have rarely heard a stakeholder complain that it is a waste of their (or the business') time, or been asked "why are you coming to me now", which so often happens when organisations apply a reactive, rather than a proactive, stakeholder engagement model.

### **Materiality**

Those of you who have read my other articles on materiality may wish to skip this section, as I remain unashamedly enthusiastic (almost evangelical) about the power and potential of this process, over and above its role in reporting.

Materiality is the key link between stakeholder inclusivity and organisational accountability. Many organisations focus on applying materiality just to their reports, which is not wrong but does restrict its potential to fully benefit the business. Materiality is typically siloed in one part of the organisation with limited penetration into other areas, as it's still seen largely as a reporting tool. Yet materiality actually has more in common with organisational processes such as strategy development, risk management and business planning than it does with reporting. Materiality can be applied across the organisation where there is a need to cut through the clutter and uncover opportunities and risks. It has the added benefit of bringing an external perspective on issues and performance, something not typically inherent in internal planning and risk management processes. When taken beyond reporting to help assess how well management decision-making and response processes are working, materiality really does deliver on its potential.

### **Report development**

There are any number of ways to approach developing your report. Some are passive, objective-driven and largely restricted to sustainability managers and/or corporate communications teams. These usually have a singular goal of getting the report done as quickly and efficiently as possible, with minimal investment and fuss, published and consigned to websites and library shelves. Job done, next!

At the other end of the spectrum, and still very uncommon in our experience, is using the report development process as a unique opportunity to collect, consolidate and compare quite disparate performance data, look for trends and patterns in that data, assess the relevance of that information to your organisation and its stakeholders in terms of its materiality, and realise that this is the opportunity, once a year, to look at a dashboard of sustainability-related data and see if and how it fits together. A lot of this thinking needs to be done for the report itself, but we often see that once the report is completed this information and effort gets put aside and 'forgotten'. If you are subsequently

developing or revising your business sustainability strategy, re-evaluating your risk management, or setting short- and long-term goals for the business, this information already captured in the report offers the chance to holistically re-examine and reflect on recent organisational performance, and decide what areas need more attention or resources in the coming year. Again, it's about extracting that extra return on investment.

### **Target and goal setting**

As noted above, your sustainability report offers you the opportunity to develop and publicly commit to meaningful sustainability targets designed to lift the organisation's game around its material performance issues. Being prepared to set and disclose clear and unambiguous targets for your reporting is a powerful tool for sustainability managers and teams to get traction for change within the organisation. Stakeholders are also looking for clear public commitments to change and expect organisations to have a transparent agenda to try and improve in the areas that matter to them.

By using the reporting process to identify, craft and publicly disclose well-considered sustainability goals not only sends a message to your stakeholders that you take improvement seriously, it also encourages a stronger internal focus on delivery against those targets and thus increases the likelihood that your organisation will actually improve in those areas.

### **Assurance (and GRI compliance)**

As with the report itself, assurance and GRI compliance are simply a means to an end, rather than an end in themselves (as many of us can be lured into believing). If you are developing your report to satisfy the GRI or the assurers, then you may want to rethink why you are reporting in the first place.

The good news is that the effort to both produce a GRI compliant report and to prepare for, and undergo, assurance has the potential to significantly enhance your business practices. Both processes bring additional discipline to reporting and record keeping around data collection, completeness, traceability, reliability and accuracy. In addition, the information gleaned from assurance can be used not only to build public confidence in your report, but also to reinforce stakeholder confidence in the organisation, to identify improvement opportunities in your reporting processes, and to encourage change within your business around systems and management.

Beyond the final assurance statement, the assurance process can (or should) deliver meaningful recommendations to the organisation's leadership team or senior management to enhance organisational accountability, management or performance. The work and effort needed to deliver the assurance statement simultaneously unpacks much about the underlying systems and processes that generate data, monitor performance, set targets and performance indicators, and manage risk.

### **After publication**

I would estimate, purely on intuition, that probably 70% to 80% of the reports I have helped write as a consultant, or evaluate as an assurance provider, get printed and distributed, or published on websites, and then are largely forgotten by the organisation. They may get registered on the GRI

database or on Corporate Register, or get a media launch, but their usefulness beyond publication rapidly diminishes over time.

The time, intellectual and human resource investment in the report goes well beyond its actual monetary budget. In many ways this is the saddest aspect of the whole process in terms of return on investment. If this were any other company product, some serious questions would be asked about its value to the business.

The usefulness of a sustainability report should not end with its publication. Its materiality outcomes and performance targets should be circulated within management or the board for review, discussion and integration. Its content (which, after all, is key information about the performance of the business in terms of its governance, economic, social and environmental responsibility) should be discussed at stakeholder forums and shareholder meetings. It should be included in the welcome kit for new (and prospective) employees. Its key findings should become a core part of investor information packs, given the trend for investors, risk assessors and financial advisers to now look beyond the financial disclosures.

The opportunities to leverage the content of sustainability reports to add value to the business only needs some creative thinking and commitment to realise. Surely that's got to be worth the effort.

*\* "Sustainability reporting" in this article should be considered synonymous with triple bottom line, CR, CSR, ESG and some forms of 'integrated' reporting.*