The Future of Reporting

From Routine to Strategic

CORPORATE CITIZENSHIP
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ABOUT THIS PAPER

Corporate Citizenship is a global business consultancy that has been working with companies on their sustainability strategies and reporting since the late 1990s. During the last twenty years, we have seen companies evolve on a journey. We have worked with first-time reporters as well as companies that have been reporting for decades. Each company is unique. But amid all the ideas, options and decisions, there are some clear common themes, challenges and opportunities that practitioners face in preparing a sustainability report.

This paper examines how we see trends evolving and looks to the future. We have drawn on experiences from working with companies across the globe, including in Europe, Singapore, and the United States, as well as in-depth interviews with Citi, Dow Chemical Company, MillerCoors, and SITA.

Additionally, in September 2014 in partnership with Jaguar Land Rover, we held a seminar titled *Beyond Sustainability Reporting: Connecting Effectively with Audiences*. This report reflects some of the views shared by over 30 sustainability practitioners in attendance.

We are grateful to all participants involved in our research, particularly the companies, colleagues and partners in our global network for giving up their time to share their insights. We hope that the findings can shed light on some of the trends, and assist companies in understanding the implications for their reporting.

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Foreword

I wrote my first 'report to society' for a client – a recently privatised international telecommunications company - back in 1996. That was all about their community engagement.

In the two decades that have followed, we've seen a huge explosion in the number and diversity of these reports. Today, more than 10,000 companies produce some sort of annual account of their non-financial performance. Truth to tell, my own personal scorecard has caused several large forests to be felled, with a host of server farms now distributing the digital bytes.

To be blunt, is it all worth the effort?

With no sign of the output abating, it is clear that companies think it is. Their need to report on their impacts and engage with their stakeholders is more vital than ever.

But can we do better? Can this huge effort be more effective? In a word, yes.

Here we've distilled our experience working with both the biggest established names and the most innovative challengers. We've consulted leading practitioners. We've identified the big trends and offer you our guidance on the way forward.

Our aim is to cut through the complexity and get back to what I was trying to do all those years ago and in all the years since: to shine a searching light on what the company is actually doing, and to invite in friends and foes alike for a frank discussion about how it can do a better job.

Easily said, hard to accomplish. So let me wish you good luck on your reporting journey.

Mike Tuffrey
Co-founder, Corporate Citizenship

Introduction

Communicating about sustainability can be a minefield of nebulous ideas, jargon and opposing view points. At the heart of the debates, however, is the belief that our actions matter – as individuals, as organisations, or as networks connected by common goals. Audiences interested in sustainability want a transparent, balanced and fact-based account of performance as well as an authentic and engaging account of an organisation's aspirations. But this is easier said than done.

What and how organisations communicate on social, environmental, and economic impacts is increasingly important to a wide range of stakeholders – from technical analysts to some consumers who want to know what role the company is playing in meeting society's big challenges.

For many companies, there's a lot riding on getting this communication right. It's a significant investment in resources, but also an opportunity to connect with stakeholders in ways that strengthen relationships and generate real value. Sustainability reporting is generally accepted as beneficial for companies, but it is not without its pitfalls. This paper explores and interrogates current trends in sustainability reporting, presenting a forward-looking perspective about both the process, the outcome and future direction of travel.

"Sustainability reporting is now undeniably a mainstream business practice worldwide." [1]

SUSTAINABILITY REPORTS, REPORTING, AND COMMUNICATION: WHAT'S THE DIFFERENCE?

Sustainability reporting is the *process* undertaken to gather information on and communicate a company's responsible business practices as well as its social, environmental and economic performance to its stakeholders.

A **sustainability report** is the *output* of the reporting process. This includes data, narratives and infographics. A report can be delivered in various formats such as:

- A section of the Annual Report and Accounts (ARA)
- A stand-alone print or PDF report
- Online as part of an existing website, or a separate microsite, often also with a social media campaign (using, for example, blogs, Facebook, Twitter, or Instagram)
- Multiple and interactive formats (real time)

Sustainability communication is the *full range of activities, processes and outputs* used to inform and engage an audience on a company's sustainability performance.

Audiences refers to a specific group of people that a report and communications are intended to reach or influence. This is often a subset of a company's wider stakeholders.

Proportion of companies that report on sustainability across the world:[1]

AMERICAS

76%

EUROPE

73%

ASIA PACIFIC

71%

95% of the largest 250 companies in the world produce a sustainability report[2]

51% of reporting companies worldwide include CR information in their annual financial reports[1]

CORPORATE REGISTER holds 65,236 reports from 12,424 companies[3]

18,942 GRI Reports hosted in the Global Reporting Initiative database[4]

1 in 10 companies that report on CR claim to publish an integrated report[1]

The current state of reporting

Transparency and accountability for social, environmental, and economic impacts are increasingly significant to stakeholders. These include investors, regulators, opinion formers, customers and employees, amongst others. Since the concept emerged in the 1990s, advocates of sustainability reporting have promoted it as a way of driving meaningful engagement with stakeholders on issues such as sustainability and organisational change. Its aim has been to help businesses, governments, and the wider community understand and improve their contribution to sustainable development.

However, despite best efforts to make reporting engaging and relevant, results are mixed. Whilst practitioners recognise the need for transparent, ethical and fact-based communication on a company's sustainability performance, many find the reporting process challenging and often frustrating.

The reporting process can be time consuming, often taking many months. It typically includes data collection, stakeholder interviews, preparing case studies, and reviews of the latest infographics and formats. Alignment with the latest reporting frameworks and best practice standards are also considered during the process. The result is intended to be a compliant, engaging, and credible account of the company's responsible business practices, sustainability performance, and aspirations for the future.

Practitioners must also grapple with presenting the right balance of rigorous data that backs up claims and informative stories that resonate with audiences. Whilst the data may be crucial to an investor, analyst or campaigner, other audiences such as employees or consumers may be more interested in the stories. Decisions must also be made about what standards to use, reporting channels to invest in, and how best to get internal buy-in from the business.

A majority of the reporting practitioners we have worked with believe that the state of sustainability reporting can be complex and confusing. For all the effort and cost of reporting, there is little evidence that the information reported is being read, informing strategic decision-making or driving any sort of change. This is a critical challenge for practitioners: if the investment fails to deliver a return, why should the business back the activity?

It is time for a re-think. We need to go back to basics and understand the purpose of the reporting journey as well as current trends that are creating pressures on reporting. This can help set out the options and chart a course through the confusion. This paper is intended to provide a clear assessment of the options, and help shift from the tired old model of the past to an aspiring, engaging and value-creating approach for the future: strategic reporting.

WHAT WE'VE HEARD: THE CHALLENGES FOR COMPANIES IN 2015

"I'm not 100% convinced by the whole integrated reporting stuff... integration can lose the sustainability message."

"Nobody actually reads it cover-to-cover but it's a helpful review of CR activities and for benchmarking."

"Who actually reads them? This isn't clear. I think they try to reach too many audiences, and generally fail as they try to be a hybrid to everyone rather than focussed on say, convincing the investor that CR is linked to the bottom line."

"With all the standards and requirements, where will all the data go?"

"How does the report add value to our brand?"

"Generally, I'd like to see reports move away from the fluffy stuff...and become more data and results oriented- demonstrating the quantifiable contribution CR is making o the company and wider stakeholders."

"There are many other avenues through which to give updates on CR activities- it doesn't all need to go in the one report!"

"It's hard to know what is relevant, what to leave out, where to start."

Eight key questions

Over the last 20 years, we have noticed similarities in how companies evolve their approach to reporting. Although each company faces a unique set of issues due to history, performance and aspirations – as well as sector and geography – there are some clear similarities across companies.

We developed the *Routine to Strategic Reporting Map,* which illustrates the chronological journey that is typically followed by companies that produce sustainability reports (see page 5). The Map is based on:

1) The way that a group of world-class leading reporters have developed over time, and
2) The steps that an individual company typically goes through over time

The Eight Key Questions
An assessment of the stages of reporting is made up of Eight Key Questions. For companies at the later stages of the journey, these questions are the subject of rigorous debate (often over many months), differences of opinion, and strategic planning by key decision-makers. At the earlier stages of the reporting journey, many companies fail to thoroughly consider them:

1. **Aims** What is the objective of the report?
2. **Audience** Who are the audiences for the report?
3. **Materiality** What is the approach to identifying issues that are important to the business and to stakeholders?
4. **Systems & Processes** What types of reporting systems and processes are in place to facilitate sustainability communications?
5. **Standards & Frameworks** What reporting standards and frameworks are used?
6. **Outputs** What is produced from the reporting process?
7. **Engagement** What is the approach to engaging audiences?
8. **Frequency** How often will the exercise be repeated or other outputs be produced?

Corporate Citizenship's *Routine to Strategic Reporting Map*
In the following pages, our *Routine to Strategic Reporting Map* shows common practices or traits observed at various stages of the reporting journey. The characteristics described at each stage are not intended to be rigid definitions, but rather indicative of our observations as reporting practices have advanced.

The Map is intended to guide the reporting journey; companies can plot their progress and discuss where they want to go. It can also be used as a benchmarking framework, a common means by which we assess performance relative to a defined peer group.

Ultimately, the *Routine to Strategic Reporting Map* provides a framework for thinking about the future, the direction of travel and the possible end goals that might guide sustainability communications over the next decade.

The Reporting Journey: Routine to Strategic Reporting Map

	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
1. Aims What is the objective of the report?	**Compliance**	**and reputation**	**and performance**	**and operational change**	**Influencing the debate** as thought leaders on key issues, shaping the future and changing systems
2. Audience Who are the audiences for the report?	**Undefined or compliance-based** No audience is defined or the audience is highly specific for one narrow purpose (e.g. a regulator)	**Everybody** Audience is typically defined as "all stakeholders" with no prioritisation	**Defined multi-audience** A subsection of stakeholders are identified and various mechanisms are used to engage them, considering data selection, narrative development and communication channels		**Prioritised target audience(s)** Report audiences are identified and prioritised based on report objectives. Engagement with audiences following the report launch provides a long tail of value
3. Materiality What is the approach to identifying issues that are important to the business and to stakeholders?	**Random** or compliance-based selection of issues	**Anything and everything**	**Informal and/or internally focused** materiality process	**Formal materiality exercise** may involve external stakeholders but largely focused on business priorities	**Extensive process** to aggregate and prioritise internal and external stakeholders views using formal and informal mechanisms, using the findings for reporting and strategy
4. Systems & Processes What types of reporting systems and processes are in place to facilitate sustainability communications?	**Weak or ad hoc systems** Often disparate across the organisation, with ad hoc submissions of data or narratives in varying formats based on inconsistent processes and precarious reliability	**Add-on systems** Sustainability KPIs are added to some business reporting systems	**Embedded systems** Internal systems are set up to monitor and measure relevant KPIs within core business functions according to a desired frequency	**Extended systems** Systems are set up to monitor and measure extended value chain impacts (e.g. suppliers) Processes are more standardised, systemic and tailored – and are used for performance assessment and reporting purposes	**Integrated systems** An integrated suite of corporate measurement and reporting systems, are used for strategic decision-making, early warning systems, forward-planning and near real-time reporting. This reflects a greater integration of business activity and sustainability strategy
5. Standards & Frameworks What reporting standards and frameworks are used?	**Compliance-based or none**	**Informed guidance** Reporting frameworks or standards may be examined to inform report content or structure, without being quite sure why that standard was selected	**Commitment to specific frameworks and guidance** Systemic adherence to leading standards Assurance against standards is common at this stage to provide external validation	**Strategic selection of advanced standards** Strategic selection of global standards according to well-defined objectives. Some standards that are less valuable may be reviewed or dropped	**Value-added standards** Careful selection of standards for strategic purposes, but with diminished influence on structure and content of report. This reflects a more tailored approach to reporting where Stage 5 companies find that standardised frameworks typically do not add much value
6. Outputs What is produced from the reporting process?	**Reviews and pamphlets** Published on an ad hoc, inconsistent basis	**Full-length report or PDFs** Published irregularly (e.g. every two, then three years), or perhaps with inconsistent data – making it difficult to compare performance over time.	**Stratified communications** Summary scorecards, pamphlets or mini reports are provided alongside detailed 'full reports' (often exhaustively long) or online information	**Targeted Engagement** A combination of print and multimedia content is targeted at defined audiences. This is more interactive – for example, inviting feedback, and content can be customised. Overall report length may reduce as more channels communicate additional materials for audiences	**Bespoke Communications Suite** A range of channels and formats are used to reach many niche audiences. Thought leadership publications break new ground and influence the debate with priority audiences. Sustainability is more prominent in corporate communications and brand activities
7. Engagement What is the approach to engaging audiences?	**Business as usual** or ad-hoc interactions	**Business as usual interactions** with occasional awareness raising activity.	**Enabled feedback** (e.g. surveys, polls)	**Interactive** communication through dedicated channels	**Engaging priority audiences in targeted and strategic communication through active and ongoing conversations enabled by technology and more frequent engagement**
8. Frequency How often will the exercise be repeated or other outputs be produced?	**As required –** i.e. unpredictable and ad hoc	**Annually or every two years** sometimes varying to every three years	**Defined and regular time period** - usually annually	**Ongoing** Part of ongoing communications on sustainability, not just a 'one-off' annual report	**Real-time** Across the calendar according to a defined and strategic plan, with moves towards 'real-time' informing

Four drivers of change

The Routine to Strategic Reporting Map illustrates the journey that companies typically take from the status quo of tried-and-tested, humdrum reports to using a suite of strategic solutions to meet their communications needs.

The backdrop to this shift over the last twenty years is a series of trends that we call the Drivers of Change. These drivers are crucial because they don't just explain the past: they are trends that we believe every business will have to tackle in the years ahead as they think about how to engage with audiences on their role in society.

THE FOUR DRIVERS OF CHANGE

I. STRATEGIC ALIGNMENT: There is a heightened awareness of the impact that responsible and sustainable business practices can have on financial performance. Integrating sustainability and commercial strategy is becoming a business imperative.

II. ISSUES EXPANSION: There are mounting social, environmental, ethical and economic challenges associated with supply and distribution chains. The scope and significance of these issues are driving broader and deeper value chain engagement.

III. STANDARDS PROLIFERATION: There is a rapid proliferation of sustainability-related standards, rankings, ratings, indices, and reporting frameworks. Making sense of it all can be overwhelming.

IIV. DIGITAL INNOVATION: Digital innovation offers new ways of presenting data and reaching audiences. Technology-driven engagement presents opportunities to connect with stakeholders across geographies, demographics, and varying interests in ground-breaking ways.

I. Strategic Alignment

Integrating business and sustainability strategies

In recent years, company executives and investors have developed a heightened awareness of the impact that responsible and sustainable business practices can have on financial performance and corporate reputation – from developing the right products and services through to building brands and motivating talent. This is about much more than reputation. Companies are seeking to demonstrate that integrating sustainability into their business can help with cost-efficiencies, risk management, creative innovation and long-term growth.

In parallel, departments responsible for corporate responsibility and sustainability are increasingly under pressure to justify their activities in financial terms. They are not immune from having to demonstrate a business case for their activities in order to secure business resources.

As a result, different ways of communicating this sustainability integration. And harnessing the benefits are starting to emerge. These include: Environmental Profit and Loss Accounts; Total Impact or Contribution Reporting; Sustainability Plans; and Integrated Reporting.

Examples of Integrated Thinking

NATURAL CAPITAL

Puma's Environmental Profit and Loss Account (EP&L)

In 2011, Puma published its first environmental profit and loss account (EP&L). The Puma EP&L was the first report by a company to measure the value of the natural environment - fresh water, clean air, healthy biodiversity and productive land - and the true costs of the business's impacts on nature. Going beyond the typical measures of emissions and energy use, Puma's EP&L represented a step change in accounting for environmental impacts along its supply chain. This was the company's way of minimising both business risks and environmental effects, and preparing for potential future legislation such as disclosure requirements.

TOTAL IMPACT

Crown Estates Total Contribution Reporting

Total Contribution reporting is how the UK's Crown Estates measure and communicate the significant value the business creates beyond financial return. Their approach places a value on the economic, social and environmental contribution that the business delivers to the UK. Their methodology accounts for indirect activities as well as direct ones, taking into account both the negative and positive outcomes, and their confidence in the results. Crown Estates no longer have a separate sustainability strategy, but rather a plan on how to further integrate sustainability in the business.

BIG TARGETS, BIG PLANS

We are seeing more companies launch iconic, long-term plans that link business performance to sustainability targets framing their communication on responsible business performance. Examples include Walmart's Sustainability 360, Marks & Spencer's 'Plan A', and Unilever's Sustainable Living Plan. Increasingly we are seeing more companies setting out long-term propositions for linking sustainability performance to the business.

THE INTEGRATED REPORTING <IR> FRAMEWORK

"An integrated report is concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term."

International Integrated Reporting Council (IIRC)

In recent years, the idea of one integrated report has gained traction, albeit with varying interpretations of what an integrated report is. Whilst some practitioners consider an integrated report to be a selection of sustainability disclosures inserted in the Annual Report & Accounts (ARA), others have taken a much more comprehensive approach to embedding sustainability in business performance measures.

Novo Nordisk is considered a pioneer of integrated reporting. The company had used the Triple Bottom Line (TBL) business principle as part of the *Novo Nordisk Way of Management* for several years, whilst publishing separate ARA and Sustainability reports.

However in 2004, Novo Nordisk announced it would merge its financial and sustainability reports into one comprehensive document. The decision reinforced the principle and practice of strategic integration at the governance level.

There has been much debate on integrated reporting – what it is, what it isn't, and how it's done. The uptake of the framework has been relatively slow compared to other reporting methodologies. Until recently, there was little guidance on integrated reporting, resulting in varying interpretations of how it should be applied in practice.

In 2013, the Integrated Reporting <IR> framework was launched by the IIRC. The <IR> framework is now the most comprehensive guidance on how to communicate the interdependence of financial, environmental, social, and governance data in one report. According to the IIRC, when done properly, integrated reports should reflect the inter dependence of value creation and sustainability, taking into account a company's operating context.

Integrating for success

Whilst an integrated approach to business and sustainability moves the sustainability agenda in the right direction, we often find that this integration is made only on paper without being embedded in practice. Many practitioners misunderstand the purpose and application of integrated reporting – with some viewing it as the newest style of reporting. We often observe companies that include sustainability data along with financial data in their annual company reports refer to this as an integrated report. To be clear, an integrated report is not a 2-in-1 report.

We consider an integrated report to be communication on how a company's sustainability objectives, activities, and outcomes is creating quantifiable value within and for the business. We have worked with many companies who have grappled with the implications of integrated reporting. We advise companies to:

1. Take the time to get it right. Focus and effort should be on the integration of businesses and sustainability strategies and understanding the value that sustainability creates for the business. The process of this strategy integration is an opportunity to learn in practical terms how sustainability is genuinely embedded in the business. If done properly, by effectively connecting financial and non-financial performance, stakeholders should have a more complete picture of the risks and long-term health of the company.

There are various ways of communicating the results of an integrated strategy. The <IR> framework is just one of those options and still in its infancy - we do not consider it the 'holy grail' of reporting frameworks. This is not to say the <IR> framework is inferior. However, a prescribed format for an integrated report is not going to be right for all companies. We encourage reporting practitioners to explore different options to determine what works best for their objectives.

Regardless of which framework is chosen, an effective report will enhance transparency and accountability, present a more accurate value and cost analysis, and facilitate better coordination and internal communication between different parts of the business.

2. Be aware of your reporting audience(s) and their needs. As reporting becomes increasingly audience-driven, a simple but often overlooked question to ask is: *Does the report meet my audiences' information needs?* Integrated reports are generally targeted to an investor audience. Most companies find that they also need to consider how to get additional information to other specialist audiences that would not typically read an ARA or an integrated report. These might include employees, sustainability analysts or specialist opinion formers seeking information that simply cannot be incorporated into the often strict confines of a financial report.

3. Consider the resource implications.
When merging two reporting processes into one comprehensive approach, there is rarely a reduction in resource required. Instead, there are considerable costs and adjustments that are needed to meet financial reporting requirements. This may include the review and revision of KPIs, aligning the timing of financial data preparation and sustainability data, potentially redesigning data collection systems, and assurance considerations.

A true cost-benefit analysis should be undertaken when considering integrated reporting as an organisation's primary reporting vehicle. Jumping onto a framework bandwagon without careful consideration can result in a complex, expensive and time-consuming process that might not get the right information to all the right audiences.

The move to integrated reporting ultimately requires a philosophical shift in thinking, revamped systems and processes, and revised performance measures. It should not be undertaken lightly. Companies should focus on getting the strategy right first – that is, a comprehensive business strategy based on embedded sustainable principles and practices – in order for the communication to be most effective and credible.

II. Issues Expansion

Driving broader and deeper value chain engagement

Companies are faced with mounting social, environmental, ethical and economic challenges associated right across the business value chain. The scope of responsibilities has widened as companies are expected to be accountable for indirect impacts concerning their suppliers, distributors, contractors and business partners – on top of all the direct impacts the business already has. Today, it is no longer acceptable for most organisations to consider their responsibilities ending at the factory gates or office walls. Instead, relationships with, and impacts on, a whole host of other actors are fast becoming part of mainstream responsible business practices.

The implications of this shift for reporting are significant.

1. Push your boundaries. For several years, companies have been expected to explain their processes for engaging or screening suppliers, and how they work with them on improvements. Beyond suppliers, the scope of reporting is also being extended to consider business partners, joint ventures and contractors. These have always presented tricky challenges for complex businesses, when data reporting systems (as well as the ability to influence) varies widely across global networks.

Best practice advice is clear: define the reporting boundaries, including areas that are outside the company's direct control. Be transparent with stakeholders on what is included in your data and report. The general trend here is towards companies being expected to embrace a wider set of responsibilities, and influence all those with whom they have a commercial relationship.

2. Re-consider what is material. In recent years, materiality has become central to defining reporting content. The materiality principle emphasises that companies should focus their strategy and reporting on sustainability challenges that are most relevant to the business and to stakeholders. A formal process should be undertaken to understand and prioritise key issues. These issues are typically presented on a two-dimensional materiality matrix.

However, beyond issues of immediate concern, companies should also be considering broader global challenges that may not necessarily present an imminent impact in the short-term but present a risk or opportunity to company through its relationship with society in the longer-term (e.g. climate change). Our advice to clients is to be careful not to exclude bigger issues because of uncertainty or lack of direct influence.

Opportunities for innovation – for example, meeting future customer needs – should also not be overlooked. A thorough materiality analysis should reflect an awareness of global trends, challenges and opportunities in the short and longer-term. Best practice is to communicate the company's position or response to these trends, and provide evidence of how the company is thinking ahead.

As standards of transparency and accountability become more stringent, companies are expected to communicate these wider risks and impacts beyond traditional statements on codes of ethics and audit reports. This requires a broader and deeper level of engagement along the value chain. It means developing reports and communication that engage new audiences in this wider story.

3. Account for wider impacts. At the end of the value chain are the customer and consumer. Many leading companies are exploring how they can change the behaviours of consumers who purchase and use their products and services towards more sustainable outcomes. Expectations are changing fast here. Some businesses, such as Unilever, have even set targets that rely on changing the behaviours of billions of consumers to reach their goals. Companies are now expected to account in their reporting for the influence and impact they have on how consumers engage with their products and services, and how they dispose or re-use them where relevant.

4. Re-think your audiences. As boundaries are being redefined, it also means the audiences for the report may need a rethink. If engaging suppliers is part of the strategy, then are they also an audience for the report? If influencing joint venture partners is something the company is struggling with, then are key decision-makers in these organisations a new target for communications? And if, like Coca-Cola, an organisation is embracing billions of consumers is part of its sustainability strategy, then surely those that are interested in these issues become a critical audience for communications? The implications of this shift over the coming years in terms of changing format, narratives, data and delivery channels will be significant.

III. Standards Proliferation:
Making sense of frameworks, rankings, ratings, and indices

There is a rapidly rising number of initiatives that either offer guidance on reporting or rate companies that report based on set criteria. Collectively, these initiatives or schemes include reporting standards, guidelines, frameworks, rankings, ratings, and indices. Each one serves a different purpose and targets different audiences, but they sometimes have overlapping criteria or principles. Making sense of it all can be overwhelming.

"Among the world's 250 largest companies 82% companies that report on sustainability refer to the GRI guidelines."[1]

In our experience, the real value of adopting reporting frameworks or taking part in rankings and ratings is improving core performance. Responding to such initiatives is an opportunity to engage colleagues, streamline data collection and improve reporting and performance – provided the right initiatives are selected and the processes managed effectively.

A simple way to navigate the plethora of initiatives is to:

1. Understand the purpose of each initiative.

i. Guidelines and frameworks explain what and how companies should be reporting. Page 13 provides a summary of the most widely used reporting frameworks and guidelines and how they differ.

ii. Good standards tell companies what to aspire to. Just because the company cannot meet every criteria today, it does not mean that the standard is not useful in creating awareness and driving improvements.

iii. Rankings, ratings, and indices provide a methodology to judge companies and also a basis for benchmarking. The best ones provide a clear explanation of how companies are scored, and a plan of action for companies to catch up with peers and best practice.

Early stage reporters tend to focus more on choosing the right framework and ensuring they report on the 'required' content. As companies mature in their reporting, the focus tends to shift from reporting frameworks to ranking, ratings, and indices schemes. These may lend additional credibility as they often require independent and in-depth analysis.

Ultimately, companies need to decide what schemes will deliver greatest value to the business, in terms of both reputation and core performance.

2. Prioritise the initiatives that will create the most value. Some schemes will create a significant administrative burden. Consider the likelihood that the scheme will benefit the organisation by driving performance improvements. Will non-participation result in a negative reputation? Will participation galvanise a step change in performance?

3. Engage colleagues. Sourcing content or responses to these schemes usually involves the cooperation of colleagues across the business. It is important to engage information holders early in the process in order to explain the rationale and benefits of the scheme, the importance of their participation, and allow sufficient time to respond.

An endorsement from senior leadership is often helpful to elevate the importance of the request and pre-empt any potential resistance. Reporting back to colleagues the successes of the scheme will help to build awareness and also generate a willingness to support future participation.

4. Review. Guidelines, frameworks, standards, and rankings are constantly undergoing updates. New ones are introduced and current ones go out of style. The International Integrated Reporting Council (IIRC) framework, for example, is the newest kid on the block having published the <IR> framework in 2013. Some companies who have been using GRI's longer established guidance are questioning whether it's time to try something different. A good litmus test to determine whether a scheme is still fit for purpose is to ask: *Are we still learning and improving from the process?* If the answer is 'no', then it's time to re-evaluate.

The differing approaches taken by the various reporting initiatives can make reporting and data submissions complex and extremely time consuming. Ultimately, companies need to decide what schemes will deliver greatest value to the business, in terms of both reputation and core performance.

Reporting Initiatives at a Glance

Three of the most widely discussed reporting frameworks come from the **Global Reporting Initiative** (GRI), **Sustainability Accounting Standards Board** (SASB), and **International Integrated Reporting Council** (IIRC). The frameworks target different audiences, and in some cases geographies.

For companies wondering which framework(s) to use, a mapping may be required to understand the requirements and implications. Ultimately, the decision should be based on the objectives of the report and the target audience.

	Global Reporting Initiative (GRI)	International Integrated Reporting Council (IIRC)	Sustainability Accounting Standards Board (SASB)	EU Directive on Reporting
What is it?	An international not-for-profit organisation, with a network-based structure, involving thousands of professionals and organisations from many sectors, constituencies and regions. GRI's reporting framework provides metrics and methods for measuring and reporting sustainability-related impacts and performance. It includes Reporting Guidelines, Sector Guidance and other resources to enable greater organisational transparency and accountability.	A global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs promoting communication about value creation as the next step in the evolution of corporate reporting. The primary purpose of the Framework is to provide guidance on the practicalities of producing an integrated report, and to explain the concepts behind <IR>. These include strategic focus and future orientation, stakeholder and materiality focus, conciseness, connectivity and reliability of information, and consistency and comparability.	A U.S. based, non-profit organisation established for the purpose of establishing industry-based sustainability standards. These include the recognition and disclosure of material environmental, social and governance impacts by companies traded on U.S. exchanges. SASB standards are designed for the disclosure of material sustainability information in mandatory SEC filings, such as Form 10-K and 20-F.	An EU legal instrument that requires companies concerned to disclose various policies, risks and outcomes in their management report. These concern environmental, social and employee matters, respect for human rights, anti-corruption and bribery issues, and diversity in their board of directors.
Type of initiative	Guidance	Framework	Standard	Legislative Directive
Geographic Scale	International	International	U.S.	European Economic Area (EEA)
Scope	General and some sector–specific guidance	General	Industry-specific	General
Disclosure Type	Voluntary	Voluntary	Mandatory filing	Mandatory
Target reporters	Public and private companies	Public companies traded on international exchanges	Public companies traded on U.S. exchanges	Public companies traded on EU exchanges as well as other public-interest entities, such as banks, insurance companies, and other companies that are so designated by Member States
Target Audience	All stakeholders	Investors	Investors	Investors and other stakeholders

IV. Digital Innovation

Connecting effectively with audiences

Practitioners are facing demands for more data and narrative for varied audiences. The result is often dry, lengthy reports with additional charts, tables and case studies. Such reports fail to drive meaningful engagement with audiences. However, advances in digital communications are changing this.

Technology-enabled engagement is becoming a game changer for many organisations. Innovations in digital platforms and social media present opportunities for companies to connect with stakeholders in ground-breaking and engaging ways. Companies are able to communicate their impacts in ways that resonate with a variety of audiences; and audiences are able to interact, feedback and share opinions instantly.

As new digital formats and applications emerge, many practitioners find themselves having to quickly develop additional competencies in graphic design and digital communications.

Below we present some of the most widely-used mechanisms that practitioners use to 'bring the report to life' and engage more meaningfully with audiences.

Video & Animation

Whether it's a message from the CEO or the journey of how a company achieved a zero waste to landfill target, video and animation allow companies to present the key messages and stories in an interesting way. Drawing from tried and tested marketing and film-making tactics, a well-conceived video can be used to not only quickly inform, but elicit an emotional response and generate viral interest - engaging people who may not otherwise read the report.

In 2010, ***Virgin Media*** *pioneered the switch from traditional, annual sustainability reports to a fun, ongoing digitally-led reporting. Virgin employees star in their own employee-generated film, write blogs and share the company's sustainability activities on social media.*[6]

Interactive reports

Interactive reports allow varying degrees of user interaction, allowing audiences to select their content, customise their viewing experience, or create flexibility in how they navigate the report. Allowing people to access the information they want in the way they want is becoming a standard in sustainability communications.

There is an extensive range of interactive features depending on the desired function and budget. The increasing number of interactive communication reflects the growing awareness that reporting audiences have different interests. They interact with content in varying ways and for different purposes. Giving audiences the choice and power to determine how they 'experience' the content increases the likelihood of connecting.

Nike's *global manufacturing map offers interactive up-to-date sustainability information for a supply chain that involves 42 countries, 693 factories, and more than one million workers. Information can be filtered by brand, product type, or event.*[7]

Social Media

Any digital platform that allows a network of people to make connections such as Twitter, Facebook, YouTube, blogs and so on - has become a powerful means of connecting with audiences in real time.

"User-generated content has become more important as millennials trust user-generated content 50% more than other media."[1]

Whilst we are yet to see a 140 character report, social media facilitates conversations about key issues. Debates that take place during live Twitter Q&As, for example, can raise awareness of stakeholder concerns and are sometimes used by activists to spark movements.

SOCIAL MEDIA USE IN NUMBERS

In 2015 Sustainly's Social Media Sustainability Index found that out of **475** companies from all over the world that communicate sustainability:

- 273 companies (57%) have some form of dedicated social media sustainability efforts
- This is an increase from **230** in 2013, **176** in 2012 and a marked improvement from the **120** in 2011
- In 2010 only **60** major companies were using social media for sustainability.

Matthew Yeomans
Founder, Sustainly[8]

Companies are also starting to harness intelligence from these conversations through "social listening" platforms. These platforms allow companies to find out what stakeholders or broader audiences are saying about their brand(s), sustainability priorities, or products and services. They also reveal where these conversations are happening and whether they are positive or negative.

This information, when analysed properly, can be a powerful tool to help companies better understand their stakeholders and reporting audiences. Social listening goes beyond capturing the number of hits on a website or google searches. The information captured can be used to inform communication strategies and shape content.

Regardless of what technology platforms are used, trust and responsiveness will be vital to maintaining its effectiveness.

Harnessing the power of digital communications

The possibilities resulting from advances in digital communications are staggering. However, as with any other tool, they must be used strategically and responsibly in order to derive benefits and value. Regardless of which digital format a business chooses to use, good practice should include the following:

1. Be part of an integrated communications strategy. Pushing information out through the latest digital channels does not guarantee that anyone will read it. Effort should be made to understand target audiences, their interests, and how they interact with content. This should become part of the broader corporate communications plan. In addition, having a social media strategy as part of a wider communications plan is vital to managing the risks and opportunities from real-time interactions on hot-button topics.

2. Be engaged and be engaging. There is a multitude of dazzling websites, blogs, and Twitter handles seeking to enable a more 'interactive' experience. However, many are 'unmanned', meaning no one is managing responses or analysing feedback and insights. Responses to polls, tweets, or comments can offer insights into who audiences are, and what they think about the business or what the business is doing. If an interactive experience is part of your communications strategy, then plan the time and resource to actually interact. Otherwise, the engagement opportunity is missed.

3. Be authentic. Authenticity is direct, honest communication about what's going well and what's not going so well – and what you're doing about it. People respond to authenticity. In a world of cynical critics, authenticity is essential to building trust.

> *"The most credible companies tend to be those that include executive faces and voices listening to and responding to tough questions about the company's sustainability challenges, either through video or online 'live' discussion forums."*[9]

4. Be careful not to lose substance over style. Whilst a lot of nifty things can be done with technology and social media, there should be credible and robust data as evidence to back up the story-telling or headlines. This should be clearly signposted and easy to find, to re-affirm credibility and prevent claims of greenwashing PR.

The future of reporting

Based on the Four Drivers of Change that we see changing the reporting landscape, we believe that within the next decade, reporting as we know it will be radically different. 'Routine' reports will undoubtedly still exist. However, companies are seeking to optimise value from their sustainability efforts and the reporting process for many will be much more strategic.

The shift from routine to strategic will mean diversity: different approaches will be taken by different organisations. Nevertheless, we can detect some novel themes. Below we share our views on how the next stage of reporting will evolve, framed around the Eight Key Questions, as well as exploring the possible implications for practitioners.

Key Question	What the future may hold	Implications
1. Aims What is the objective of the report?	**Driving behavioural and systemic change** Companies will seek to deepen connections with audiences to create advocates and movements to tackle major issues, influence others (e.g. governments, consumers) in order to change systems and create a more sustainable world.	Amid all the options, clarity over objectives will be more important than ever. Companies will also need to stay on top of new trends through regularly scanning for risks and opportunities as well as monitoring and understanding research that may be relevant to their audiences.
2. Audience Who are the audiences for the report?	**Prioritised audiences and profiled demographics** Companies will develop a more nuanced understanding of stakeholders and reporting audiences in relation to their interests, habits, and expectations. Insights into audiences will come from the digital footprint left by people when they interact with products, services, participate in open communities, or search for information. Social listening - the process of identifying and assessing what is being said about a company, individual, product or brand through digital media channels - will become instrumental to understanding audiences. Communication will be tailored to prioritised audiences and geographies. Feedback will be used to construct a process of continuous improvement in getting the right content to the right audiences.	Companies need to explore additional dimensions to mapping out their stakeholders and prioritising them. This can form part of a process of audience mapping for reporting. Clarity on audiences is crucial. Insights from social listening will help companies develop communication approaches and shape messaging to ensure that future outputs resonate effectively with the relevant audiences.
3. Materiality What is the approach to identifying issues of importance to the business and stakeholders?	**Materiality processes –** determining what issues matter to the company and its stakeholders will be instrumental to defining other reporting systems and processes. The materiality process itself will be designed to be ongoing, and integrated into business risk and opportunity assessments - not just a separate bolt-on exercise carried out by the sustainability team. The materiality exercise will also include a forward-looking dimension.	Companies need to have a clear and robust materiality process to map out the issues, and select the most relevant for the business and stakeholders to address and report on. Horizon scanning will become an increasingly important dimension of the materiality process. Companies need to understand how to interpret future trends and develop resilient business strategies.
4. Systems & Processes What types of reporting systems and processes are in place to facilitate sustainability communications?	**Greater emphasis on inclusive and integrated systems** Business and sustainability performance measures will be further integrated to provide quantitative evidence of how sustainability is impacting core business objectives (growth, cost efficiencies, brand value, etc.) As a result, there may be greater collaboration between core business functions such as finance and sustainability teams. Performance indicators will be more explicitly aligned or include reference to globally-recognised aspirations (such as the Sustainable Development Goals), as companies seek to articulate their contribution to sustainable development.	Companies need to ensure that objectives and audiences have been identified, and reporting systems and processes reviewed to ensure that they are fit for purpose. An audit of reporting systems can sometimes help to identify strengths and weaknesses with the current set-up. Digitally-enabled systems will help to shape and facilitate integrated processes.
5. Standards & Frameworks What reporting standards and frameworks are used?	Attempts will be made by reporting initiatives to harmonise standards and frameworks; and we expect to see continuous revisions to existing frameworks. Assurance will continue to provide credibility for select data, and appropriate rankings and ratings by credible organisations will be an important measure of reputation as well as enhancing performance.	For advanced reporters, reporting frameworks will continue to be referenced but will not drive the structure of the report. Companies need a systematic approach to mapping and evaluating indices, standards, rating, awards, guidelines and frameworks. Selections should be made strategically according to business and reporting objectives.
6. Outputs What is produced from the reporting process?	**Coordinated, multi-channel, multi-format, interactive communication** Communications will be increasingly audience-led and tailored to specific audiences. Outputs will be digitally-led, allowing for customisation and real-time interaction. As companies define their material issues and approaches to managing impacts, we expect to see more issues-based communications and thought leadership on topics, such as climate change, human rights or water scarcity. Keys sustainability messages will be integrated into branding and marketing communications to reach wider audiences. Story-telling will be how narratives are presented. However, a data bank will still exist for analysts, allowing for comparability, benchmarking, and rankings. There will be greater contextual focus on geographies for global businesses.	Companies need to have a clear strategy for reporting and communications. This might be guided by: • Benchmarking of peers and competitors • Engagement with stakeholders to illicit feedback • Ongoing engagement with the business to align reporting with strategic priorities • Careful communications planning to select the right messages and content to resonate with relevant audiences.
7. Engagement What is the approach to engaging reporting audiences?	**Strategic, collaborative, and on 'shared' platforms.** Audiences engaging each other and the company on material topics through multiple platforms. Engagement strategies will be developed from social listening insights. Collaborative approaches means transparency, listening, learning and evolving the approach in response.	A clear communications plan should include not just getting the right content through the right channels to the right audiences – but also engaging them in a meaningful dialogue. Mapping of potential platforms (such as specialist sustainability websites) can help to identify priority areas to engage key audiences. Digital innovation will continue to transform engagement approaches; and reporting practitioners will need to be aware of how to apply these innovations effectively.
8. Frequency How often is the output produced?	Communication will be ongoing, with periodic presentation of performance reports for a defined period of time.	Resourcing and budget considerations need to flow from decisions around the frequency of reporting. Whilst at first sight, periodic and ongoing reporting might appear more resource-intensive, spreading out the activities across the year can be more cost-effective in the long-term for some companies, when compared to a highly intense, annual exercise.

Preparing for the road ahead

The Four Drivers of Change we have identified pose both challenges and opportunities for businesses. For advanced reporters, the future of reporting will look radically different. However, there is scope for early stage reporters to adapt proven best practice at a pace that is appropriate to their operating context.

Whilst benchmarking good practice and performance will continue to result in similarities in approach, we do not believe a 'blueprint' for reports has emerged – nor should there be one. Just as each business has a unique social, environmental, and economic footprint, and its own unique audience, any communication on its impacts should be shaped by a clear understanding and response to the Eight Key Questions we posed at the beginning of this paper. Honestly answering these questions for your company should result in a unique and effective report:

1. Aims	What is the objective of the report?
2. Audience	Who are the audiences for the report?
3. Materiality	What is the approach to identifying issues that are important to the business and to stakeholders?
4. Systems & Processes	What types of reporting systems and processes are in place to facilitate sustainability communications?
5. Standards & Frameworks	What reporting standards and frameworks are used?
6. Outputs	What is produced from the reporting process?
7. Engagement	What is the approach to engaging audiences?
8. Frequency	How often will the exercise be repeated or other outputs be produced?

Ultimately, a measure of success in reporting can be found in answering three simple questions:

1. Does this meet the needs of my stakeholders?

2. Am I learning from the process?

3. Is it driving improvement within my organisation?

As the reporting landscape continues to evolve, we hope this paper provides a simplified approach to navigating the complexities. We welcome your feedback on the ideas presented and we wish you well on your ongoing reporting journey.

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About Corporate Citizenship

Corporate Citizenship is a global business consultancy specialising in sustainability and corporate responsibility. The team uses expert insight and a simplified approach to sustainability to deliver growth and long-term value for business and society.

With teams in London, New York, San Francisco, Santiago and Singapore we work with clients on both a local and global level, to achieve their commitments to responsible business behaviours and sustainable practices.

We advise on a number of areas including strategy, community, engagement, environment, supply chain, socio-economic impacts, reporting and assurance – helping clients to make the smart choices that will enable them to survive and thrive in an increasingly challenging business environment.

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