Overview of Corporate Sustainability Reporting

Benjamin Gill

Capacity Building Workshop for Policy Makers and Other Stakeholders
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Overview of Corporate Sustainability Reporting

Agenda
Introductions
1. Rationale – the benefits
2. Challenges
3. Existing initiatives
4. Key topics reported on
5. Role of government
Who am I?

Benjamin Gill – MA (Cantab), MSc, C.Env
• Studied environmental science
• > 15 years in the environmental sector
• Lead on sustainability reporting for major companies; Villages Nature (France), Singita (Africa)
• Developing an on-line sustainability action planning and monitoring platform with Bioregional Development group
• Keen bee-keeper, gardener and cyclist
1. What is sustainability reporting?

- What are the drivers?
- What are the benefits to companies and countries?
Overview

• What is sustainability reporting?
  – Reporting versus disclosure

• Who is doing it*?
  – More than 90% of world's largest 250 companies
  – ¾ of the nearly 5000 companies surveyed
  – Latin American ‘surge’

Why are companies reporting?

• Global context – environmental and social challenges
  – Severe weather, biodiversity, water availability, ...
  – Workers rights, unionisation, ...

• External pressures
  – Governments, Stakeholders, Investors

• Business performance

* The KPMG Survey of Corporate Responsibility Reporting 2017

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External pressure for reporting

• National Governments
  – 2010: 45 countries have reporting requirements

• Stock Exchanges
  – 12 have sustainability reporting in listing rules

• Key stakeholders
  – Investors

• Civil Society
  – Reporting frameworks
  – NGOs
Business benefits

Business performance
• Streamlining processes, reducing costs and improving efficiency
• Increased understanding of risks
• Emphasising link between financial and non-financial performance
• Influencing long term management strategy and policy, and business plans

Reputation
• Avoiding being implicated in publicised environmental, social and governance failures
• Comparing performance internally, and between organisations and sectors

Business development
• Identifying new opportunities in an ever changing landscape
National benefits

What are the reasons listed by countries in promoting sustainability reporting:

**External benefits**
- International Policy – ‘The Future we Want’, SDGs
- International competitiveness – Denmark

**Internal benefits**
- Demonstrating a commitment to sustainability, e.g. of national industries – Brazil
- Facilitate a positive contribution of business – Chile
- Transparency driven by NGOs and investors – France
- Social justice – SA (B-BBEE)
- Supporting policy decision; e.g., which companies in their territory contribute more to the proportion of pollutants that they identified?
2. What are the Initiatives in Sustainability Reporting

- Reporting as a whole
- Issues specific initiatives
Existing initiatives & data sources

• Voluntary Corporate Social Responsibility reporting initiatives
  – UN Global Compact
  – Global Reporting Initiative (GRI)
  – Sustainability Accounting Standards Board (SASB)
  – International Integrated Reporting Council (IIRC)

• Mandatory reporting initiatives
  – Sustainable Stock Exchanges
  – National Policies

• SDGs

• Issue specific
  – Carbon Disclosure Project
Foundation initiatives

- **UN Global Compact**
  - 10 principles
  - Continuous improvement
  - Reporting
    - CEO statement
    - Description of action
    - Measurement of outcomes

- **OECD guidelines**
  - Provide ‘non-binding principles and standards for responsible business conduct’
  - First adopted in 1976
  - 44 countries
Global Reporting Initiative

• Co-launched by CERES and Tellus Institute (with UN Environment support) in 1990

• CSR framework providing:
  – Process for defining what to report
  – Comprehensive list of ‘disclosures’
  – Additional sector specific guidance

• 3 categories; economic, environmental, social
  – Social compromises; Labour Practices, Human Rights, Society, Product Responsibility

• Most widely used framework
  – > 7,500 organisations using the framework
  – 70% of 250 largest corporations globally use GRI
Sustainability Accounting Standards Board

- US Not for profit – incorporated 2011
- Goal: define sustainability accounting standards (equivalent to the FASB), with 5 categories
  - Environment, Social Capital, Human capital, Business Model, Governance
- Sector guidance
- Aim to integrate standards into SEC filings requirements
- i.e. aiming to make the reporting mandatory
International Integrated Reporting Council

- Coalition of NGOs and other stakeholders
- Integrated reporting is a "process that results in communication about value creation"
- Report on 6 capitals;
  - financial, manufactured, intellectual, human, social, natural
- Principles of in integrated report;
  - Strategic, connectivity, stakeholder, materiality, concise, reliable, comparable
Key differences

- Prescription Vs Process
- Voluntary Vs Mandatory
- 3rd Party Assurance

Diagram:

Voluntary

Process for defining scope

Mandatory

Providing guidelines for sectors

IIRC
GRI
SASB
National Policies

• Number of countries
  – 2013: 45 countries have reporting requirements; using 180 policies
  – Increase from 32 countries in 2010 and 19 in 2006

• Approach
  – Frequently builds on GRI
  – Trend towards mandatory requirements
Stock Exchanges

• Stock Exchanges
  – 12 have sustainability reporting in listing rules
  – 58 (70% of listed equity) have a ‘commitment’ to sustainability

• Sustainable Stock Exchange Initiative – established by UN Environment in 2009

The SSE ended 2016 with 62 Partner Exchanges from 57 countries, representing nearly 70% of global market capitalization.

Stock Exchanges that Joined the SSE in 2016
6.3.1 Proportion of wastewater safely treated
6.4.1 Change in water-use efficiency over time
6.4.2: Level of water stress:

7.2.1: Renewable energy share in the total final energy consumption
7.3.1: Energy intensity measured in terms of primary energy and GDP

8.4.1 material footprint
8.4.2 domestic material consumption

9.4.1 CO2 emission per value added

12.6.1 Number of companies publishing sustainability reports
Carbon Disclosure Project (CDP)

- CDP provides a global reporting system that collects information from the world’s largest organisations about:
  - their climate change risks,
  - opportunities, strategies and performance,
  - Impact on natural resources including water and forests. By leveraging

- Thousands of companies and cities disclose
  - their greenhouse gas emissions,
  - climate change risk
  - water strategies.

- 4,200 of the world’s largest companies reported to CDP in 2012.

- CDP holds the world’s largest database of self-reported climate change data.
3. What are the main challenges

- Defining the scope
- Putting results in context
Materiality – scope and boundary

• Boundary
  – How to treat; subsidiaries, joint ventures, contractors?
  – Identify where the impact lies

• Scope
  – What should a company include?
  – Materiality matrix
Context

• Unit
  – Reduced CO$_2$/m$^2$ by 10% (increased total emissions by 5%)

• Baselines

• Global context
  – Planetary boundaries
  – 67% of world’s largest 250 companies have CO$_2$ targets, but
    • Only 23% are linked to Paris Accord
    • Almost 70% are not linked to any international framework
4. Key sustainability reporting areas

- Most established
- Emerging
# Key issues reported

**SASAB – materiality map**

<table>
<thead>
<tr>
<th>ISSUES</th>
<th>Health Care</th>
<th>Financials</th>
<th>Technology and Communications</th>
<th>Non-Renewable Resources</th>
<th>Transportation</th>
<th>Services</th>
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<td><strong>Environment</strong></td>
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<td>GHG emissions</td>
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<td>Air quality</td>
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<td>Fuel management</td>
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<td>Water and wastewater management</td>
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<td>Waste and hazardous materials management</td>
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<td>Biodiversity impacts</td>
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<td><strong>Social Capital</strong></td>
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<td>Human rights and community relations</td>
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<td>Access and affordability</td>
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<td>Customer welfare</td>
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<td>Data security and customer privacy</td>
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<td>Fair disclosure and labeling</td>
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<td>Fair marketing and advertising</td>
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<td><strong>Human Capital</strong></td>
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<td>Labor relations</td>
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<td>Fair labor practices</td>
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<td>Employee health, safety and wellbeing</td>
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<td>Diversity and inclusion</td>
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<td>Compensation and benefits</td>
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<td>Recruitment, development and retention</td>
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## Environmental issues – common

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<tr>
<th>Reason</th>
<th>Reporting Approach</th>
<th>Challenges</th>
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<tbody>
<tr>
<td><strong>GHG</strong></td>
<td>Follow GHG Protocol - Scope 1 – direct fuel use - Scope 2 – electricity - Scope 3 – indirect fuel use</td>
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<td><strong>Energy</strong></td>
<td>Follow GRI or CDP: - Total energy purchased - Report: total quantity (e.g. kWh), relative performance (kWh/m2)</td>
<td>No accepted approach; emerging frameworks (WBCSD, CDP,) Lack of local context</td>
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<tr>
<td><strong>Water</strong></td>
<td>Minimum level: water use Ideally cover; water intensity, water quality, recycling</td>
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<td><strong>Material and waste</strong></td>
<td>Origin of materials Major waste streams Waste quantities (M3 or KG) and categorisation Recycling rates</td>
<td>No specific methodology, Lack of accuracy Effluent and pollution – link to wider issues</td>
</tr>
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Other issues

• Impact on health and environment, e.g.
  – Ozone depleting substances
  – Volatile Organic Compounds, PM10s
  – Impacts on biodiversity, habitats protected or restored

• Social issues, e.g.
  – Health and safety, decent working conditions
  – Gender equality and child labour
  – Supplier engagement through to product responsibility

• Emerging environmental themes, e.g.
  – Natural Capital Protocol (Ecology)
  – Circularity Indicator (Waste and Materials)
  – Chemicals management
5. Role of government and business
Role of government

• Corporations:
  – Contribute to national and regional reporting
  – Improve their reporting; concise, reliable and comparable

• Governments:
  – Regulation
    • Policies to promote reporting
    • Provide sector guidelines or processes
  – Data management
    • use data to report on progress and performance at a national level
    • create more context specific targets and benchmarks
6. Questions?

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