

view from the field



Sustainability reporting +10: where will we go from here?

In 2016, as the CEO and senior colleagues sit down to discuss next year's sustainability reporting under the new GRI Guidelines ('G5'), what will they be talking about? Will it be significantly different to what they were debating in the pre-GRI era (before 1996) or even the pre-Brundtland era (before 1986)?

This "View from the field" speculates about where sustainability reporting will be in 2016. Certainly if the number of companies reporting continues to grow at recent rates, almost all globally significant companies are going to find out what that 2015 reality is going to be!

Innovation in report content – what are the new measures of CSR in business?

CSR will increasingly become a fully integrated part of the daily business *modus operandi* and will be considered as one of the accepted parameters of all decision-making processes. All business functions will be affected: corporate governance, research and development, risk management, corporate strategy, taxation as well as indirect influences such as staff pension fund investments.

Companies will increasingly base their outlook on longer term horizons, and business vision and targets will reflect this. Sustainability issues tend to be longer-term issues, and this expanded timeline will enable the business to address substantial issues such as climate change. Companies will also be able to set themselves longer-term challenging targets to improve performance significantly rather than the current piecemeal year-on-year offering.

CSR issues will appear with regularity in financial reporting; social and environmental impacts will be identified and discussed, future opportunities and challenges will be shared and key performance data will be disclosed. The narrative sections of the financial report will discuss the business contribution and commitment to sustainable development. There will be greater use and disclosure of the financial quantification of investments, risks, impacts and mitigation measures regarding environmental responsibility and social accountability.

There will be an increased focus on sector-specific issues and impacts, and little reporting on generic issues which have less importance to either the business itself or major stakeholder groups. This will be in line with key guidance development (eg. Global Reporting Initiative) and other CSR initiatives which have a sector-specific focus (eg. WBCSD, Eurosif, Just Pensions), and will be of particular relevance and assistance to the financial investment community.

There will also be much improved reporting on product responsibility, reflecting the integration of CSR considerations into business functions such as R&D (including design, manufacturing and consumption), marketing and advertising and PR.

Innovation in report collation (process) i.e. who provides information, and who writes it?

As CSR has become a more integrated issue, key staff from different business functions will feed data into the report. As such, an increased number of employees covering a wider scope of business interests will be involved. A positive consequence is that, compared to now, more employees representing a larger number of departments will become informed about and involved in CSR, thus perpetuating the interest and importance within the company.

IT software supporting CSR reporting will become more sophisticated to reflect the

increased complexity of collating data from across regions and functions. The cost of systems currently dedicated to financial reporting will also be justified for non-financial reporting. Using XBRL or its successor, raw data, or selected aggregations, could be accessed through a website for those stakeholders interested in specific data sets.

As more staff become involved in the reporting process and the integration of CSR issues becomes second nature, there will be a greater ownership of the report by the company – whether that be within the financial report or a stand-alone document. And as the disclosure focus shifts to a more sector- and product-specific reporting, there will be less outsourcing of report writing. However, external parties will still be employed (both paid and unpaid) for independent assurance provision, general guidance, stakeholder engagement and consultancy.

Independent assurance provision will be a universal requirement in capital markets as investors and stakeholders demand it. Standards for assurance will be beginning to take on the same significance as financial auditing standards – in part because the latter have expanded to cover combined financial and sustainability reports.

Innovation in report dissemination – how do companies use their CSR report for competitive edge, brand awareness, etc

The use of the Internet will become even more prevalent and more sophisticated. A report user will be able to search using a variety of criteria including by:

- Stakeholder group (eg. local community, labour groups, government)
- Business function (eg. R&D Vs. marketing Vs. corporate governance)
- Specific frameworks (eg. GRI, UNGC)
- Individual sites/countries/locations

Internet technology will also allow companies to communicate their reporting with enhanced accessibility functions. Not only will current technology be developed and superseded, but companies will realise the importance of improving the outreach of their communication tools, thus allowing a greater number of users – for example those registered blind – to read the report.

The information within the report will be disseminated separately in innovative and relevant ways. These different approaches will appeal to different stakeholder groups and different users/consumers of company products. In some cases only extracts of information will be provided, but further references are given. For example, specific information may be printed on tickets, individual products, packaging and bills.

To conclude, sustainability reporting in 2016 will not be where it is and how it looks today. It would have become more robust, more meaningful and better used. It will focus on risk, strategy, materiality and product stewardship. Sustainability reporting would also be fully integrated into financial reporting and business functions. So if that's the case – maybe it will just become a thing of the past: certainly an encouraging outlook.

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