



Network for  
Business Sustainability

Full Report

# Sustainability Reporting to Improve Organizational Performance

Drs. Jodi York, Chris Dembek, and Brad Potter of the University of Melbourne, Australia,  
and Wesley Gee of The Works Design Communications, Canada

Dear Reader,

I'm pleased to share this resource on sustainability reporting. Reporting is a core part of what sustainability teams do. But it's hard to do well.

The NBS Leadership Council told us that reporting was important to them, as they try to balance the needs of all stakeholders. Increasingly, the requirements for reporting seemed to be escalating, but the benefits of this increased commitment seemed elusive. Barbara Turley-McIntyre, Vice President, Sustainability & Citizenship, The Co-operators Group, said: "We are committed to reporting to our stakeholders and providing transparent information on our business. How can we report effectively to such a diverse group of stakeholders, while at the same time managing the time that we spend on these activities?"

In response, this NBS report lays out a new framework for sustainability reporting. It shows how sustainability reporting can be used as a tool for managing performance – not just an exercise in meeting stakeholder expectations. We provide step-by-step guidance on how to achieve this business goal.

This research was a collaborative process between the research team and a guidance committee of managers. The researchers are Drs. Jodi York, Chris Dembek, and Brad Potter of the University of Melbourne, Australia, and Wesley Gee of The Works Design Communications, Canada. The guidance committee included Jeremiah Brenner, LoyaltyOne; Rachel Guthrie, TD Bank; Maia Becker and Deniz Ergun, Metrolinx; Tim Faveri, Maple Leaf Foods; and Robin Roberts, University of Central Florida.

Their approach includes several departures from the status quo. First, it emphasizes the integration of sustainability and business strategy. Second, it considers the embedded processes, the "how" of reporting. Previous resources have provided guidance primarily on the what — i.e. information that is credible, balanced, comparable, and integrated with strategy. The report delves deeper in how organizations are achieving these desirable characteristics. Finally, while most organizations see reporting as a linear process of gathering inputs and producing an output, this report shows that effective sustainability reporting is a cyclical process that involves all functions in an organization, and feeds back to inform future strategy.

Managers may be particularly interested in an accompanying [playbook](#). The playbook provides action-focused guidance, including interactive quizzes. Researchers can draw on the comprehensive review of existing work and innovative synthesis with data.

We hope you find the report and playbook helpful in advancing your organization's sustainability reporting. I welcome your feedback and perspectives on this important topic.

Sincerely,



Tima Bansal, PhD  
Executive Director  
Network for Business Sustainability  
Professor, Ivey Business School

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Full Report

# Sustainability Reporting to Improve Organizational Performance

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## ADVICE GROUNDED IN RESEARCH

This report draws on research by Drs. Brad Potter, Chris Dembek, and Jodi York of the University of Melbourne, Australia. The team, with vast research expertise in reporting, brings an international perspective to study the Canadian context. The research team conducted a review of international and Canadian best practices in sustainability reporting, and extensively reviewed existing research across a number of fields relevant to sustainability reporting. They also conducted 23 interviews with internal and external stakeholders involved in the preparing and/or using sustainability reports. For more details on the research process, see Appendix 2.

# Introduction

Companies that communicate strong sustainability performance enjoy a range of benefits, such as stronger, more enduring revenue streams; less employee turnover; and lower regulatory risk.

Despite the potential benefits of effective sustainability reporting, companies often see this form of reporting as an exercise to meet stakeholder expectations, with little real connection to the core operations of the business.

In this report, we draw on relevant research, global best practices, and interviews to identify opportunities for enhancing the effectiveness and impact of sustainability reporting.

Publishing a formal sustainability report has become standard practice for businesses worldwide.<sup>1</sup> For many companies, this publication is the only way they communicate their sustainability performance.

Why incorporate sustainability into standard reporting practice? Because stakeholders seek a broader base of information with which to evaluate company performance, beyond bottom-line financial results. In particular, investors, lenders, customers, non-governmental organizations (NGOs), and company managers are more likely to factor sustainability information into decisions than ever before.<sup>2</sup> Companies that communicate strong sustainability performance enjoy a range of benefits, such as stronger, more enduring revenue streams; less employee turnover; and lower regulatory risk.<sup>3</sup>

Despite the potential benefits of effective sustainability reporting, companies often see this form of reporting as an exercise to meet stakeholder expectations, with little real connection to the core operations of the business. As a result, firms do not realize many potential benefits of the sustainability reporting function.

We argue for a shift in focus from reports to reporting. Formal sustainability reports should be an important part of a larger platform for understanding and communicating organizational performance, rather than the production of a sustainability report being an end in itself. In this report, we draw on relevant research, global best practices, and interviews with seven Canadian companies and their stakeholders to identify opportunities for enhancing the effectiveness and impact of sustainability reporting (see Appendix 2 for details on methods). We show how effective sustainability reporting – i.e. reporting that reaches the right audience at the right time in the right format for maximum impact – is a function of both what is disclosed and how this information is shared.

<sup>1</sup> More than 90 per cent of Global Fortune 250 companies produce an annual sustainability report (EY, 2014: 13; KPMG, 2015). The reporting rates for the largest companies in countries outside the United States are lower, at about 70 per cent (KPMG, 2015). The surge in interest in sustainability reporting is evident in the frequently published reviews of sustainability reporting guidelines and practices. These reviews variously look globally (EY, 2014; Gray & Milne, 2002; Kolk, 2003; KPMG, 2015; Potter & Soderstrom, 2014; PwC, 2014), within specific regions or countries, including Asia, Australia, Canada, and the United Kingdom (CFERF, 2008; Chapple & Moon, 2005; Jones et al., 2008; Goloba & Bartlett, 2007; Gray, Kouhy, & Lavers, 1995; O'Dwyer, Unerman, & Hession, 2005), and at various dimensions and drivers of those practices (Aras & Crowther, 2008; Gray, 2006; Potter & Soderstrom, 2014).

<sup>2</sup> PwC, 2014.

<sup>3</sup> For further reading, refer: Dhaliwal et al., 2012; ICCSR, 2007; Lev et al., 2010; Porter & Kramer, 2006.

We examine:

- **what input data are collected** (“inputs”).
- **how input data are collected and compiled** into information outputs for reporting (“compilation processes”).
- **what sustainability information is reported** (“outputs”). We look both at the content (e.g. the metric or story) and the format (e.g. a report or blog post).
- **how information is communicated and stakeholders are engaged** by using multiple channels (e.g. “dissemination and engagement processes”).
- **what outcomes and impacts are created** (“outcomes” and “impacts”). Outcomes look at shorter-term measures; impacts speak to ultimate goals. The target outcome of reporting is that stakeholders have the information they need to make decisions, in a format that is appropriate for their use. Impact is seen in improved organizational performance and improved sustainability outcomes for the organization and its stakeholders.
- **how outcomes and impacts** are maximized by shifting focus from a report to a reporting cycle.

In the accompanying [playbook for managers](#) we provide a series of easy-to-follow steps for companies to enhance the effectiveness of their sustainability reporting. In this report, we provide a more detailed, research-based account of the factors contributing to effective reporting.

## Why You Should Read This Report

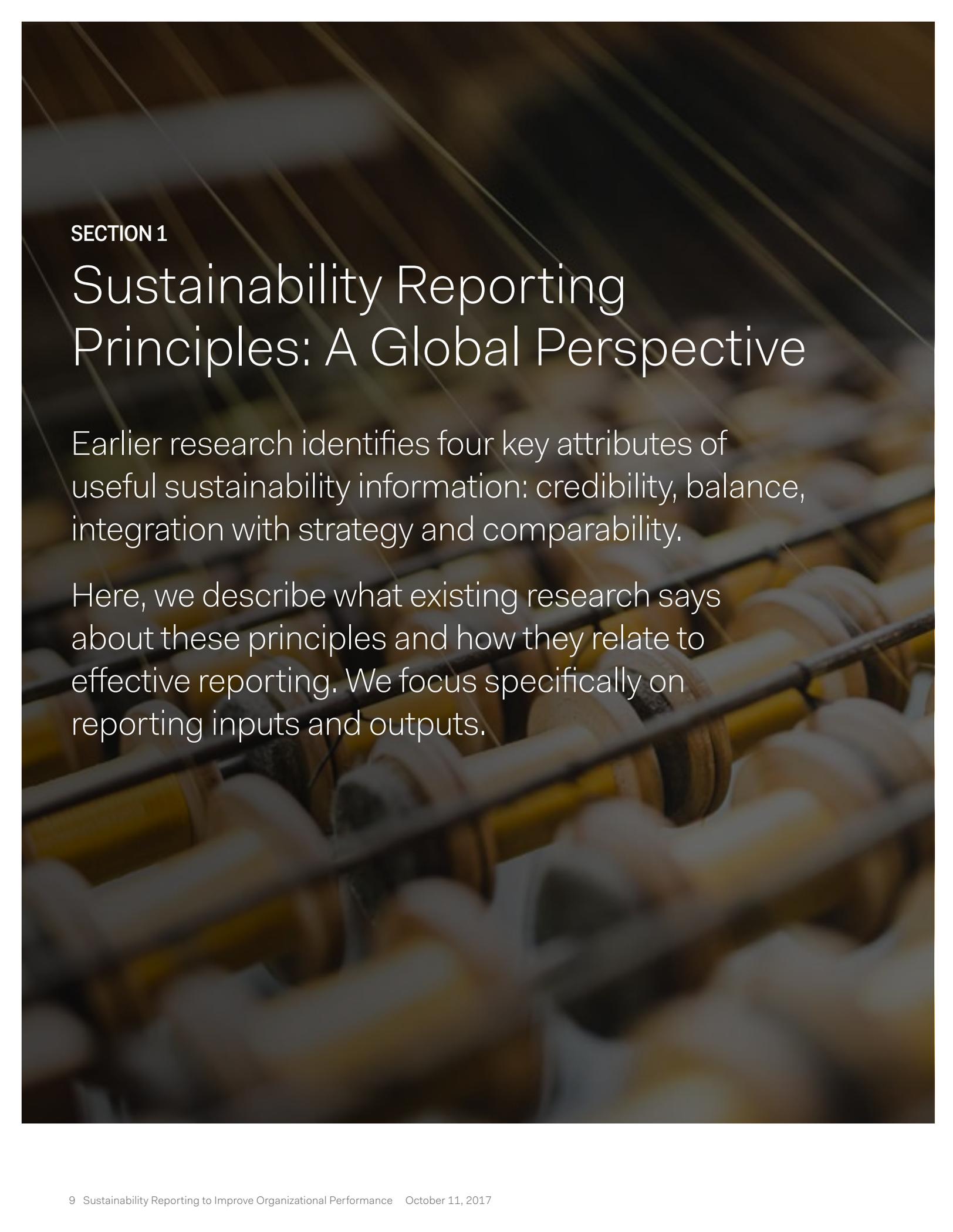
First, major reporting frameworks from organizations such as the Global Reporting Initiative (GRI) provide guidance primarily on the what of sustainability reporting (i.e. the need for credible, balanced, comparable, and strategy-integrated information), less so on the how. **Based on our research, we also describe how this information can be managed to achieve these desirable characteristics.**

Second, we argue for a shift in focus from reports to reporting. Formal sustainability reports should be an important part of a platform for understanding and communicating organizational performance, rather than the production of a sustainability report being an end in itself. Considering outcome and impact is part of this cycle.

## Who Should Read This Report?

This report is intended for companies at any stage of development of their sustainability reporting. Read this report if you are a:

- *Sustainability manager* wanting to begin or improve upon your company's sustainability reporting process and outcomes. Use the reporting process to place sustainability on your company's strategic agenda.
- *Business leader* interested in understanding how sustainability reporting is relevant to implementing strategy and improving business practices and processes.
- *Public relations/communication manager* looking to leverage the annual sustainability report to enhance your company's brand and reputation.
- *Human resources/recruitment manager* aiming to attract and retain the best talent.
- *Investor* interested in better understanding the process of reporting used by companies to help you evaluate a company's resilience in the face of environmental and societal risks.



## SECTION 1

# Sustainability Reporting Principles: A Global Perspective

Earlier research identifies four key attributes of useful sustainability information: credibility, balance, integration with strategy and comparability.

Here, we describe what existing research says about these principles and how they relate to effective reporting. We focus specifically on reporting inputs and outputs.

Four key attributes emerge from the considerable research and practice exploring what makes sustainability information useful for companies and stakeholders:

- **Credibility.**<sup>4</sup> Stakeholders find the information believable.<sup>5</sup>
- **Balance.**<sup>6</sup> The information presents an unbiased picture of organizational performance.<sup>7</sup>
- **Integration with strategy.**<sup>8</sup> The information clearly ties sustainability goals with business goals.<sup>9</sup>
- **Comparability.**<sup>10</sup> Stakeholders can map it to previous reports by the same firm, and to information reported by other firms.<sup>11</sup> Comparability should exist across years and organizations.

In this section, we describe briefly what existing research says about these principles and how they relate to effective reporting. Again, previous research has focused almost exclusively on reporting inputs and outputs, so those stages are our focus here. We use the terms data to indicate reporting inputs, and information to talk about reporting outputs.

Section 2 builds on this existing research with our new findings and model for effective reporting. We examine the process (“how”) elements of creating effective inputs and outputs, and consider outcomes and impacts of reporting.

<sup>4</sup> See, for example, Hodge et al., 2009; International Auditing and Assurance Standards Board (IAASB), 2016; Stockebrand & Spiller, 2006; Xiao & Shailer, 2016.

<sup>5</sup> Popoli, 2011.

<sup>6</sup> See, for example, GRI, 2013b.

<sup>7</sup> GRI, 2013b.

<sup>8</sup> See, for example, IIRC, 2014.

<sup>9</sup> See, for example, discussion in Adams et al., 2016.

<sup>10</sup> See, for example, IASB, 2010: QC 20–23.

<sup>11</sup> See, for example, IASB, 2010: QC 20–23.

## What's Credible?

Credible information is that which stakeholders trust to be believable,<sup>12</sup> authentic,<sup>13</sup> and reliable.<sup>14</sup> Credibility is essential yet subjective. While prior research offers many examples of frameworks and indicators that showcase credible reporting, relatively little easy-to-follow practical guidance exists to help companies enhance the credibility of what they report. Some studies examine the importance and consequences of credible sustainability reporting,<sup>15</sup> but they too provide little guidance as to how to improve reporting along this dimension.

Credible output in the report relies on the credibility of the input or the data collected for reporting. Studies have typically related the credibility of input to the information provider's trustworthiness, expertise, or competence, as well as the extent to which the information is verifiable.<sup>16</sup>

Following recognized reporting frameworks<sup>17</sup> also helps establish credibility. In preparing their reports, companies can use global sustainability reporting frameworks, including the GRI, Integrated Reporting, the Carbon Disclosure Project, and the Dow Jones Sustainability Index, and associated resources.<sup>18</sup> In addition to the large, widely used frameworks, sustainability-reporting initiatives are underway in many countries around the world.<sup>19</sup> According to KPMG, the GRI remains the most used framework:

*[The] Global Reporting Initiative (GRI) remains the most popular voluntary reporting guideline worldwide, with 60 percent of all CR [corporate responsibility] reporters in the 45 countries surveyed referencing the GRI. This is roughly stable with the 2013 rate (61 percent). For stand-alone CR reports the GRI application rate is at 72 percent (2013: 74 percent).<sup>20</sup>*

<sup>12</sup> Popoli, 2011.

<sup>13</sup> Stockebrand & Spiller, 2006.

<sup>14</sup> Hodge et al., 2009

<sup>15</sup> See, for example, Amran et al., 2014; Clarkson et al., 2008; Moroney et al., 2012; Plumlee et al., 2015.

<sup>16</sup> Brown-Liburd & Zamora, 2015; International Auditing and Assurance Standards Board (IAASB), 2016.

<sup>17</sup> For example, the Global Reporting Initiative, Integrated Reporting, the Dow Jones Sustainability Index, the Sustainability Accounting Standards Board, and the Carbon Disclosure Project.

<sup>18</sup> For example, the GRI provides a range of resources to assist companies in preparing a sustainability report.

For further information, refer: <https://www.globalreporting.org/services/preparation/Publications/Pages/e-shop.aspx>.

<sup>19</sup> In its 2014 report, EY cited GRI figures indicating as many 180 initiatives from 45 different countries and regions relating to sustainability reporting (EY, 2014: 13).

<sup>20</sup> KPMG, 2015: 42.

Research generally views the credibility of the output as resting largely on the extent to which it is subject to independent assurance, and on the reputation of those providing assurance. In their global survey, EY found clear evidence of the importance of external assurance and the type of assurer in establishing credibility of a sustainability report.<sup>21</sup> KPMG's 2015 evaluation of sustainability reporting practices show that 63 per cent of the world's biggest companies (G250) have their information independently assured; KPMG describes third-party assurance as "firmly established as standard practice."<sup>22</sup> However, some research results regarding the importance of external assurance are mixed, with researchers finding the type of assurer (i.e. a big four accounting firm or other) is relevant to some users (e.g. accountants, investors, consultants) but less so to others stakeholders.<sup>23</sup>

Our study, described in Section 2, confirms the importance of external assurance for what we term "analytical stakeholders" or stakeholders who use data from the report for specific assessment or decision-making purposes such as investment, but not for other stakeholders. See the outputs discussion in Section 2 for how our findings differ.

<sup>21</sup> EY, 2014: 16–17.

<sup>22</sup> KPMG, 2015: 40.

<sup>23</sup> For further reading on this point, refer: Hodge et al., 2009; Moroney et al., 2012; O'Dwyer & Owen, 2005; Pflugrath et al., 2011.

## What's Balanced?

Balanced reporting presents an unbiased picture of business performance. Balanced reporting is crucial if information is to shape decisions. Like credibility, balance is relevant to both inputs and outputs of reporting. If balanced data (inputs) are not sought for the report, the information (outputs) cannot be balanced. Existing frameworks provide ample evidence on what balance looks like. Data for the report and information reported are balanced when they are *neutral* and *complete*.

Neutrality implies that the firm reports both positive and negative aspects of sustainability performance. The depiction is “not slanted, weighted, emphasised or otherwise manipulated to increase the probability that financial information will be received favourably or unfavourably by users.”<sup>24</sup> The GRI implementation guidelines describe neutral reports as those that “avoid selections, omissions, or presentation formats that are reasonably likely to unduly or inappropriately influence a decision or judgment by the report reader.”

Completeness, similar to neutrality, indicates inclusion of all kinds of information. Relevant categories are qualitative/quantitative; long term/short term, and environmental/social. The Integrated Reporting (IR) Framework explicitly recognizes completeness of what is reported, and defines it similarly to balanced, having “no bias in the selection or presentation of information.”<sup>25</sup>

While balanced reporting is clearly embedded in a number of relevant frameworks, more analytical users of the information, such as financial analysts and regulators, may weight quantitative information more heavily than qualitative information.<sup>26</sup>

## What's Integrated with Strategy?

Information is integrated with strategy when it clearly ties sustainability goals to business goals.<sup>27</sup> When integrated with strategy, sustainability reporting can help an organization understand its current impact, and how it can maximize future positive impact and mitigate future negative impact on the economy, society, and the environment.<sup>29</sup> Integration with strategy increases the credibility and value of sustainability reporting to an organization and its stakeholders because sustainability behaviours are connected to the core business activities of the firm.

<sup>24</sup> IASB, 2010: QC 14.

<sup>25</sup> IIRC, 2013b: 3.44.

<sup>26</sup> Lipe & Salterio, 2000; Luft, 2009.

<sup>27</sup> See, for example, discussion in Adams et al., 2016.

<sup>28</sup> EY, 2014.

Integration with strategy means that firms are focused on collecting data and reporting information that is “material.” In accounting, 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.”<sup>29</sup> Consequently, there are no specific guidelines on a common threshold for materiality since materiality differs in each situation. In sustainability reporting, determining materiality is particularly challenging because most sustainability-related information cannot be reduced to a dollar amount.<sup>30</sup> Instead, firms and their stakeholders must consider whether the information affects firm strategy formation and delivery, and whether it provides insight into the firm's performance. If the information users perceive a strong link to strategy, they are likely to evaluate the information as material.<sup>31</sup> A stronger link makes it more likely that the information reported will actually inform future sustainability actions by the company and its stakeholders such as investors.

The following example offers ways in which sustainability reporting could be integrated with strategy:

*“Steve Waygood, Head of Sustainability Research & Engagement, Aviva Investors, says that Aviva would like to see the chair and CEO comment on sustainability performance in reports and statements. He also says, “It’s important whether directors’ pay relates to performance of non-financial indicators — if it does, we know they’re taking it seriously.” Sustainability creates an environment of accountability, and he argues the standards themselves are not the issue, but rather the thinking by the board and investors. “The real question is whether or not you’re changing your operational and strategic decisions to reflect the way operations exist today, and are set to evolve.”<sup>32</sup>*

## What’s Comparable?

The final principle of sustainability reporting is comparability. Information is comparable when it is presented in sufficient detail and in a format that enables users to match it to similar information across different firms in an industry, and across the years for the same firm. Comparability allows users to make decisions about the firm and choose among alternatives. Comparability, often a subjective judgment, is different from consistency or standardization of data collection methods for same information across time. “Comparability is the goal; consistency helps to achieve that goal.”<sup>33</sup>

<sup>29</sup> IASB, 2010: QC 12.

<sup>30</sup> Adams et al., 2016.

<sup>31</sup> Stockebrand & Spiller, 2006.

<sup>32</sup> EY, 2014.

<sup>33</sup> IASB, 2010: QC 20–23.

## SECTION 2

# Enhancing Sustainability Reporting

We present our research findings on how organizations can enhance their reporting process to achieve more effective reporting.

Our Effective Reporting Framework identifies significant stages. For each stage, we detail how to apply the principles outlined in Section 1 as well as nuances and recommendations based on our study of Canadian companies.

While most companies see reporting as a linear process of gathering inputs and producing an output, we show that effective sustainability reporting is a cyclical process that involves all functions and provides feedback to inform future strategy.

In this section, we show how organizations can enhance their reporting process to achieve more effective reporting. We define effective reporting as reporting that (1) communicates material information (2) to internal and external stakeholder groups (3) in a form that is useful to them, (4) informs their decisions, and (5) informs the firm's future strategy. In other words, this is reporting that reaches the right audience at the right time in the right format for maximum impact on the stakeholders and the firm.

Our approach includes several departures from the status quo. First, we emphasize applying all four principles. Today, companies consider credibility, balance, and comparability of information mostly in the context of producing a yearly formal report; few consider the integration of sustainability and business strategy. Second, we consider the embedded processes. We add to the existing academic and practitioner research that has primarily focused on characteristics of inputs and outputs to describe the *processes* that would help achieve more effective reporting. The principles outlined in Section 1 should apply to both the what of reporting (what data to use, what information to report) and the how, or the processes used in compiling inputs, disseminating outputs, and engaging with stakeholders about organizational performance including sustainability. Major reporting frameworks such as the GRI provide guidance on the what — i.e. information that is credible, balanced, and integrated with the business strategy.

<sup>34</sup> This is shifting in response to stakeholder feedback; the new GRI Standards published October 2016 provide more guidance in this area (<https://www.globalreporting.org/standards/gri-standards-download-center/>).

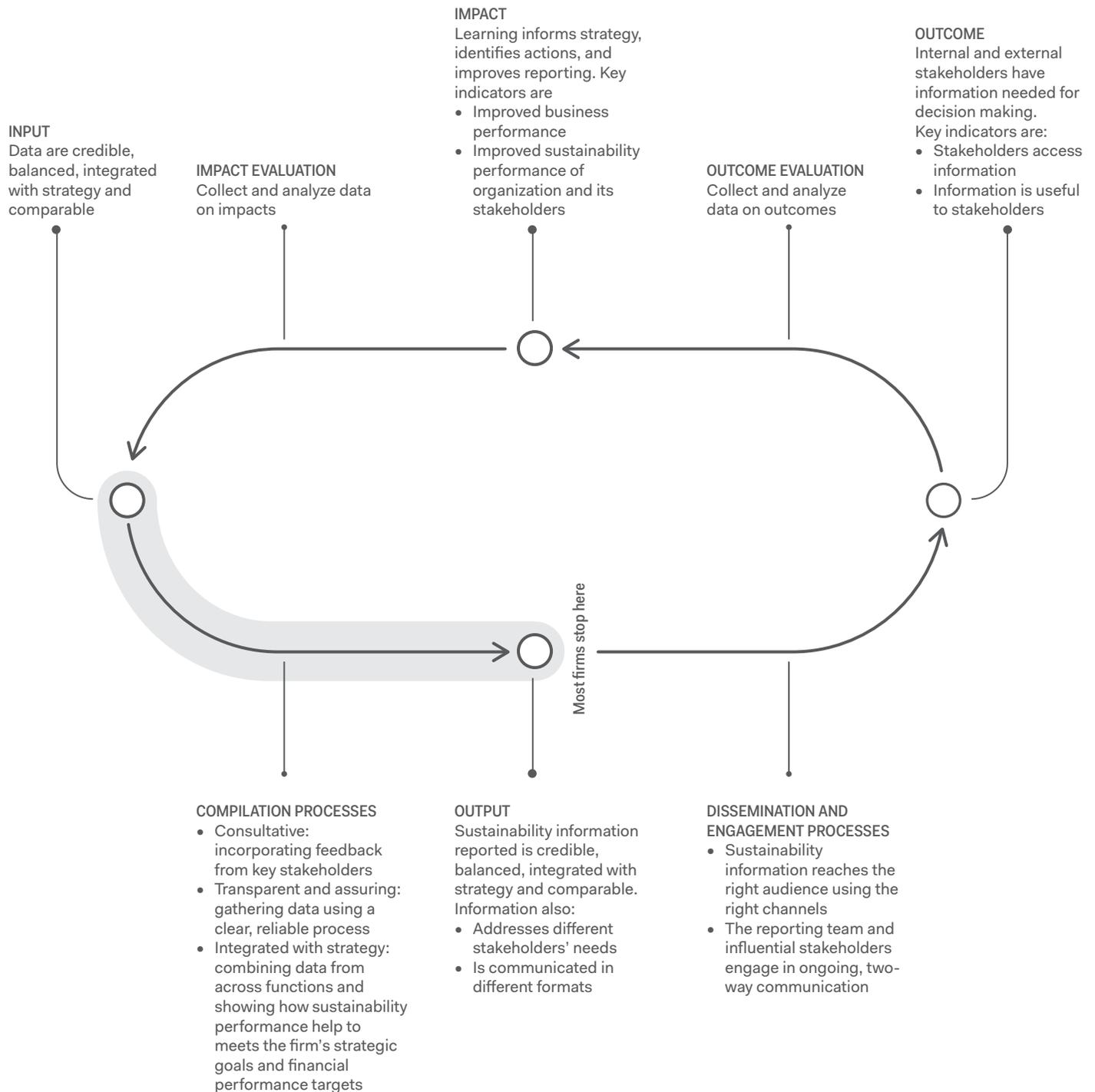
***Based on our research, we also describe the how of achieving these desirable characteristics.***<sup>34</sup>

Finally, while most companies see reporting as a linear process of gathering inputs and producing an output, we show that effective sustainability reporting is a cyclical process that involves all functions in an organization, and provides feedback to inform future strategy.

We conducted interviews with 23 managers and stakeholders involved in the preparation and use of sustainability communication. Below, where appropriate, we indicate how our findings relate to earlier research. But our focus is on new findings. Our hope is to shift the current conversation from producing a report to reporting that enhances organizational performance and thus generates sustainability impact (see Figure 1).

In the remainder of this section, we walk through this Effective Reporting Framework. For each stage, we detail how it applies the principles outlined in Section 1: credible, balanced, integrated with strategy, and comparable. We also provide additional nuances and recommendations based on our study of Canadian companies. Most importantly, we identify the compilation, dissemination, and engagement processes that are key but often overlooked elements of the reporting process.

**FIGURE 1** Effective Reporting Framework



## The "What" of Inputs

Inputs are the data collected for the report.

**Credible** input data are consistent, representative, and error-free. They are compiled with documented and internally consistent methods to produce verifiable metrics. For some, credible reporting starts with the use of a recognized external reporting framework. Use of a framework is not required, but it allows firms to leverage the credibility of these frameworks and greatly simplifies the process of gathering comparable data. Compliance with GRI frameworks was nearly universal among the companies we studied.

**Balanced** input data cover all aspects of organizational performance (financial, environmental, and social, and their interrelationships), are qualitative and quantitative, and represent the short and long terms. Balanced input data capture negative aspects of performance, such as environmental waste or complaints about unsafe working conditions, with the positive aspects. Balanced data are both quantitative and qualitative.

**Integration with Strategy** requires gathering input data that are relevant to organizational strategy, as well as data that satisfy external stakeholder requirements — e.g. those dictated by industry norms or regulations. Sustainability touches every part of a business, and can be improved in every part of a business. However, sustainability data are only likely to be used in organizational decision-making if they speak to strategic priorities.

**Comparable** input data are consistent across the years wherever possible, with the differences documented where they are not. This documentation aids in reproducing metrics and answering internal and external queries. It represents critical institutional knowledge to be preserved in organizational and staffing changes.

While we have presented these dimensions independently here, they are entwined and mutually reinforcing.

Many of the firms in our study were going beyond the GRI framework in an effort to improve these dimensions of their reporting. Three of the respondent firms were working toward meeting the <IR> framework set out by International Integrated Reporting Council. Others have used industry-level frameworks, such as those from the International Council of Mining and Metals or the banking industry.

Firms can have internal obstacles to more effective sustainability reporting at the input data level. High-quality input data depend on good information management systems to ensure that data are collected from across the organization and stored. Firms in our study often reported significant variance in data quality and consistency across business units. Managers said that setting up reporting systems presented upfront costs and challenges, but that good systems, especially those that leveraged existing reporting infrastructure rather than duplicating it, reduced eventual effort and made external assurance a more straightforward task.

*"We've built that system. Lots of challenges with it, but I also think it's... done a lot of good things in the sense of giving us a data management system across the company where we can pull that information and help roll it up rather than using the older format of spreadsheets and so on. It's also helped us for our assurance providers and in terms of conducting assurance in a more efficient way."*

– Sustainability Manager from a Mining Company

There can also be tensions between various dimensions of input data quality. If a firm reports information in different periods, a tension may exist between timeliness and comparability. For one company, this tension meant adjusting their overall reporting schedule to align with slower-to-compile data components such as energy-usage information for the period.

*"I would much prefer to go out with a report where [we are] 100 per cent behind the numbers, and it's all consistent on reporting period and scope and boundaries than have a report [in which some data] are backcast one year."*

– Sustainability Manager from a Financial Services Company

How input data are gathered and compiled into an eventual information output is as important as what input data are gathered and compiled. Below, we address compilation processes that contribute to input data being credible, balanced, and integrated with strategy.

## The “How” for Inputs: Compilation Processes

Compiling is the process of gathering data and selecting what information will be presented and how to present it. In short, it is the process that transforms input data into information outputs. We found that a robust compilation process should be **transparent and assuring** to achieve credibility, **consultative** to generate balance, and **integrated with strategy**. We discuss these elements in more detail below.

### *Transparent and Assuring — for Credibility*

A transparent and assuring process is one that is undertaken in such a way that it is easy for others to understand what has taken place, and stakeholders are confident that all appropriate and necessary steps have been taken. Often, but not exclusively, external assurance provides this transparency. External assurance is professional independent review of sustainability information.

Credible data inputs are key in establishing credible information output. However, credibility is somewhat subjective and dependent on a range of factors which differ by stakeholder group. Despite previous research<sup>35</sup> supporting the importance of external assurance,<sup>36</sup> we found that the value of external assurance to different stakeholder groups varied significantly. Assurance from a credible external organization tends to be most important to analytical stakeholders such as investors, while other stakeholders want a sense of credibility rather than specific markers. Stakeholders were also willing to give some latitude on the basis of an organization's size, understanding that assurance is quite costly.

*“For a company like [company name], [assurance is] very important because they have the resources to go and verify it. So they should... because that gives them that stamp, that neutral third party. For a really, really small dude, no, they're not going to go and comply to the ISOs of the world or [be] certified organic because of the cost. But for a [larger] company like [company name], I think a third-party independent verification, validation of what they've achieved, to me is very important.”*

– Consultant, External Stakeholder from a Consumer Packaged Food Company

<sup>35</sup> See, for example, Brown-Liburd & Zamora, 2015; Hodge et al., 2009; O'Dwyer & Owen, 2005; Park & Brorson, 2005; Pflugrath et al., 2011.

<sup>36</sup> GRI, 2013c.

Transparency in the process helped assure the stakeholders that information is credible. This transparency seemed particularly essential for internal stakeholders, such as employees, who were more willing to participate by offering information if they deemed the process transparent. Hence, a transparent process can generate representative data from across functions and allow for emergence of critical opinions from internal stakeholders — both essential for accurate information.

### *Consultative — for Balance*

A consultative process is one where the firm involves various stakeholders and understands their needs. Through a consultative compilation process, the company identifies key internal and external stakeholders and seeks to understand their needs. In the manager's [playbook](#), we provide tools to help companies determine how well they understand and meet the needs of their stakeholders]. Stakeholder consultation comes with some inherent challenges, such as how to ensure an inclusive process and integrate diverse agendas without overwhelming stakeholders by asking too much.

A few firms in our study took a passive approach to gathering stakeholder feedback, relying on after-the-fact feedback to tell them whether they had met stakeholder expectations. However, most firms have some formal stakeholder consultation process that feeds into the compilation of sustainability information. We observed a range of approaches to this ongoing process, including fixed stakeholder panels that represent the different groups, open stakeholder forums, and ongoing surveys.

*“The best thing we did was use a web platform, so rather than flying in external stakeholders to have a two-hour panel discussion face-to-face, we moved the whole discussion . . . online and found it much better. People were able to go in at a time that was convenient for them and provide us with their feedback, so that was really, really good and we got lots of great feedback on our programs and where we were not meeting the expectations of what we should be.”*

– Sustainability Manager from a Financial Services Company

In their focus on formal feedback processes, some businesses in our study failed to use less formal channels and ongoing opportunities for feedback outside of the designated consultation period. Informal stakeholder engagement can provide more up-to-date, genuine, and valuable information than what comes through the formal processes, including the day-to-day frustrations like those expressed below.

*“Anytime I need [sustainability information] for a customer, I’m sending emails to people and it’s like pulling teeth to get it, because you...don’t know who to go to, and then you get sent to another person, that person is too busy... and then I end up getting someone who finally gives me something, and it’s not user-friendly because it’s too technical, or too complex, or its too general, as opposed to getting down to exactly what we’re doing.”*

– Marketing Manager from a Consumer Packaged Foods Company

Respondents observed that stakeholder groups wanted different levels of depth or formality. External stakeholder groups that demanded the most detail were analytical users such as indexers, analysts, investors, and consultants. These users reviewed the reported information critically and with a very close attention to detail, often asking follow-up questions. These analytical users play the important role of distilling and synthesizing information for stakeholders such as customers who may not personally pursue company information. These analysts informally certify and bolster the credibility of company performance information in the process.

*“We get tons of questionnaires from analysts . . . who write reports on companies and do research and then sell that information to their clients. They will have their own criteria and information that they’re looking for on how are you aligning with the UN Guiding Principles or human rights. Are you reporting out on it? They want to know specifically how we’re doing due diligence for human rights. Human Risk Assessments, for example. They want to know really specific information, for sure. Then analysts for indices like FTSE4Good<sup>37</sup> and DJSI [Dow Jones Sustainability Index].”*

– Sustainability Manager from a Mining Company

## *Integrated with Strategy*

A process integrated with strategy ensures that sustainability communication is at the centre, drawing information from, and informing, all functional areas. Compilation processes that integrate reporting with strategy allow a company to move sustainability reporting from the periphery to the centre of performance measurement and communication, embedding sustainability into every activity across the company. Integration of sustainability and strategy is only possible when the compilers of sustainability information understand the roles played by various company functional areas, and how they should work together. We found that this whole organization perspective was often missing from compilation.

<sup>37</sup> The FTSE4Good Index Series measures the performance of U.K. companies that meet globally recognized responsibility standards.

Effective reporting is more than supplying a table of figures. It emerges from compiling bits and pieces of information from across the entire organization and really understanding how these bits and pieces interact and are interrelated. It requires drawing together a wide range of information from across the business and curating it into a coherent whole on the basis of in-depth knowledge of the entire business. It means asking and answering questions like: What is the context of the information, and why is it meaningful? What is its impact on other parts of the business? How does the information fit with the strategic goals of the company? We found that sustainability reporters had to fully understand the implications of an individual sustainability data item on the firm's activities to effectively convey this information to stakeholders.

*"I think the best information is information that has currency in the organization that's reporting it. By that, I mean they use it for something besides just reporting their sustainability. Like it's used to make their business decisions. It's used to satisfy their reporting to government on something else, for example. They use it as the basis of their financial statements. That's the kind of information that's useful...otherwise all you get is data that you're not going to [for] use anything. We need the information, we don't need data. So basically, the best and most useful information is the information that is used for other purposes in that organization besides just sustainability reporting. If you're using it to manage your business then it's good information. I want to know about it."*

– Industry Body Stakeholder for a Public Transport Company

## The “What” of Outputs

Credibility, balance, integration with strategy, and comparability are desirable characteristics for the outputs as well as the inputs. Companies must select from their enormous pool of data to tell a story to their internal and external stakeholders that speaks to their concerns. They must reach the right audience at the right time in the right format.

*"It's not just about us saying how wonderful we are . . . It's about really getting at the intent of what we're trying to report on [through] the indicator. Reporting in a balanced way and talking about the negatives and the positives and then also trying to go deeper, 'Okay, what does this really mean? Why is it really important?'"*

– Sustainability Manager from a Mining Company

**Credible** information output emerges from a transparent and assuring compilation process.

**Balanced** information output tells the story of organizational performance in a way that captures multiple dimensions and tells a consistent and unbiased story to all audiences (though a product may hone in on a particular aspect of performance).

**Integration with strategy** means that the output reflects the organization's larger strategy, shows how sustainability interacts with it, and tracks progress toward the strategy.

**Comparable** outputs reflect an understanding of the stakeholders' key priorities and allow users to make comparisons between current and prior reports, or among reports in an industry. Key priorities likely differ among banks, oil companies, and consumer goods companies, for example.

Our research shows that in developing good outputs, firms incorporate the four principles (credible, balanced, integrated with strategy, and comparable) and also look at two other evaluative characteristics. These are outputs that (1) meet diverse stakeholder information needs and (2) are communicated using diverse reporting channels. These two characteristics mean that stakeholders have the context to understand the implications of reported activities and performance. For example, a table of figures does not inform unless the company and its stakeholders have a shared understanding about what that information means. As shown by the quotes below, a table substantiates and supports an overarching story of organizational performance, but many companies miss the opportunity to tell that story.

*"We publish a lot of environmental data in the annual report and something that came out of the [stakeholder] interviews was that that data don't really mean anything to anyone. To some it was just a list of numbers, it doesn't really tell a story."*

– Sustainability Manager from an Air Transport Company

*"If you want people engaged, if you want them motivated, if you want their buy-in, you need to show numbers but you also need to be able to tell the story in a very sophisticated but also a very brief way. People don't have time to read now."*

– Industry Body Stakeholder from a Consumer Packaged Foods Company

## *Outputs That Meet Diverse Stakeholder Needs*

Effective reporting involved meeting the information needs of different stakeholder groups, such as providing a deep dive for groups that want it, or an accessible summary for those that don't. We found that key distinctions between stakeholder groups based on informational needs were: (1) whether they were internal or external stakeholders, and (2) whether they were analytical stakeholders such as investors or non-analytical stakeholders such as community members.

We found that diverse products must share the same key messages about what matters to the company and how it's tracking toward its goals. Inconsistent or contradictory messages undermined credibility. As shown in the quotes below, firms varied in their confidence and curiosity about the information needs of their stakeholders.

*"It's about telling that story in a consistent way and reaching many different stakeholders; hopefully consolidating all these requests in one platform for people to access so that they can hopefully find the information that they want."*

– Sustainability Manager from a Mining Company

*"How do we connect with people and bring some of these numbers and metrics and issues to them in a way that is a bit more living than a big, heavy report? Storytelling and those types of tools are a way of connecting, but how do you identify who you need to be engaging with continually? Do they have a mechanism to engage appropriately and . . . in order to engage, do they understand the information?"*

– Sustainability Manager from a Public Transport Company

## Internal versus external stakeholders:

Most of the organizations we studied targeted internal stakeholders as the primary users of their sustainability information. Internal stakeholders throughout the company use sustainability information in sales, hiring, internal planning and reporting, and other operational functions. Several respondent firms have reporting products tailored to inform, engage, and inspire their internal stakeholders, whether or not they use sustainability information in their day-to-day work. In some cases, internal stakeholders were the primary users of the comprehensive sustainability report as the definitive "go-to" source of information. In other cases, all employees received a shorter summary of sustainability information to have at their fingertips. A shorter summary is especially valuable in companies where most employees do not spend significant amounts of time at a computer.

*"[The sustainability brochure for employees] was just basically a summary of the full report and really some key highlights that we wanted to get across. Just another way to get [an] at-a-glance view of our most pressing and key sustainability initiatives that we want to communicate to staff. If they were in an elevator and somebody said, 'What does sustainability mean for [company name]?' They could go over a few key things that were in the brochure and talk about, 'Well, here are the things are the things that we did as an organization in 2014.'"*

– Sustainability Manager from an Insurance Company

### Analytical versus non-analytical stakeholders:

We found that whether stakeholders were internal or external, they fell into analytical and non-analytical clusters in terms of how they used sustainability and performance information. Analytical users, such as internal management, investors, and researchers, wanted a significant amount of specific quantitative information, backed up by commentary to aid interpretation.

*"It's much easier to incorporate and consolidate quantitative information, especially on a portfolio basis or an industry basis. But I think if you're just relying on quantitative data without being able to drill down on the qualitative side as well, then I think those numbers lose a lot of value. I know the qualitative stuff can be much more time-consuming for companies to disclose, but I think there definitely is value there. But I would qualify that with, as long as it's material. What we do see is just a lot of qualitative data that's just not material. I think it definitely puts a lot of the numbers-based data into context by having that narrative sitting alongside it."*

– Analytical User

By contrast, non-analytical users such as customers or civil society groups largely wanted short-form qualitative information, backed up by numbers to provide credibility. This attitude is reflected in the stakeholder quote below.

*"I don't necessarily need to be [a] sustainability expert, but I want to be well-versed in it, if that makes any sense...I'm comfortable with getting to a level where I can educate at a high level, just to get my customer to a high level. I don't need deeper than that. That's enough for me. So, sometimes I don't need to read an entire report. I could probably garner the information."*

– Non-Analytical User, Sales Manager from an Insurance Company

We found that some firms experienced a tension between completeness and materiality in their reporting. They managed this tension by producing multiple products. In particular, they produced a large definitive report with facts and figures primarily for use by internal stakeholders, and supplemented this with tailored products for external stakeholders as described in the quote below.

*"I think people are more and more looking for how is a company talking about its most important information, the most material information, and how is it reporting based on that. [People are not looking for]...400-page reports where you can get really lost in what's actually important. What do I need to know? You tell me what's important. That's where they're really getting at now."*

– Sustainability Manager from a Mining Company

### *Outputs That Use Diverse Reporting Channels*

We found that firms used diverse reporting channels or media to communicate their information. Some firms relied largely on stakeholders coming to their website or picking up a hard copy of the annual sustainability report. Several firms were increasingly experimenting with video content for internal and external stakeholders, but struggling a bit to get the tone right.

*"My challenge has been that our social media team wants material or assets that are more fluffy in nature, and my topics are quite serious, and not as warm and fuzzy as they would like . . . [They] don't know how to handle a corporate responsibility message like that because it's not the rah-rah bank stuff that they usually put out."*

– Sustainability Manager from a Financial Services Company

The Cone Communications Global CSR Study 2015 reports that 61 per cent of global consumers reported use of social media to engage with companies around social and environmental issues.<sup>38</sup> In our external stakeholder interviews, most stakeholders reported first looking online for information. Online sources included company websites, third-party analysts, and social media. While the external stakeholders did not consider social media a credible primary source of information, they saw it as useful for ongoing two-way engagement around the topic, and for disseminating short-form information to a large audience.

<sup>38</sup> Cone Communications, 2015.

Globally, use of social media as a tool for sustainability reporting is growing. The Social Media Sustainability Index showed only 60 of 475 major global businesses had social media activity around sustainability in 2010; in 2012 that hit 176, and in 2015 it was 283. Among these firms, Twitter is the most common channel.<sup>39</sup> To better understand how our respondent firms used social media for sustainability reporting, we compiled a snapshot of their Twitter use. Twitter is an online social networking service that enables users to send and read 140-character messages called “tweets.” It had 310 million active users per month by 31 March 2016,<sup>40</sup> and is used by 65.8 per cent of U.S. businesses for marketing purposes.<sup>41</sup> Table 1 summarizes the Twitter activity of the firms involved in our research.

**TABLE 1: TWITTER USAGE SNAPSHOT AS AT JULY 2016**

Type of company	Account Created	Total Tweets (Industry mean) <sup>42</sup>	Sustainability-related Tweets <sup>43</sup>	Followers (Industry <sup>40</sup> mean)
Air Transport Company	2009	9,484 (13,451)	16	37,983 (39,919)
Insurance Company	2009	4,194 (10,539)	81 (1.9%)	3,836 (7,917)
Mining Company	2009	279 (1,244)	17 (6.1%)	6,992 (9,115)
Public Transport Company	2009	8,416 (5,505)	17 (0.2%)	22,383 (18,695)
Financial Services Company	2010	60,953 (26,226)	36 (0.001%)	95,667 (69,782)
Consumer Packaged Foods Company	2011	8,342 (4,735)	6 (0.001%)	23,298 (19,834)
Food Retail Company	2013	175 (12,509)	2 (1.1%)	784 (22,879)

<sup>39</sup> Sustainly, 2015.

<sup>40</sup> <https://www.brandwatch.com/blog/44-twitter-stats-2016/>

<sup>41</sup> eMarketer, 2015 (updated with new information from 2016).

<sup>42</sup> Based on one to five industry peers in Canada, or in the United States when Canadian peers did not exist.

<sup>43</sup> Tweets that included any of the following terms: sustainability, sustainable, renewable, green, livable, viable, continuous, continual, or livable.

All companies had active five- to seven-year-old Twitter accounts. Usage varied across and within industries, but the pattern was clear: usage of this medium for sustainability communication was very limited. The mining company mentioned “sustainability” 10 times but because it has sent relatively few tweets, “sustainability” is among its top 20 single terms. Hashtags are words or phrases preceded by a hash sign (#), commonly used on social media sites such as Twitter to identify messages on a specific topic. They are a way for people to search for tweets on a common topic. The insurance company is the only company to have the #sustainability hashtag in its top 10 hashtags (mentioned 18 times) and #sustainable (mentioned six times) in its top 25.

Despite their firms' social media footprint on services such as Twitter and Facebook, many interviewees dismissed these services as marketing tools. Few interviewees used social media to communicate sustainability and performance information. Some firm interviewees preferred the medium-length format of blogs over the 140-character brevity needed for Twitter.

*“Through our website, how can we have certain topics or areas of sustainability be focused in . . . more of a blog format to allow for . . . a little bit more context, a little bit more interaction using, potentially, videos on the website which you could potentially tweet about and link back to? There needs to be a base that people are connected back to. It would be very difficult otherwise to send such short impactful messages just for something like a tweet.”*

– Sustainability Manager from a Public Transport Company

## **The “How” of Outputs: Dissemination & Engagement Processes**

Dissemination processes — how firms circulate information — can lead to the right sustainability information reaching the right audience in the right form. At the same time, this focus on reaching the right audience in the right form does not include a channel for stakeholder feedback. We found that ongoing engagement with stakeholders about the sustainability information was an essential companion to dissemination. This engagement creates the necessary inputs for future reporting cycles, and maximizes the reach and impact of sustainability information. Below, we explain the process for achieving both: reaching the right audience in the right form, and continuously engaging with the stakeholders.

## Dissemination

Stakeholder information needs are contextual. They will use information in particular ways that must be understood. Are they presenting it to third parties? Is the information being incorporated into analysis for year-on-year comparison? Do they need infographics, sound bites, or tables? Stakeholders in our study often expressed frustration that information came in a form that was not fit for their purposes.

Firms must understand not only what information the stakeholders need and what they use it for but also how they use it. For example, a sales team may primarily use the website, but may also require targeted apps and branded PowerPoint presentations for use with customers. It is not enough to publish a report — to reach different stakeholders, the information needs to be translated into different formats and useful tools that are as updated as the reports are.

*“Sometimes I want something in a nice PDF format that I can communicate on an annual basis to my customers saying, ‘Here, please, I don’t know which department to send it to,’ that they can keep on file and be able to evaluate us year to year and they can refer back to it. I think we have a fun interactive type of website, which is really pretty nice. But a nice professional report would be helpful...that I can present to the head offices.”*

– Sales Manager from a Consumer Packaged Foods Company

Those companies that actively sought stakeholder feedback on the format and content of sustainability reporting were sometimes surprised by the results: rather than being weighed down with detail, the general non-analytic user wants sustainability stories supported by evidence and numbers.

*“We took that feedback [from our stakeholder survey] and this year, instead of publishing all the environmental data in the annual report, instead we’re going to have a supplementary downloadable document on our website. Then what we’re going to do is take out some of our key numbers: things like our diversion rate, our GHG [greenhouse gas] emissions. Instead of just publishing the number, we’re going to tell a story, so more qualitative as opposed to quantitative.”*

*"I find that people were interested in reading about the 'cool stories.' Rather than just publishing a number, 'X amount of honey was produced through our honey bee project.' Instead of doing that, people want to see the graphics, the story, why did we do honey bees? How do they help the environment? More of the qualitative, the stories, the good news stories as opposed to publishing a list of numbers."*

– Sustainability Manager from an Air Transport Company

## Engagement

Dissemination is a one-way flow of information to stakeholders. As such, it is a step in a sustainability reporting process rather than an endpoint. Our research suggests that a business accrues the most value from sustainability reporting when it engages in ongoing, two-way communication between the sustainability reporting team and the external and internal stakeholders of the organization. Engagement with stakeholders around sustainability information encourages the incorporation of that information into a decision-making process, and is crucial for transitioning from a report to a reporting process. This is where sustainability information has the potential for greater impact. However, we found that many firms looked at stakeholder engagement as a one-way flow of information, as shown in the quote below. What they were calling engagement was really dissemination of information.

*"There are a number of ways that we reach out to stakeholders about the availability of the report. [We use] weekly articles on our intranet to let staff know about the report and its content, and [break the content] into smaller sections because we find that staff communicated to us often that they don't have time to get through a full report. So we break it down in chunks that are manageable for them, that they can digest it at their own leisure."*

*"We have a full communication plan associated with the report launch. [With] an online report, a PDF, it is a challenge to get people to read a full report, so . . . we . . . leverage messaging from the report in other communication channels, whether that's your Facebook, Twitter, and just small things. It's a wealth of information for other areas of the organization to tap into."*

– Sustainability Manager from an Insurance Company

Other firms found formal and informal ways to ensure continuous engagement with stakeholders. Internally, companies can incorporate sustainability indicators into their performance management framework. Firms can use social media and other forums to create opportunities for two-way engagement and discussion with, and between, stakeholders throughout the year, as the two firms below are doing.

*“This year, we’re trying something new. Once the annual report is complete, we really want to have a social media presence. We . . . want to take main components out of the annual report and publish them on Facebook and Twitter to draw people to the annual report. Aside from the report, our communications team is very active in asking for [sustainability news] stories to post on social media.”*

– Sustainability Manager from an Air Transport Company

*“We have investors [on the panel]. We have socially responsible investors and we have more mainstream investors. We have community members. We have Indigenous peoples. We have subject matter area experts like water experts, change management experts. We have basically representatives from our key stakeholder groups that we’ve identified.”*

– Sustainability Manager from a Mining Company

## Outcomes

Outcomes are finite and measurable change in the short to medium term. The desired outcome of sustainability reporting is not report publication. Rather, it is that stakeholders have the information they need to make decisions, in a format that is appropriate for their use. Essentially, stakeholder information needs are satisfied. Firms should evaluate the outcome of their reports. Here, we describe how companies we studied approach such evaluation.

### *Stakeholder Information Needs Are Satisfied*

Key indicators of satisfaction of stakeholder information needs include (a) whether the stakeholders accessed the reported information and (b) whether this information was useful to them. Access is often easiest to assess, for example by using web analytics for online sustainability information. However, understanding the subjective usefulness of the information requires stakeholder feedback, preferably through active engagement with the stakeholders.

Analytical stakeholders are likely to contact an organization directly with questions about information and requests for clarification; these inquiries can identify unmet user needs, as described in the quote below. However, they may provide little insight on how an organization can go beyond the baseline of “meeting needs” to enriching stakeholders’ experience.

*“I think the real gauge of whether our reporting is effective is in the quality of questionnaire submissions . . . So whatever we get from Corporate Knights, or Sustainalytics, or DJSI, all of those other ones — If we’ve been able to use the report as an effective reference tool for all of those other purposes, if analysts are able to find the information effectively, then I think we’ve done a good job. That’s really where I see the gaps.”*

– Sustainability Manager from a Mining Company

We found that evaluating whether reporting was useful for stakeholders involved a few factors. First, the sustainability reporting team understood the information content required by the different stakeholders as well as the context in which they used the information. Second, the team was able to turn understanding into action by adjusting the timing and format of future reporting based on their understanding of content and context, as described below.

*“We did stakeholder interviews and some of the feedback we got was, ‘Oh, we only really read the first 10 pages of your report,’ which is really the snapshot, the key numbers, the qualitative, the stories of what happened that year. That’s why this year we decided to produce a shorter report that could be used for other stakeholders such as the community and also our other airport partners...”*

*“This year, for one of the first times, we’ll be doing a feedback survey after the report’s published. The purpose of that survey is to really understand who’s reading the report and what components they’re reading and what components they’re interested in reading about. It’ll give us a better idea for next year’s report.”*

– Sustainability Manager from an Air Transport Company

*“We are moving away from the big bible reference report and doing a lot more focused reporting on specific topics, because we find that it’s easier to target your audience that way and write on a very specific issue. So, we do an Aboriginal report for example, or we did one for the Pride community . . . So, it’s easier, I find there is much more return on investment in some ways, and [support] new business, which is really what we are trying to do through those smaller reports. But the value of the big report is more [as] an internal reference document, so that everybody is speaking from the same page.”*

– Sustainability Manager from a Financial Services Company

The playbook provides tools that can help you evaluate the outcome of your report.

## Impact

The impact of sustainability reporting relates to the ultimate value created by the reporting in terms of the effect it had on stakeholders. It is a question of how: How do the firm and other stakeholders use the reporting to inform future strategy, action, and reporting? How is reporting changing behaviour and sustainability outcomes?

A valuable measure of sustainability reporting's impact is whether it improves performance and sustainability for internal and external stakeholders. Since sustainability reporting is costly, but not mandatory, such evaluation is also a powerful way of convincing different groups in the organization that sustainability reporting is essential and that the business derives value or impact from reporting that justifies the cost. We focus on two aspects of impact: (1) improving the business performance of internal stakeholders and (2) improving the sustainability impact of internal and external stakeholders by inspiring action.

### *Improve Internal Stakeholder Performance*

Effective sustainability reporting can improve business performance in multiple ways: e.g. through increased sales, ease of hiring and retention, improved regulatory relationships, and more receptive media coverage. It should be useful to internal stakeholders in most parts of the organization. It can increase employee engagement; inform managerial decision-making; identify cost savings; foster innovation; and create goodwill that aids marketing, hiring, and retention. In short, effective sustainability reporting should allow internal stakeholders to be more effective in their roles.

The degree to which sustainability and business goals align is a key determinant of impact. A common language aids firms in evaluating the reporting's impact on organizational performance, and encouraging internal stakeholders to adopt the insights generated in the reporting process. As in the situation described in the quote below, alignment between sustainability and business goals is facilitated by a sustainability strategy that is integrated with and informs the overall business strategy.

*"I think the real gauge of whether our reporting is effective is in the quality of questionnaire submissions . . . So whatever we get from Corporate Knights, or Sustainalytics, or DJSI, all of those other ones — If we've been able to use the report as an effective reference tool for all of those other purposes, if analysts are able to find the information effectively, then I think we've done a good job. That's really where I see the gaps."*

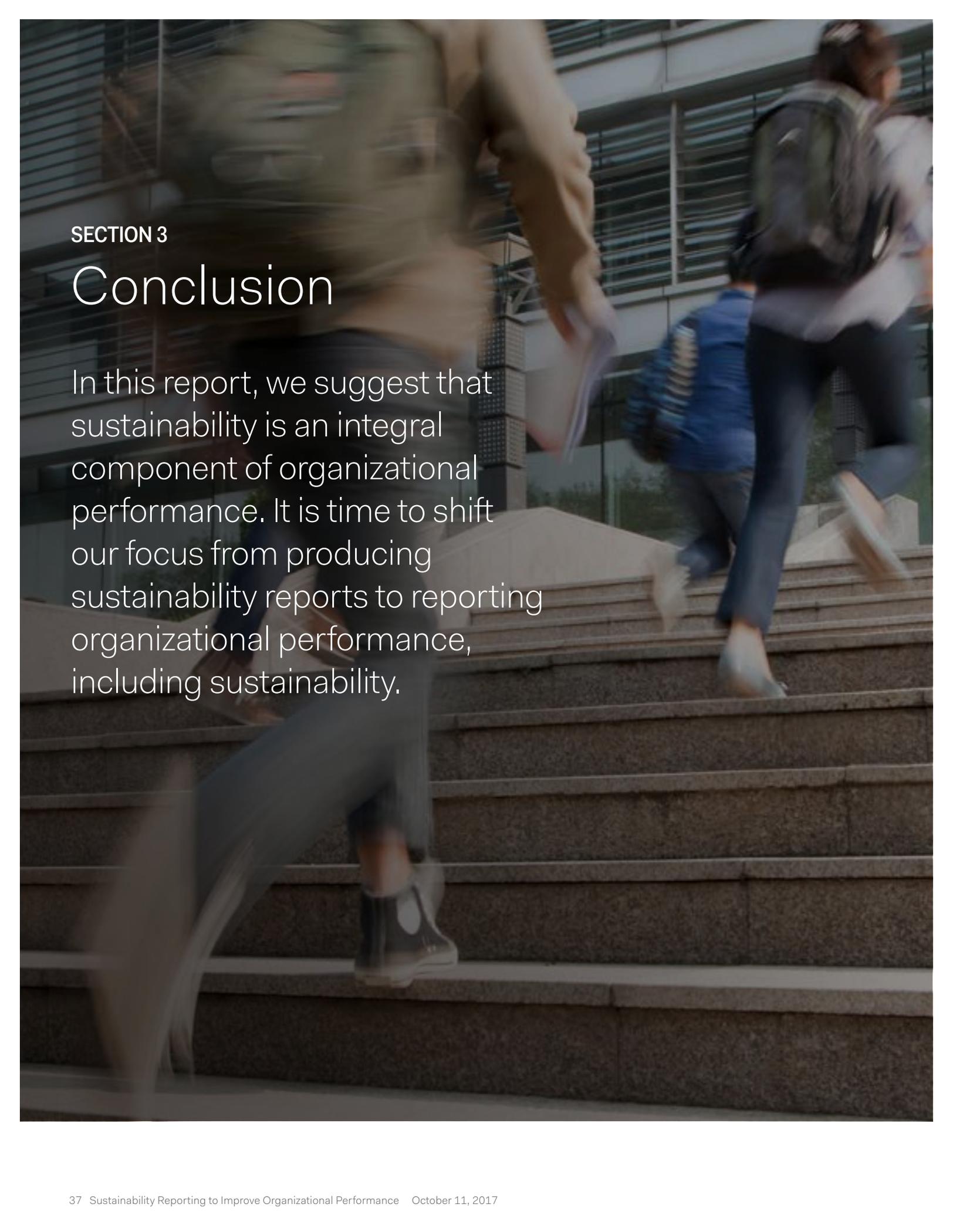
– Sustainability Manager from a Mining Company

### *Improve Stakeholder Sustainability*

Implicit in effective sustainability reporting is a desire to improve sustainability outcomes over time, rather than merely provide information. While most sustainability reporters seek to improve the sustainability of their own business, the social and environmental impacts of many businesses are also felt outside of the organization in its supply chain and customer base. Global businesses are increasingly incorporating that broader reach into their reporting.<sup>44</sup> Assessing the impact of effective sustainability reporting on external stakeholders requires more effort than assessing its impact on internal stakeholders, as external stakeholders may not be as willing as internal stakeholders to provide feedback. Companies may have limited access to primary data, even if they are highly engaged with the value chain. Firms in our study circumvented this issue by using different sources of secondary data including reports, press releases, publicly available databases, and others.

They communicated the results of the analysis back to the external stakeholders, and sometimes used the results for peer benchmarking.

<sup>44</sup> Adams et al., 2016.

A blurred background image showing several people walking up a wide set of stone stairs in a modern building. The people are in motion, creating a sense of activity and progress. The building has large windows and a contemporary architectural style.

## SECTION 3

# Conclusion

In this report, we suggest that sustainability is an integral component of organizational performance. It is time to shift our focus from producing sustainability reports to reporting organizational performance, including sustainability.

We have argued for a shift from an inward-looking annual report production model to an outward-looking ongoing engagement cycle that is informed by deeper understanding of the information needs of stakeholder groups. Focusing solely on an annual sustainability report is unlikely to satisfy the diverse needs of different stakeholder groups. Firms can better address the variety of content, form, and timing requirements among stakeholders by using a range of outputs, and by seeing reporting as a continuous process rather than a yearly report production exercise.

To achieve this, we use key dimensions from the literature (credibility, balance, integration with strategy, and comparability) to outline a process that complements existing guidance on what output information to publish with more in-depth insight into how to do so for maximum impact. We draw on the experiences of seven Canadian companies to illustrate how input data; information output; and processes of compilation, dissemination, and engagement work together to create more impactful sustainability reporting that informs, engages, and inspires.

## Resources for Further Reading

### *Credibility of Sustainability Reporting*

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Xiao, X., & Shailer, G. 2016. *Factors affecting credibility perceptions of sustainability reports*. Paper presented at the Accounting and Finance Association of Australia and New Zealand annual conference, Gold Coast, Queensland, Australia.

### *Reviews of Sustainability Reporting*

Ernst & Young (EY). 2014. *Sustainability reporting: The time is now*. Available at: [www.ey.com/Publication/vwLUAssets/EY\\_Sustainability\\_reporting\\_-\\_the\\_time\\_is\\_now/\\$FILE/EY-Sustainability-reporting-the-time-is-now.pdf](http://www.ey.com/Publication/vwLUAssets/EY_Sustainability_reporting_-_the_time_is_now/$FILE/EY-Sustainability-reporting-the-time-is-now.pdf).

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### *The Case for Sustainability Reporting*

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Porter, M. E., & Kramer, M. R. 2006. Strategy and society: The link between competitive advantage and corporate social responsibility. ***Harvard Business Review***, 84(12): 78–92.

Xiao, X., & Shailer, G. 2016. ***Factors affecting credibility perceptions of sustainability reports***. Paper presented at the Accounting and Finance Association of Australia and New Zealand annual conference, Gold Coast, Queensland, Australia.

### *Relevant Reports and Guidelines*

Global Reporting Initiative (GRI). 2013b. ***G4 sustainability reporting guidelines: Implementation manual***, Amsterdam: GRI. Available at: <https://www.globalreporting.org/resourcelibrary/GRIG4-Part2-Implementation-Manual.pdf>.

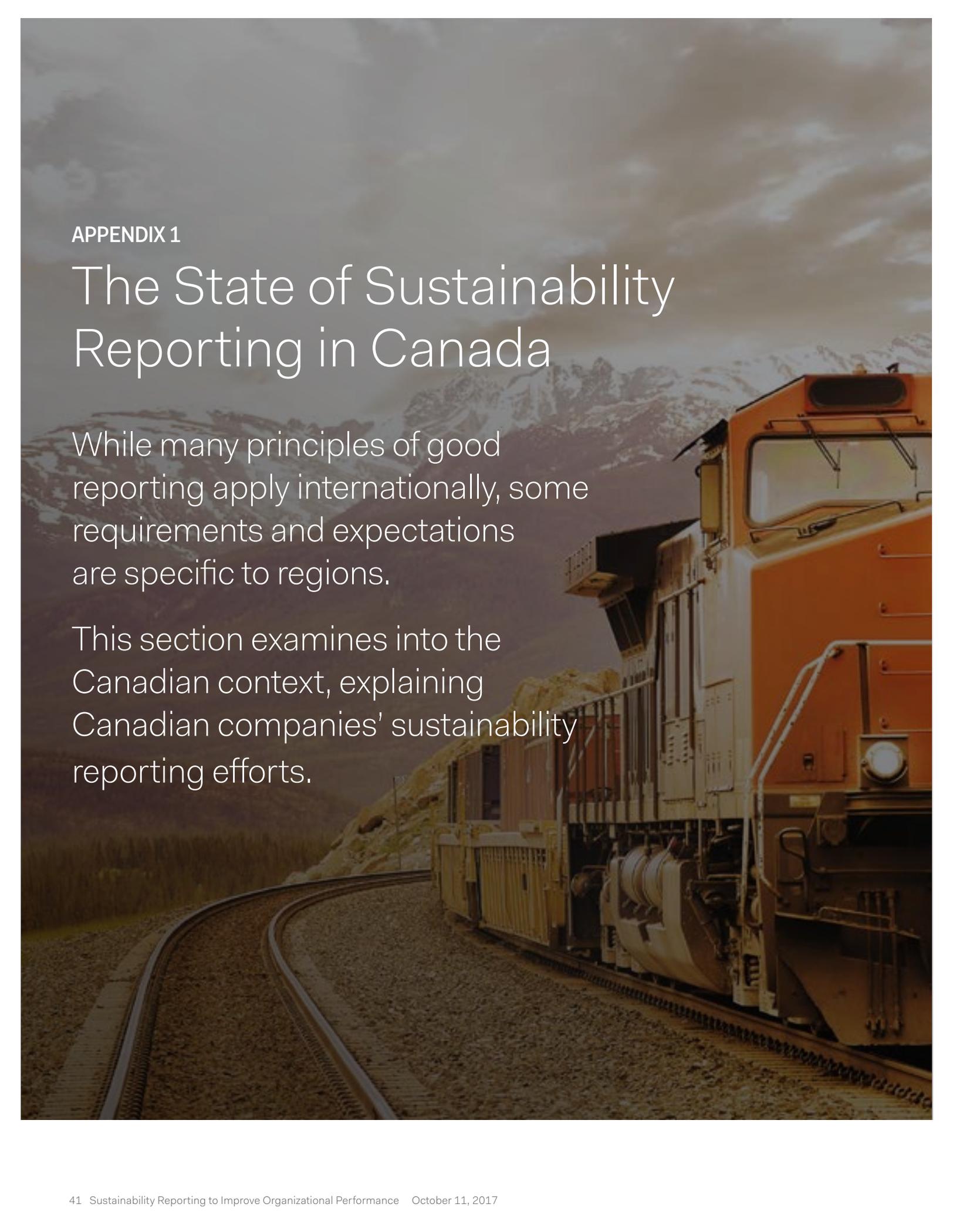
Global Reporting Initiative (GRI). 2013c. ***G4 sustainability reporting guidelines: Reporting principles and standard disclosures***. Amsterdam: GRI. Available at: <https://www.globalreporting.org/resourcelibrary/GRIG4-Part1-Reporting-Principles-and-Standard-Disclosures.pdf>.

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International Accounting Standards Board (IASB). 2010. ***The conceptual framework for financial reporting*** London, UK: IASB.

International Integrated Reporting Council (IIRC). 2013. ***The International <IR> Framework***. London: IIRC. Available at [integratedreporting.org/wp-content/uploads/2015/03/13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK-2-1.pdf](http://integratedreporting.org/wp-content/uploads/2015/03/13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK-2-1.pdf).

The Sustainability Accounting Standards Board (SASB) is an organization that sets industry-specific standards for corporate sustainability disclosure, with a view toward ensuring that disclosure is material, comparable, and decision-useful for investors, available at [www.sasb.org](http://www.sasb.org).



## APPENDIX 1

# The State of Sustainability Reporting in Canada

While many principles of good reporting apply internationally, some requirements and expectations are specific to regions.

This section examines into the Canadian context, explaining Canadian companies' sustainability reporting efforts.

Canadian companies face a specific set of sustainability reporting incentives and obstacles, detailed here.<sup>45</sup> However, findings could be generalizable to other contexts.

Sustainability reporting in Canada is not required by legislation, as in the European Union and South Africa. Canadian firms also face less stakeholder pressure for action than U.S. and European firms because of their relative obscurity on the global stage. Canadian companies do face other requirements<sup>46</sup> and opportunities<sup>47</sup> for sustainability reporting, as well as growing interest from analysts, pension funds, and other long-term investors who consider a wider range of environmental-, social-, and governance-related topics when evaluating current and potential investments. The result can be a convincing business case for Canada's top brands to develop sustainability reporting.

The GRI's Sustainability Disclosure Database indicates that of the 5,553 sustainability reports released in 2015, only 125 were from Canadian companies, and only 55 of those Canadian reports were aligned with the most up-to-date G4 Guidelines — i.e. 44 per cent, or slightly less than the global average of 46 per cent.<sup>48</sup> Only five of the Canadian reports were “in accordance” with GRI's comprehensive option, which may indicate less scrutiny and more discretion for the reporting companies.

While Canada boasts many of the world's largest mining companies and multinational resource companies, many of Canada's top brands — including Loblaws, Canadian Tire, Hudson's Bay Company, and Maple Leaf Foods — are generally unrecognized by the international community. Because they are less visible internationally and often operate in a regulatory landscape that is relatively less demanding and prescriptive than that in regions such as the European Union,

<sup>45</sup> In addition to the research cited, this section was shaped by the first-hand experiences of sustainability communication specialists working in the Canadian market.

<sup>46</sup> Meeting sustainability guidelines is a condition of membership in certain industry associations (e.g. “Towards Sustainable Mining” represents the guidelines of the Mining Association of Canada).

<sup>47</sup> Indices including Sustainalytics' Jantzi Social Index and lists including Corporate Knights' Best 50 Corporate Citizens are based on publicly available environmental, social, and governance disclosure.

<sup>48</sup> Results obtained from the Global Reporting Initiative database (<http://database.globalreporting.org>).

Canadian companies generally face less pressure to disclose their sustainability priorities, commitments, and performance in ways that support commonly held reporting principles, including balance, transparency, and reliability.

Sustainability reporting<sup>49</sup> or integrated reporting is mandatory in some countries and regions.<sup>50</sup> In 2014, for instance, the European Parliament adopted a new directive requiring disclosure of non-financial and diversity information by some companies (i.e. public-interest entities with over 500 employees and a balance sheet of over €20 million or net turnover of over €40 million). The new directive asked EU member countries to amend their national laws by 2016, and made requirements applicable from 2017.<sup>51</sup> In 2009, the King III code of South African Corporate Governance encouraged all organizations (and mandated publicly listed companies) to file integrated reports containing financial and non-financial information, or explain why they have not filed.<sup>52</sup>

While Canada has few legislative requirements on sustainability disclosure, publicly traded companies, in particular, face other requirements that make reporting a priority. These include Canadian Securities Administrator (CSA) regulatory requirements for corporate governance practices; Annual Information Form (AIF) disclosures about environmental and social policies; and Management Discussion and Analysis (MD&A) disclosures regarding trends, demands, and uncertainties that could affect business and operations.<sup>53</sup>

In addition, voluntary agreements across some industries have changed sustainability reporting practices. Many of Canada's firms in the financial services sector — e.g. banks, pension funds, and investment firms — are signatories to global initiatives, including the Equator Principles (EP)<sup>54</sup> and the Principles for Responsible Investing (PRI).<sup>55</sup> These initiatives require that banks and others consider the immediate and longer-term environmental and social impacts/implications of their lending and investing practices. As a result, Canadian companies will need to strengthen their corporate disclosure practices to secure financial support. Companies in Canada are also seeing rising general expectations for sustainability disclosure from stakeholders, including non-governmental organizations (NGOs), community organizations, governments, and customers.

<sup>49</sup> Integrated reporting is corporate reporting that combines financial and non-financial information in a single document.

<sup>50</sup> Sustainability reporting is non-mandatory in most countries. That said, there are a number of initiatives underway globally to mandate some form of sustainability-related reporting, in specific settings, most commonly reporting relating to greenhouse gas emissions. For further reading, refer: EY, 2014.

<sup>51</sup> Willis et al., 2015.

<sup>52</sup> Institute of Directors in Southern Africa. 2009.

<sup>53</sup> Willis et al., 2015.

<sup>54</sup> Seven Canadian financial institutions have adopted the Equator Principles (<http://www.equator-principles.com/index.php/members-and-reporting>).

<sup>55</sup> The PRI database provides examples of Canadian asset owners, investment managers, and service providers that are signatories (<https://www.unpri.org/directory/>).

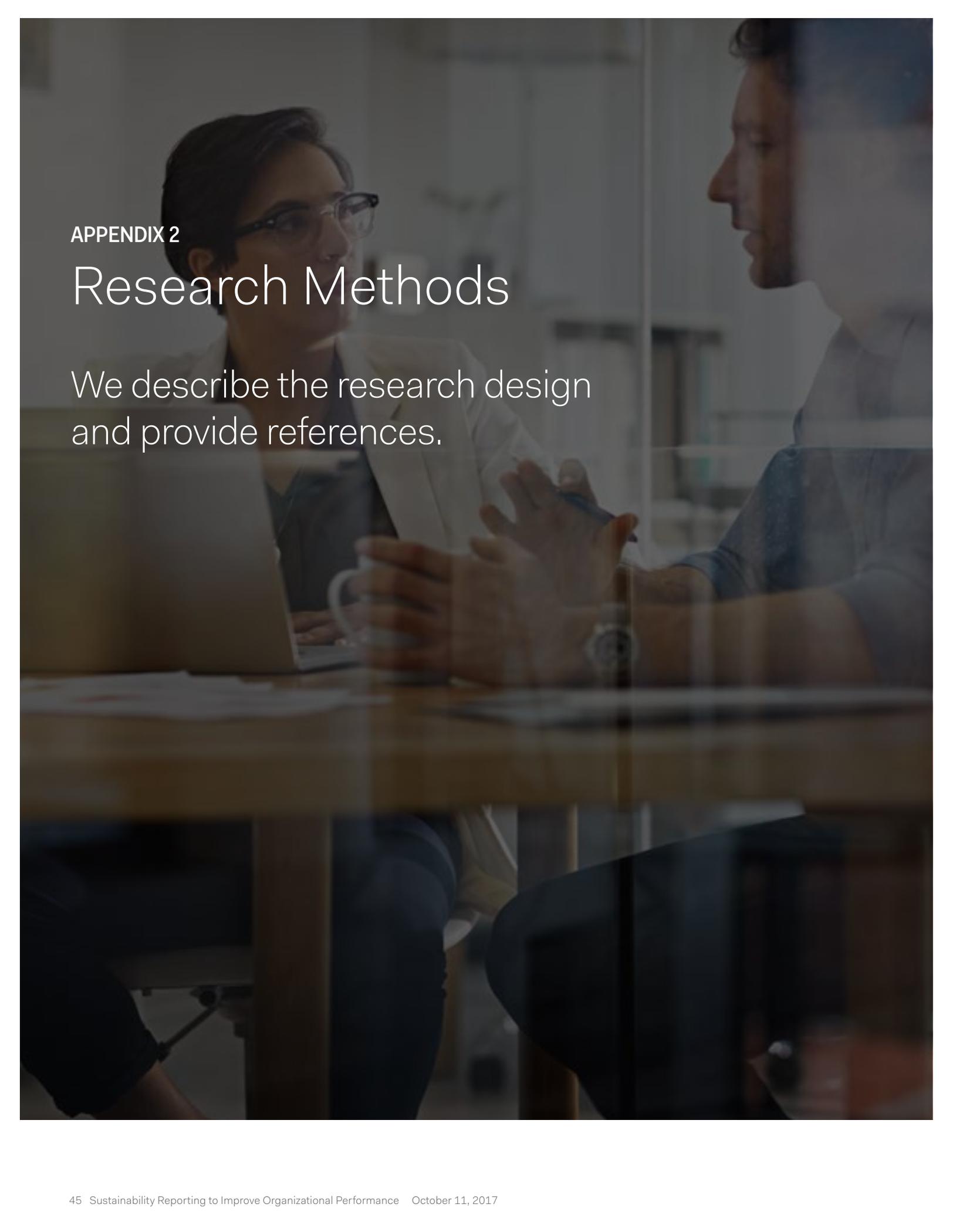
These trends have led some Canadian companies to improve how they address key risks, capture opportunities (i.e. by differentiating themselves from their peers), and “future-proof” their business by addressing “emerging issues” in their reporting before they become part of mainstream sustainability discussion.

Canadian companies producing sustainability reports often reference or meet sustainability reporting guidelines including the GRI,<sup>56</sup> and consider how they can integrate or align their reporting with mandatory financial disclosures. Firms increasingly appreciate that they can expand their sustainability communication and reporting in order to meet multiple stakeholder expectations.

Below are examples of the best practices we found in our research:

- **Meet information needs of diverse stakeholders.** Some Canadian companies have developed sustainability reporting to offer information to peers, analysts, and experts. Leading practice includes developing summary documents, stand-alone infographics and stories, and other bite-sized information related to specific topics, in addition to their stand-alone report. Firms share this content using a combination of traditional and online tactics (e.g. print summaries vs. social media).
- **Engage internal and external stakeholders throughout the reporting process.** Many Canadian companies have ongoing communication with stakeholders, but do not follow structured processes to inquire about stakeholder sustainability priorities and whether the firm is meeting them. Those companies further ahead in the sustainability reporting journey are using in-person tactics, including interviews, focus groups, and stakeholder panels, while engaging with wider audiences using surveys, blogs, and social media for ongoing and broader outreach.
- **Create impact.** Many Canadian companies focus their sustainability reporting on facts and annual highlights, while providing case studies to indicate how their commitments are put into practice. Leading companies provide testimonials from executive leaders and external stakeholders to describe the firm’s purpose and to clearly frame key issues with confident — but balanced — messaging. Very few Canadian companies offer powerful, long-term goals or clear and measurable accounts of impact.

<sup>56</sup> See the new GRI Standards published October 2016 (<https://www.globalreporting.org/standards/gri-standards-download-center/>).



APPENDIX 2

# Research Methods

We describe the research design and provide references.

Our approach drew from academic research, established frameworks, and best practice guidelines to develop an understanding of the inputs, outputs, and the processes associated with effective sustainability reporting. We then refined that understanding through a series of interviews with subject-matter experts and people who create and use sustainability information, including internal and external stakeholders. These interviews also enabled us to develop our easy-to-follow tools that companies can use to enhance their sustainability reporting.

## Research Design

We asked two main questions:

1. What sustainability reporting practices and processes do we observe for the sample of Canadian companies in Table 3? How can these practices be interpreted, in light of relevant best practice reporting, both domestically and internationally?
2. How do inputs, outputs, and processes for sustainability reporting determine its effectiveness?

The research was undertaken in three main phases:

1. A literature review of academic literature across a number of specific fields relevant to sustainability reporting;
2. A review of global best practices in sustainability reporting; and
3. Interviews with a selection of stakeholders involved in the preparation and usage of sustainability reports and other information.

The review of global best practices in sustainability reporting provided the reporting dimensions typically associated with “useful” or “high-quality” sustainability reporting. We incorporated available frameworks such as GRI, CDP, DJSI, and Integrated Reporting in this review. The review of the academic literature focused on sustainability reporting and assurance. Given this is a relatively new area, the review also incorporated other fields, such as voluntary reporting, reporting of non-financial information and other areas. We also reviewed practitioner literature and the criteria for national sustainability reporting awards.

In selecting the companies for our study, we sought variation across a number of dimensions, such as the company age, size, and industry. We also pursued companies with varying levels of experience with sustainability reporting. Each of these factors presents both challenges and opportunities for enhancing sustainability reporting (see Table 3). We identified stakeholders through consultation with the Network for Business Sustainability (NBS), researchers' connections (via personal relationships and Internet searches), and through asking interviewees for recommendations.

**TABLE 2: RESPONDENTS BY CATEGORY**

Role	Interview Count	Stakeholder Categories
Sustainability Report Producers	7	—
Internal Stakeholders	6	Procurement Marketing & Sales (2) Human Resources Continuous Improvement Communications
External Stakeholders	10	Industry Body (2) Government (3) Investor (2) NGO Consultant Academic

We conducted 23 semi-structured interviews via Skype, ranging from 18 minutes to 79 minutes in duration, between January and June 2016. Interviews were recorded with the interviewee's consent and subsequently transcribed verbatim. Interviews with sustainability reporters sought to understand reporting strategy and key processes, as well as the associated costs, challenges, risks, and benefits. For stakeholders, interviews sought to understand their role regarding sustainability information, their relationship to the reporting company, and how they access and use sustainability information. A copy of the interview questions follows the table.

**TABLE 3: COMPANIES INVOLVED**

Company	Interviews	Company Information Background			Sustainability Reporting		
		Size <sup>57</sup>	Industry	Sector	First	GRI Use	Integrated
Insurance Company	1	5b	Insurance	Finance	2004	G4	Yes
Air Transport Company	1	1b	Transport	Government	2005	GRI 4	Moving toward
Food Retail Company	4	45b	Food	Retail	2007	GRI 3	Moving toward
Consumer Packaged Foods Company	8	3b	Food	Production	2013	GRI 3.1	No
Transport Company	4	1b	Transport	Government	2016 expected	tba	No
Financial Services Company	4	25b	Banking	Finance	2002	GRI4	No
Mining Company	1	8b	Extractive	Mining	2001	GRI 3.1	No

<sup>57</sup> Revenue disclosed in the most recent annual financial report.

## Interview Questions

For sustainability reporters:

1. How does your firm currently report its sustainability activities?  
[Probe for information on vehicle types, frequency, triggers.]
2. What specific objectives were established for last year's sustainability reporting and how were they met? What are the plans for next year?
3. Who are the target audience of your sustainability communications? How do you reach them? How do you know if you've communicated effectively with that audience?
4. Have your external stakeholders provided feedback on your sustainability communications? If so, what was the feedback and from whom was it received? Which stakeholders and how did you utilize the feedback? What about internal stakeholders?
5. How are your sustainability communications produced?  
[Probe for who is involved, what is done, and why.]
6. What is the cost of sustainability reporting, in terms of production cost and person-hours? [Probe for involvement from various levels, including C-suite.]
7. What are the challenges and risks of reporting? Has sustainability reporting changed anything about how you do business?
8. What benefits have you seen from sustainability reporting?  
[Probe for type, time scale, measurability, relationship to particular vehicles or stakeholder groups.]
9. What is the core strategy of your business, and how does sustainability relate to that?
10. Are there any other issues associated with your firm's sustainability reporting that I should be aware of?

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## About NBS

The Network for Business Sustainability Canada produces authoritative resources on important sustainability issues with the goal of changing management practice. We unite thousands of researchers and professionals worldwide who believe passionately in research-based practice and practice-based research. NBS Canada is funded by the Social Sciences and Humanities Research Council of Canada (SSHRC), the Ivey Business School (Western University), and the École des sciences de la gestion (Université du Québec à Montréal).

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