Network for Business Sustainability

Playbook

Sustainability Reporting Playbook

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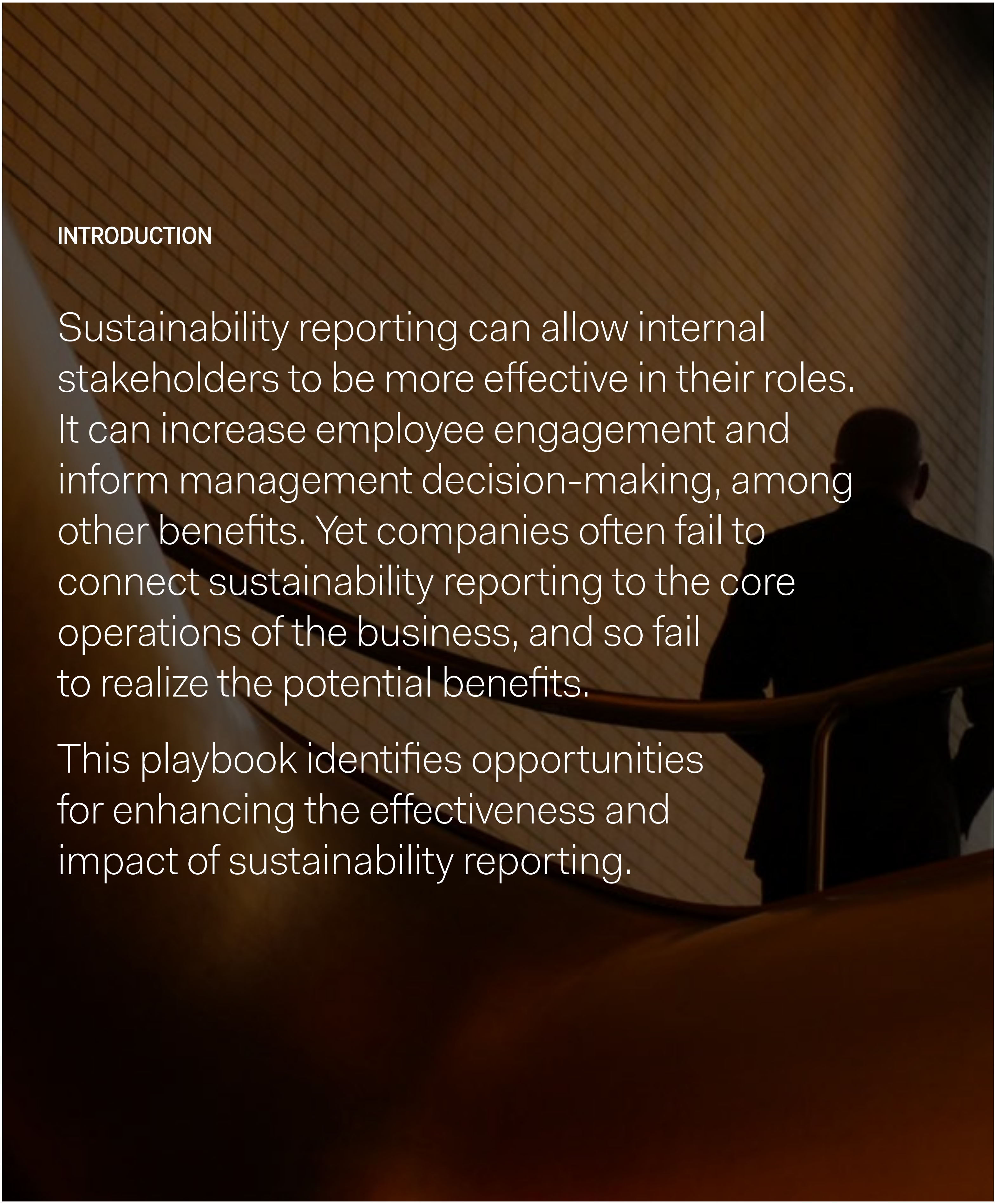
Who Should Use This Playbook

Use this playbook if you are a:

- **Sustainability manager** wanting to improve your organization's sustainability reporting process and outcomes, and to put sustainability on your company's strategic agenda.
- **Business leader** interested in understanding how sustainability reporting can support strategy implementation and better business practices.
- **Public relations/Communications manager** looking to leverage sustainability reporting to enhance your organization's brand and reputation.
- **Investor** interested in better understanding organizations' reporting process, and how organizations address critical environmental and societal topics, and can align this information with financial reporting risk disclosures.



INTRODUCTION

Sustainability reporting can allow internal stakeholders to be more effective in their roles. It can increase employee engagement and inform management decision-making, among other benefits. Yet companies often fail to connect sustainability reporting to the core operations of the business, and so fail to realize the potential benefits.

This playbook identifies opportunities for enhancing the effectiveness and impact of sustainability reporting.

A formal sustainability report has become standard practice for businesses worldwide, in response to growing demands for corporate transparency and alignment to global sustainability frameworks. For many companies, these reports are the primary way they communicate their sustainability priorities and performance.

The Value of Reporting

Why incorporate sustainability into standard reporting practice? 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.[2] 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.[3]

Effective sustainability reporting is also useful to internal stakeholders in most parts of the organization. The reporting process and outcomes can increase employee engagement; inform managerial decision-making; identify cost savings; foster innovation; and create goodwill that aids marketing, hiring, and retention. In short, sustainability reporting can allow internal stakeholders to be more effective in their roles.

> *"For us, the sustainability report is a tool. It requires the organization to gather ideas and learning spread across departments. By undertaking this exercise, you get a complete picture of sustainability — and the ability to plan for the future."*
>
> – Marcelo Lu, President, BASF Canada

[1] More than 90 per cent of Global Fortune 250 companies produce an annual sustainability report (EY. 2014. ***Sustainability reporting: The time is now.*** n.p.: EYGM Limited, 13; KPMG. 2015. ***Currents of change: The KPMG Survey of corporate responsibility reporting 2015.*** Available at: https://home.kpmg.com/au/en/home/insights/2015/11/corporate-responsibility-reporting-survey-2015). Key sustainability reporting guidance comes from the Global Reporting Initiative and the Sustainability Accounting Standards Board.

[2] PwC. 2014. ***Sustainability goes mainstream: Insights into investor views.*** Available at: https://www.pwc.com/us/en/pwc-investor-resource-institute/publications/assets/pwc-sustainability-goes-mainstream-investor-views.pdf.

[3] For further reading, refer: Dhaliwal et al. 2012. Nonfinancial disclosure and analyst forecast accuracy: International evidence on corporate social responsibility disclosure. ***The Accounting Review***, 87: 723–759; ICCSR. 2007. ***The role of stakeholder engagement in corporate community investment.*** Nottingham: Charities Aid Foundation /International Centre for Corporate Social Responsibility; Lev et al. 2010. Is doing good good for you? How corporate charitable contributions enhance revenue growth. ***Strategic Management Journal***, 31: 182–200; Porter & Kramer. 2006. Strategy & society: The link between competitive advantage and corporate social responsibility. ***Harvard Business Review***, 84(12): 78–92.

Making the Most of Reporting

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

> *"Businesses can spend a significant amount of time and financial resources in producing a sustainability or CSR report. As CSR professionals, we have to make sure that we involve key internal and external stakeholders from the beginning to ensure that the report generates measurable value for the organization."*
>
> – Jeremiah Brenner, Manager, Corporate Responsibility, LoyaltyOne

We argue for a shift in focus from *reports* to *reporting*. Formal sustainability reports should be an important part of a larger "reporting" platform for understanding and communicating organizational performance, rather than the production of a sustainability report as an end in itself.

In this playbook, 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 in the full report for details on methods). The goal is effective sustainability reporting — i.e. reporting that reaches the right audience, at the right time, in the right format, for maximum impact.

Such reporting is a function of both what is disclosed and how this information is shared. This playbook provides you with both perspectives.

Using this playbook, you can take your reporting in new directions and achieve your goals.

> *"Over the years, we have gained significant value from sustainability reporting. As we progressed at integrating sustainability into our corporate strategy, we wanted to take the next step and communicate our value proposition more holistically to both internal and external audience. So we transitioned to an Integrated Annual Report. This will help us communicate and further realize the interconnectedness between financial and sustainability performance."*
>
> – Barbara Turley-McIntyre, Vice President, Sustainability & Citizenship, The Co-operators Group Ltd.

SECTION 1

The Framework for Effective Sustainability Reporting

Our framework includes several departures from the status quo.

First, we emphasize the integration of sustainability and business strategy.

Second, we consider the embedded processes, the "how" of reporting.

Finally, while most organizations 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 feeds back to inform future strategy.

Organizations can enhance their reporting process to achieve more effective reporting. Effective reporting communicates material information to internal and external stakeholder groups in ways that are useful to them and that inform their decisions and the organization'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.

Our approach includes several departures from the status quo. First, we emphasize the **integration of sustainability and business strategy.** Second, we consider 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.[4] Based on our research, we delve 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, we show that effective sustainability reporting is a **cyclical process** that involves all functions in an organization, and feeds back to inform future strategy.

We describe these stages, shown in Figure 1:

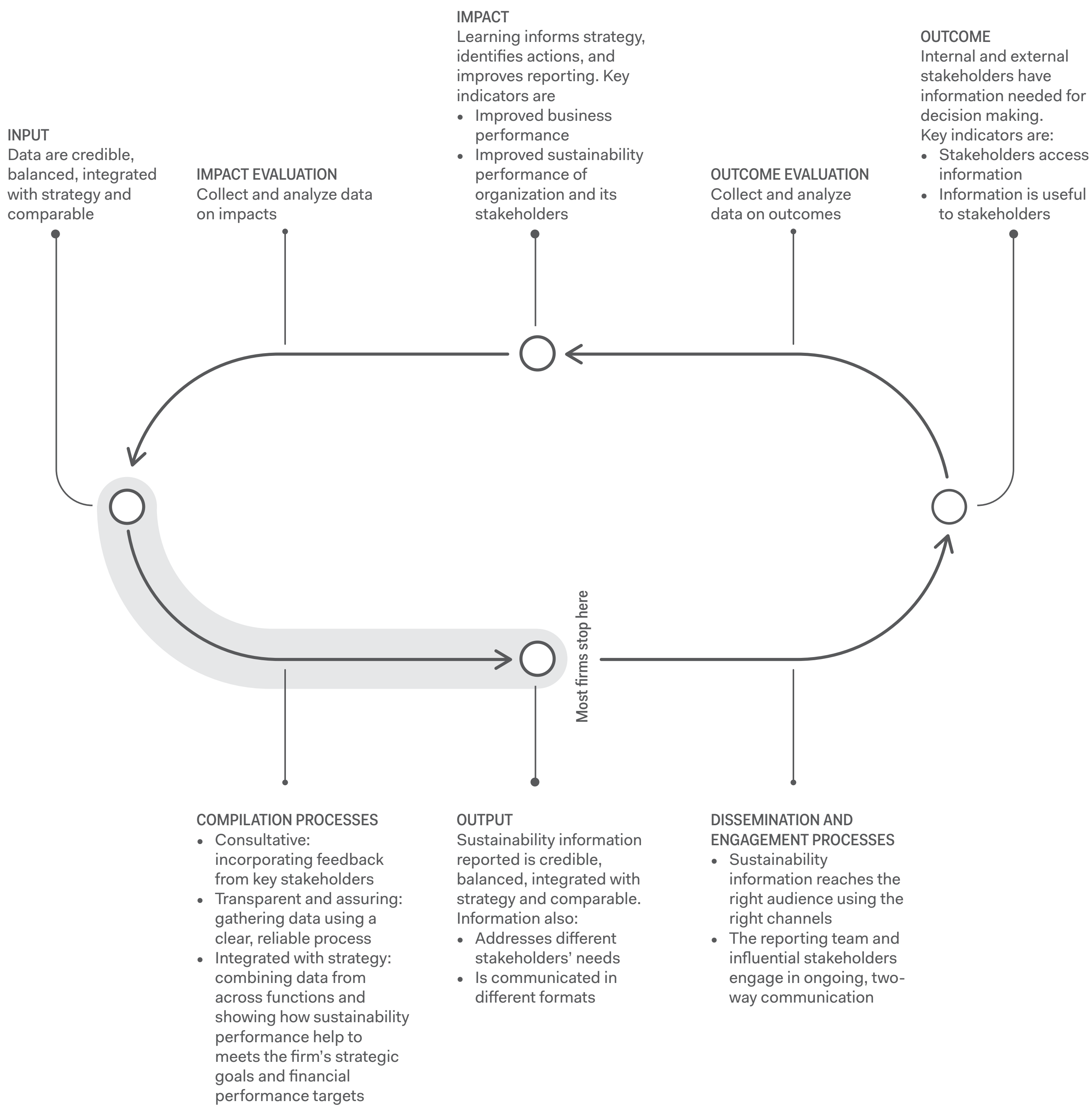
- ***what* input data are collected** ("inputs").
- ***how* input data are collected and compiled** into information outputs for reporting ("compilation processes").
- ***what* sustainability information is reported** ("outputs"). We look at both the content (the metrics or story) and the format (e.g. a report or blog post).
- ***how* information is communicated and stakeholders are engaged**, e.g. by using multiple channels ("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 optimized by shifting focus from a report to a reporting cycle. We look at practices for evaluating outcomes and impacts.

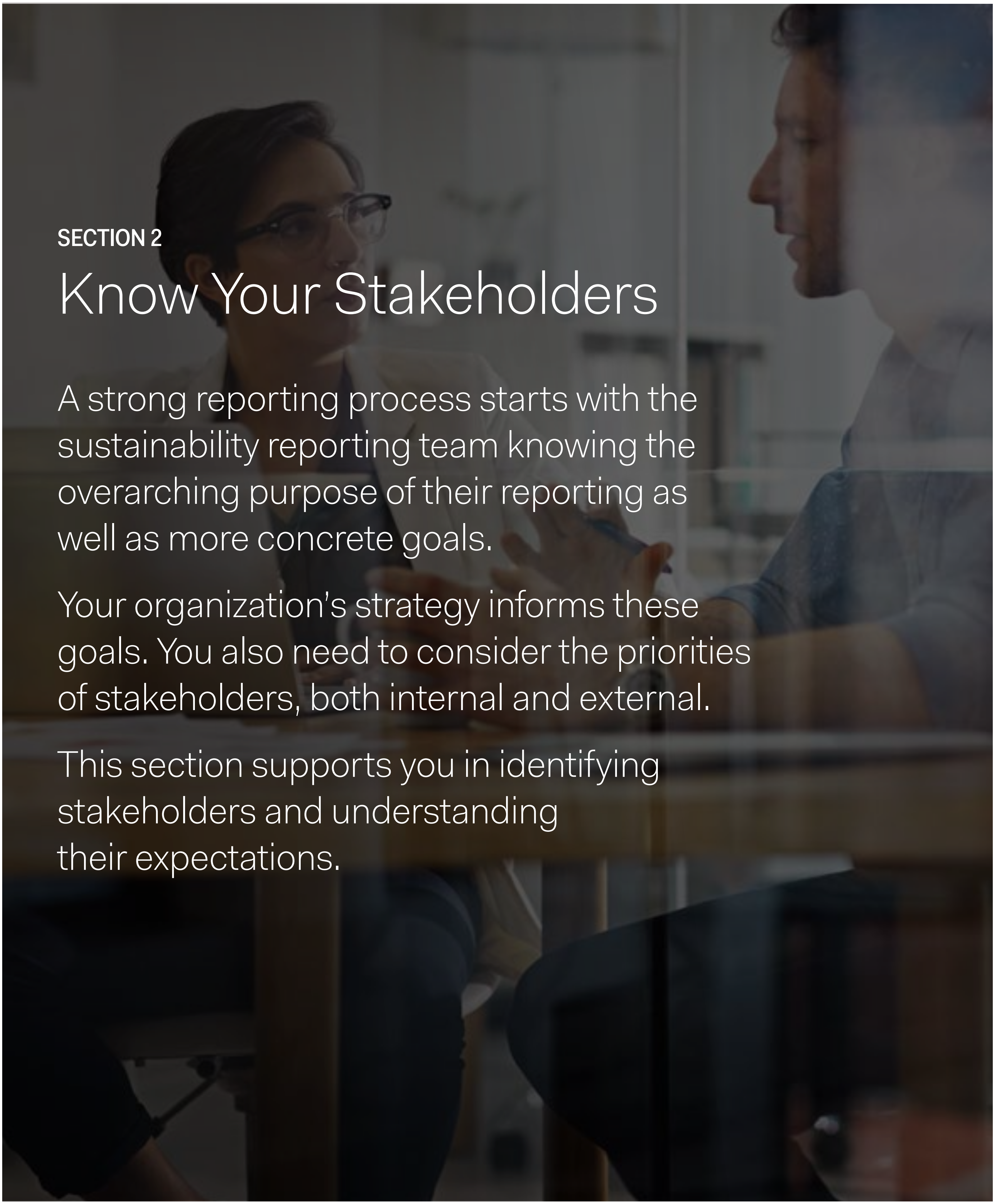
[4] This practice is shifting, in response to stakeholder feedback; the new GRI Standards published October 2016 provide more guidance in this area (https://www.globalreporting.org/standards/gri-standards-download-center/).

Figure 1 shows the framework; in the remainder of the report, we will focus on each section in turn.

Because reporting is cyclical and ongoing, there is no official starting point except the one that you declare. The impact informs future reporting. And as we'll explore, engagement and consultation is built into every step of the process.

FIGURE 1 Effective Reporting Framework





SECTION 2

Know Your Stakeholders

A strong reporting process starts with the sustainability reporting team knowing the overarching purpose of their reporting as well as more concrete goals.

Your organization's strategy informs these goals. You also need to consider the priorities of stakeholders, both internal and external.

This section supports you in identifying stakeholders and understanding their expectations.

A strong reporting process starts with the sustainability reporting team knowing the overarching **purpose** of their reporting as well as more **concrete goals** for the reporting process to improve environmental, social, and economic impacts.

Your organization's strategy informs these goals. You also need to consider the priorities of stakeholders, both internal (e.g. employees and board members) and external (e.g. investors, customers, and NGOs). Ongoing consultation with important stakeholders is critical to assessing your priorities and improving both the reporting process and the final product(s). Through such consultation, you will clarify what matters most, how to report on critical topics, and how stakeholders wish to be informed/engaged on sustainability.

Case: How Does Loblaw Decide its Sustainability Reporting Goals?

Canadian food and pharmacy provider Loblaw Companies Limited has an approach to corporate social responsibility (CSR) driven by the company's purpose: Live Life Well. By sourcing responsibly, respecting the environment, and positively affecting communities, Loblaw aims to be a leader and contributor to a thriving Canadian society both today and in the future.

Sonya Fiorini, Senior Director of CSR at Loblaw, explains: "We prioritize our work within each of our three pillars based on the urgency of an issue, its importance to our customers and Canadians, its relevance to our business, and the potential for Loblaw to make a meaningful difference."

Sustainable sourcing is a key focus for Loblaw. The company seeks to offer safe and responsibly sourced food choices to customers, and to support Canadian suppliers.

Loblaw collaborates with many stakeholders on complex and increasingly global challenges. For example, at the University of Guelph, Loblaw established a Chair in Sustainable Food Production. The Chair works with Loblaw to identify research related to Loblaw's goals for sustainable sourcing.

Loblaw sets challenging targets. Fiorini explains that “it is important that we aren’t just setting targets that we know that we’re going to meet year after year but that we also set longer-term targets that we know will take some time to do but also where we can demonstrate leadership.”

As a result, some of the goals that Loblaw commits to in its sustainability report are fairly long term. For example, it seeks to reduce its operational carbon footprint by 20 per cent by 2020, and by 30 per cent by 2030. Other goals are more near-term: e.g. disclosing the list of offshore factories it uses for apparel twice a year.

Loblaw’s almost 200,000 employees interact with millions of Canadian customers every week. By engaging employees through its CSR reporting, Loblaw can magnify its sustainability impact. Loblaw also hopes that its competitors read about its commitments and set their own sustainability targets. “There’s strength in numbers and we could make a much larger impact on issues that make sense and are precompetitive,” says Fiorini.

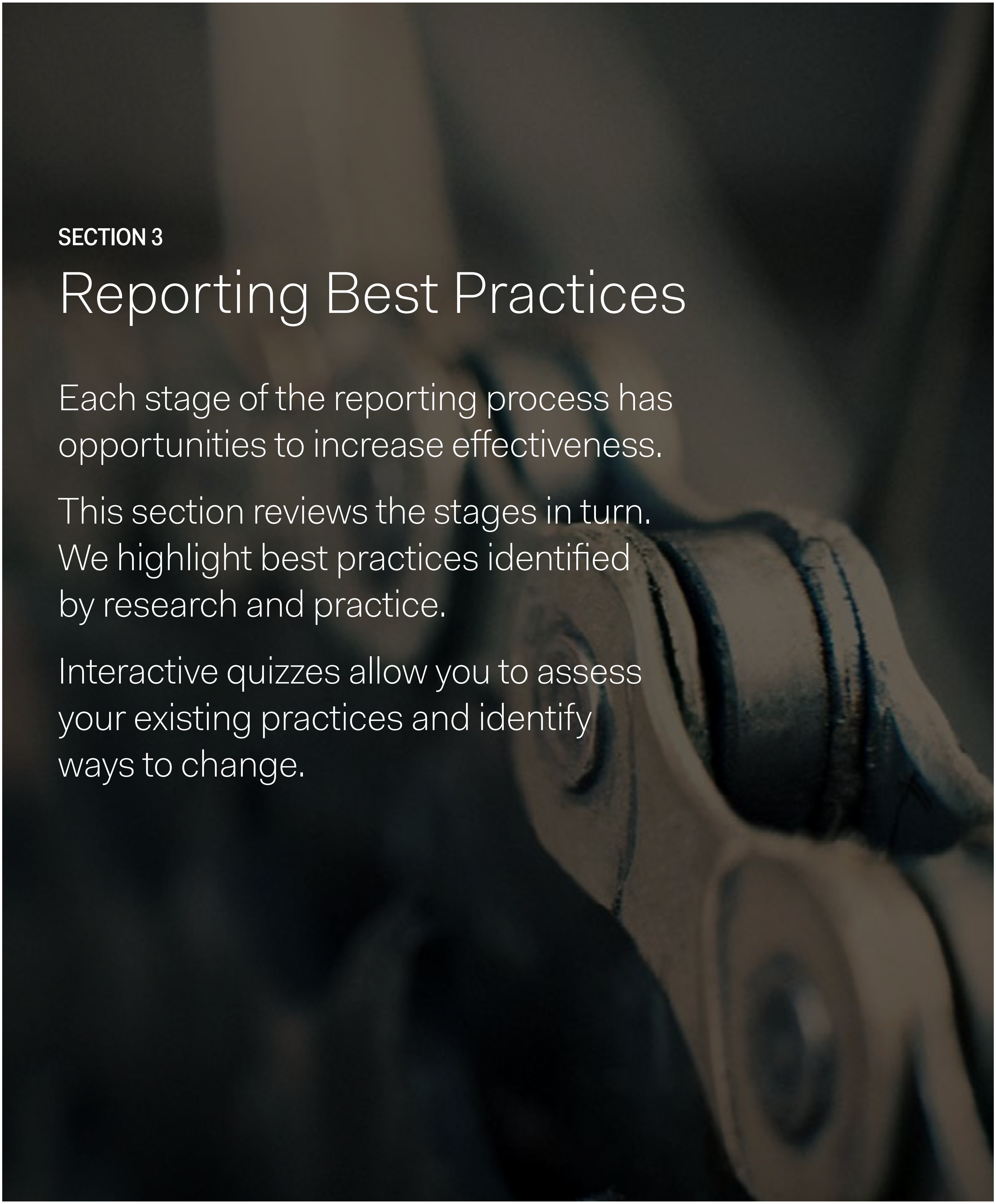
Table 1 lists some possible stakeholders. Keep the categories that apply to your organization and add those that are missing. You can do this exercise with the sustainability reporting team and other communications colleagues (e.g. from corporate communications and from stakeholder and investor relations).

After identifying stakeholders, seek to understand their expectations for your organization and how they mesh with your priorities.[5] Also consider whether their expectations involve immediate or longer-term risks or opportunities for your organization, and how best to connect with them on these topics. For example, some stakeholders may prefer to receive information rather than be deeply engaged.

[5] For additional resources, see Chartered Professional Accountants Canada. 2013. ***A starter’s guide to sustainability reporting.*** Available at: https://www.cpacanada.ca/en/business-and-accounting-resources/financial-and-non-financial-reporting/sustainability-environmental-and-social-reporting/publications/a-starters-guide-to-sustainability-reporting. Pages 18 to 19 provide a stakeholder map for clustering stakeholders based on “power” and “interest.” Pages 20 to 21 provide illustrations on assessing materiality of stakeholder issues.

TABLE 1 Know Your Stakeholders

	Stakeholder category	Expectations (priority topics)	Time horizon (Immediate/medium/ long term)	Level of engagement desired (Inform/engage)
Internal				
	Company leadership team			
	Company functions (sales, marketing, HR, finance, engineering, production, legal, IT, logistics)			
	Employees, union			
External				
	Investors			
	Customers			
	Supply chain partners (vendors, distributors, retailers)			
	Regulators and policymakers (local, regional, federal)			
	Local community			
	NGOs, advocacy groups			
	Competitors, industry associations			



SECTION 3

Reporting Best Practices

Each stage of the reporting process has opportunities to increase effectiveness.

This section reviews the stages in turn. We highlight best practices identified by research and practice.

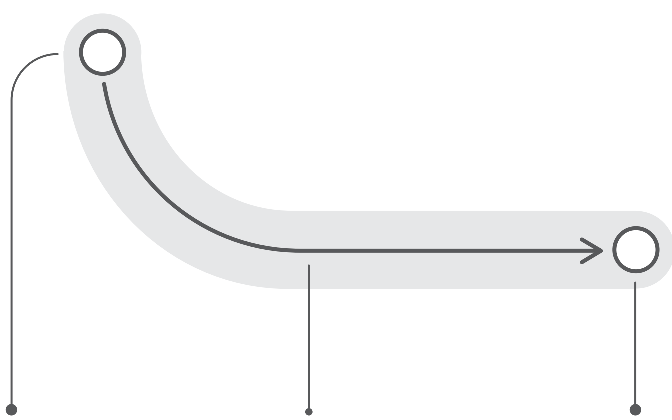
Interactive quizzes allow you to assess your existing practices and identify ways to change.

This section provides detailed guidance for each stage of reporting, with deep dives into the "how" stages. We separate the Framework for Effective Sustainability Reporting into three sections, and examine each in turn.

A. From Input to Output

Figure 1a shows input, output, and the compiling process that turns data into information reported.

FIGURE 1A From Input to Output



INPUT
Data are credible, balanced, integrated with strategy and comparable

COMPILATION PROCESSES
- Consultative: incorporating feedback from key stakeholders
- Transparent and assuring: gathering data using a clear, reliable process
- Integrated with strategy: combining data from across functions and showing how sustainability performance help to meets the firm's strategic goals and financial performance targets

OUTPUT
Sustainability information reported is credible, balanced, integrated with strategy and comparable. Information also:
- Addresses different stakeholders' needs
- Is communicated in different formats

Inputs are the data collected. Outputs, the information reported, can be thought of as content and format. The content is the narrative your organization tells through words and numbers: e.g. key messages, stories, or metrics. The format is how the information is presented: e.g. 140-character tweets, a summary brochure, a financial report with downloadable tables, an in-depth pdf report, a website, or video.

For input and output, four characteristics are important. Data and information presented should be:

- **Credible:** believable by stakeholders. Data are more believable when they are consistent, representative, and error-free. Following recognized reporting frameworks[6] helps to establish credibility. Outputs should also be externally assured when possible, although the type of assurer (i.e. big four accounting firm or other) is relevant to some users (e.g. accountants, investors, and consultants) but less so to others stakeholders.[7]
- **Balanced:** presenting an unbiased picture of organizational performance. Firms should report both positive and negative aspects of sustainability performance. They should also be complete, including all kinds of information: qualitative/quantitative; long term/short term, and environmental/social.
- **Comparable:** 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 between alternatives.
- **Integrated with strategy:** clearly linking sustainability and business goals. It's not always clear how to tie sustainability to strategy, and why it matters. Below, we expand on how to achieve such integration.

[6] For example, the Global Reporting Initiative, Itegrated Reporting, the Dow Jones Sustainability Index, the Sustainability Accounting Standards Board, and the CDP.
[7] For further reading on this point, please see full report.

Integrated With Strategy: A Deeper Dive

Information is integrated with strategy when it clearly ties sustainability goals to business goals.[8]

What Integration With Strategy Means

Integration with strategy means that firms are focused on collecting data and reporting information that is “material” (i.e. high priority). 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.”[9]

In sustainability reporting, determining materiality is particularly challenging because most sustainability-related information cannot be reduced to a dollar amount.[10] 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.[11] A stronger link makes it more likely that the information reported will actually inform future sustainability actions by the company and its stakeholders.

Why Does Integration With Strategy Matter?

When integrated with strategy, sustainability reporting can help an organization understand its current and future impacts on the economy, society, and the environment.[12] Integration with strategy increases the credibility and value of sustainability reporting to the reporting organization and its stakeholders.

[8] See for example, discussion in Adams, C. A., Potter, B., Singh, P. J., & York, J. 2016. Exploring the implications of integrated reporting for social investment (disclosures). ***The British Accounting Review***, 48: 283–296.
[9] International Auditing and Assurance Standards Board (IAASB). 2016. ***2016-2017 Handbook of international quality control, auditing, review, other assurance, and related services pronouncements.*** Available at http://www.ifac.org/publications-resources/2016-2017-handbook-international-quality-control-auditing-review-other
[10] Adams, C. A., Potter, B., Singh, P. J., & York, J. 2016. Exploring the implications of integrated reporting for social investment (disclosures). ***The British Accounting Review***, 48: 283–296.
[11] Stockebrand, N., & Spiller, A. 2006. Credible sustainability reports: An empirical investigation on the interaction between sender and communication style. In ***Proceedings: Refereed sessions I—Sustainability consumption and production: Opportunities and challenges:*** 169–178.
[12] EY. 2014. ***Sustainability reporting: The time is now***. n.p.: EYGM Limited.

How To Achieve Integration With Strategy

The reporting output should reflect the organization's larger strategy, and track progress toward the strategy. Specifically:

- Company strategy drives choices about what data to collect and how to present information. The overall company strategy and sustainability strategy influence each other.
- Sustainability activities are connected to the organization's risk management and financial performance that show how sustainability information informs core business processes

The quote below describes the value of sustainability information tied to strategy.

> *"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 use . . . 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

Good outputs have two other characteristics. They (1) meet diverse stakeholder information needs and (2) are communicated in diverse reporting formats. Companies must select from their enormous pool of data to tell a story to their internal and external stakeholders that speaks to their interests and concerns.[13]

IIn our study, stakeholders often expressed frustration that information came in forms that were not fit for their purposes. Organizations must understand the information that their stakeholders need, what they will use it for, and how they will use it.

Reporting organizations can consider: Are stakeholders presenting their reporting to third parties? Is the information being analyzed for year-on-year comparison? Do they require infographics, case studies, or tables to provided the desired degree of content and context?

[13] In this playbook, we do not discuss Integrated Reporting, seen as the next step to Sustainability Reporting. In their <IR> Framework, the International Integrated Reporting Council (IIRC) provides guidance on how to create and assess value for organization and its stakeholders through the organization's various activities. For further reading, see: IIRC. 2013. ***The International <IR> Framework***. Available at: http://integratedreporting.org/wp-content/uploads/2015/03/13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK-2-1.pdf.

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.

The quote below describes the importance of paying attention to how information is presented.

> *"We publish a lot of environmental data in the annual report and something that came out of the [stakeholder] interviews was that that data doesn't really mean anything to anyone. To some it was just a list of numbers, it doesn't really tell a story. We took that feedback 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 we will take out some of our key numbers: things like our diversion rate, our GHG emissions. Instead of just publishing the number, we're going to tell a story."*
>
> – Sustainability Manager from an Air Transport Company

What Different Stakeholders Want

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.

Internal Versus External Stakeholders

Most of the organizations we studied targeted internal stakeholders, such as employees and board members, 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. Some firms have reporting outputs (e.g. newsletter sustainability stories) 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 and used it as a definitive "go-to" source of information. In other organizations, all employees received a summary of sustainability information to have at their fingertips. Printed or smartphone-friendly summaries are 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 what our organization did in 2014."

– Sustainability Manager from an Insurance Company

Analytical Versus Non-analytical Stakeholders

Analytical users, such as internal management, investors, and researchers, wanted a significant amount of specific quantitative information, backed up by commentary to aid interpretation. The quote below describes their perspective.

"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."

– Analytical User

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

"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

Action: Improve your Compilation Process

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 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.

Best Practices For Compiling

Through a **consultative** compiling process, the company identifies key internal and external stakeholders and seeks to understand their needs.

Some firms take a passive approach to gathering stakeholder feedback, relying on after-the-fact responses to tell them whether they have met stakeholder expectations. A stronger approach is a formal stakeholder consultation process that feeds into deciding what the organization should report on and how. In Section 2, you identified stakeholders who want to be engaged rather than just informed. Involve these stakeholders in stakeholder panels, open stakeholder forums (e.g. town hall meetings), and/or ongoing surveys. The quote below describes one company's successful approach to consultation.

> *"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 to 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 . . . 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

Formal feedback processes should be coupled with less formal channels and ongoing opportunities to gather feedback outside of the designated consultation period. While a formal process can be helpful by being predictable and comparable, informal stakeholder engagement can provide more up-to-date, genuine, and specific information than what comes through a formal process.

A strong compiling process is also **transparent and assuring,** in order to build credibility. A transparent 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.

Good information management systems can ensure that data are collected from across the organization and stored. Good systems, especially those that leverage existing reporting infrastructure (e.g. for annual financial reporting and internal reporting) reduce 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

Finally, a strong compiling process is **integrated with strategy.** It requires gathering input data that is relevant to organizational strategy, as well as data that satisfy external stakeholder requirements — e.g. those dictated by industry norms or regulations. See the earlier description on integrated with strategy. Integration with 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.

Case: Compiling Process at Maple Leaf Foods

Maple Leaf Foods, a leading Canadian consumer protein company, is committed to embedding sustainability across the company. The sustainability reporting process is one way Maple Leaf achieves this goal.

Sustainability reporting team members compile their report by reaching out to the functional leads in each of their business groups. They ask these leaders to set the company's sustainability commitments and goals. They also ask business group sustainability champions for data and stories. Tim Faveri, Vice President, Sustainability & Shared Value, explains: "If you do it well, sustainability goals are measurable, they are transparent, but also easy to read, and resonate with people. So I think the stories are key."

How does Maple Leaf's reporting team create these champions, and convince different functions to see value in the sustainability reporting process? The team tries to identify the report's relevance to each function. For example, greater sustainability performance evidenced in the sustainability report helps the Human Resources function to attract and retain talent.

Maple Leaf's internal social media platform, Yammer, also provides inputs for sustainability reporting and action. The sustainability interest group within Yammer frequently shares stories, ideas, challenges, and solutions. "We monitor all forms of feedback closely, and engage with people that way, as well," says Faveri. From Yammer dialogue, the sustainability reporting team sees which corporate sustainability programs employees view as important and what bottom-up sustainability projects are underway and successful.

Assess Your Compiling Process

Respond to these statements to identify whether your firm's compiling process is consultative, transparent, and assuring, and integrated with strategy:

		Yes	No	Not Applicable
	Consultation			
1	We get feedback from internal stakeholders in identifying material topics.			
2	We get feedback from external stakeholders in identifying material topics.			
3	We have processes to include stakeholder feedback throughout the reporting process.			
	Transparent and Assuring			
4	We report information under a recognized sustainability reporting framework that allows for domestic and international benchmarking.			
5	Our reporting content is credible: believable by stakeholders.			
6	Our reporting content is balanced or unbiased.			
7	We use external assurance to provide additional transparency.			
	Integrated with Strategy			
8	We gather data that are related to organizational strategy.			
9	We engage strategy and other functional teams in sustainability reporting (e.g. in decisions on metrics and measurement).			

See NBS' online quiz to get feedback on your responses.

Create an Action Plan

Identify the statements where you indicated "No." In the box below, list your action plan to indicate what would you do differently:

	In the next three months:
1	
2	
3	
	Over the year:
1	
2	
3	

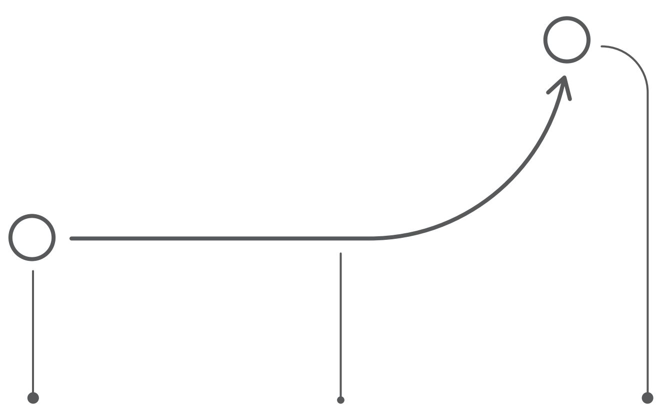
B. From Output to Outcome

Outcomes are specific and measurable changes in the short to medium term. The desired outcome of sustainability reporting is not a report publication. Rather, it is that stakeholders have the information they need to make decisions, in a format that is appropriate for their use. Key indicators include (a) whether the stakeholders accessed the reported information, and (b) whether this information was useful to them.

How firms **disseminate** or 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 always include a channel for stakeholder feedback. We found that **ongoing engagement with stakeholders** about sustainability information was an essential companion to dissemination. This engagement creates the necessary inputs to improve reporting, and maximizes the reach and impact of sustainability information.

Figure 2b shows this part of the Framework for Effective Sustainability Reporting, from output and outcome.

FIGURE 1B From Output to Outcome



OUTPUT
Sustainability information reported is credible, balanced, integrated with strategy and comparable. Information also:
- Addresses different stakeholders' needs
- Is communicated in different formats

DISSEMINATION AND ENGAGEMENT PROCESSES
- Sustainability information reaches the right audience using the right channels
- The reporting team and influential stakeholders engage in ongoing, two-way communication

OUTCOME
Internal and external stakeholders have information needed for decision making.
Key indicators are:
- Stakeholders access information
- Information is useful to stakeholders

Action: Improve Your Dissemination & Engagement Processes

Best Practices for Dissemination

We found that firms used diverse reporting channels or media to communicate. This includes face-to-face communication (e.g. annual general meeting presentations), videos and online presentations (e.g. YouTube), printed media (e.g. newspapers, magazines, and internal newsletters), websites, social media (e.g. Facebook and Twitter), and email.

Focus: Social Media

The Cone Communications Global CSR Study 2015 reports that 61 per cent of global consumers report use of social media to engage with companies around social and environmental issues.[14] 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 external stakeholders did not generally 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.

Globally, use of social media as a tool for sustainability reporting is growing both in use and sophistication. The Social Media Sustainability Index[15] showed only 60 of 475 major global businesses had social media activity around sustainability in 2010; in 2012 that figure hit 176, and in 2015 it was 283. While many organizations are trying many ways to advance their use of social media, they must also understand stakeholders' preferred social media tools when developing a communication plan.

[14] Cone Communications. 2015. ***Cone Communications/Ebiquity global CSR study***. Available at: http://www.conecomm.com/2015-cone-communications-ebiquity-global-csr-study-pdf.
[15] socialmediainfluence.com (SMI). 2010. ***Social media sustainability index report***. Available at: http://www.comunicarseweb.com.ar/sites/default/files/biblioteca/pdf/1322228867_47734768-Social-Media-Sustainability-INDEX-2010.pdf;
SMI and Custom Communication. 2012. ***Social media sustainability index***. Available at: http://publisher.wizness.com/reports/the-smi-wizness-social-media-sustainability-index-2012.

The quote below describes one firm's experience of social media.

> *"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."*
>
> – Sustainability Manager from an Air Transport Company

Best Practices for Engagement

Organizations get 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 feedback into decision-making, 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 discovered that many organizations looked at stakeholder engagement as a one-way flow of information, as shown in the quote below. What they were calling "engaging" was really "informing."

> *"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 organizations found formal and informal ways to ensure continuous engagement with stakeholders. Internally, organizations can incorporate sustainability indicators into their performance management framework. Organizations 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 firm below is doing.

"Our [stakeholder] panel is one way that we can get a little bit more information about what did they like on our report . . . What didn't they like? What's missing? Was it done in a balanced way? How can we improve that? And then also some input on . . . Here are the things that we think are most important. What do you think? Did we get it right? Also capturing information around what are the emerging things that we need to pay attention to . . .

"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

Assess Your Process

Respond to the following statements to assess where your firm stands in dissemination and engagement:

		Yes	No	Not Applicable
	Dissemination			
1	We have an explicit communication strategy for broadcasting the information.			
2	Our strategy includes multiple channels, such as social media.			
3	Our strategy is informed by knowing how stakeholders seek and use information.			
4	We have flexible communication processes that allow us to rapidly adapt to changing communication channels.			
	Engaging internal and External Stakeholders			
5	We get feedback from internal stakeholders through ongoing, two-way communication (e.g., town halls, social media, even performance management frameworks)			
6	We get feedback from external stakeholders through ongoing, two-way communication (e.g., stakeholder panels, surveys)			
7	The reporting process generates relevant feedback for business functions.			

Create an Action Plan

Identify the statements where you indicated “No.” In the box below, list your action plan to indicate what would you do differently:

	In the next three months:
1	
2	
3	
	Over the year:
1	
2	
3	

Case: Greater Toronto Airports Authority (GTAA): Reaching the Right Audience in the Right Form

The Greater Toronto Airports Authority (GTAA) operates Toronto Pearson International Airport. The GTAA actively sought stakeholder feedback through customer surveys and stakeholder interviews on its sustainability reporting. It soon realized that different stakeholders looked for different kinds of information. For instance, peers at another airport wanted to know the GTAA's future development plans, community organizations looked for information on the GTAA's noise management efforts, and other audiences sought environmental performance data.

As a result, the GTAA uses multiple channels throughout the year to reach both internal and external audiences. It also worked to reshape the information provided in previous reports.

What did they do? The GTAA decided to publish the environmental data as a supplementary document. They created stories around their key performance data, to describe how they are improving in areas such as GHG emissions and waste diversion. They share such stories with their *internal audience* using channels such as employee newsletters and an annual employee sustainability fair, which has booths with representatives from the GTAA departments such as Environmental Services, and invites suppliers and other external partners to share their sustainability achievements by partnering with the GTAA.

To reach *external audiences,* the sustainability team presents its achievements and lessons learned to local business groups. The team also disseminates sustainability stories through a newsletter for suppliers and customers, and contributes case studies to the Airport Council International newsletter for airport partners and staff.

The GTAA understands that a pressing topic for the community is noise management. The GTAA's Community Environment and Noise Advisory Committee (CENAC) hosts regular community meetings with the community to provide updates and co-create solutions around noise and environmental management. The CENAC also participates in ad hoc community events, and uses facility tours to share the GTAA's sustainability stories.

What did they achieve? In 2015, the GTAA won an award for Integrated Reporting. Their changed communication strategy has led to improved media coverage and reputation. They receive positive social media feedback on their sustainability stories. The stories they share have helped employees understand sustainability more broadly, beyond the GTAA's environmental footprint. The communication has also changed employee behaviours. Stories around sustainable transportation, for instance, have led to more employees taking alternative transportation to work, and communication on waste management has led to improved waste diversion.

C. From Outcome to Impact (and Input)

Outcomes are specific and measurable changes in the short to medium term. Key indicators of desired outcome include (a) whether the stakeholders accessed the reported information, and (b) whether this information was useful to them.

Impact is sustainability reporting's long-term goal. We focus on two aspects of impact: (1) improving the organization's business performance and (2) improving the sustainability performance of the organization and external stakeholders. Organizational performance and sustainability performance can conflict, at least in the short term. A focus on impact can help the organization address what changes the business is willing to make in how it understands business performance to include sustainability performance. The two indicators are deeply related and can reinforce each other over the long term.

Since sustainability reporting is costly and not mandatory, demonstrating impact is a powerful way of convincing different groups in the organization that it will derive value from reporting, and will justify the cost.

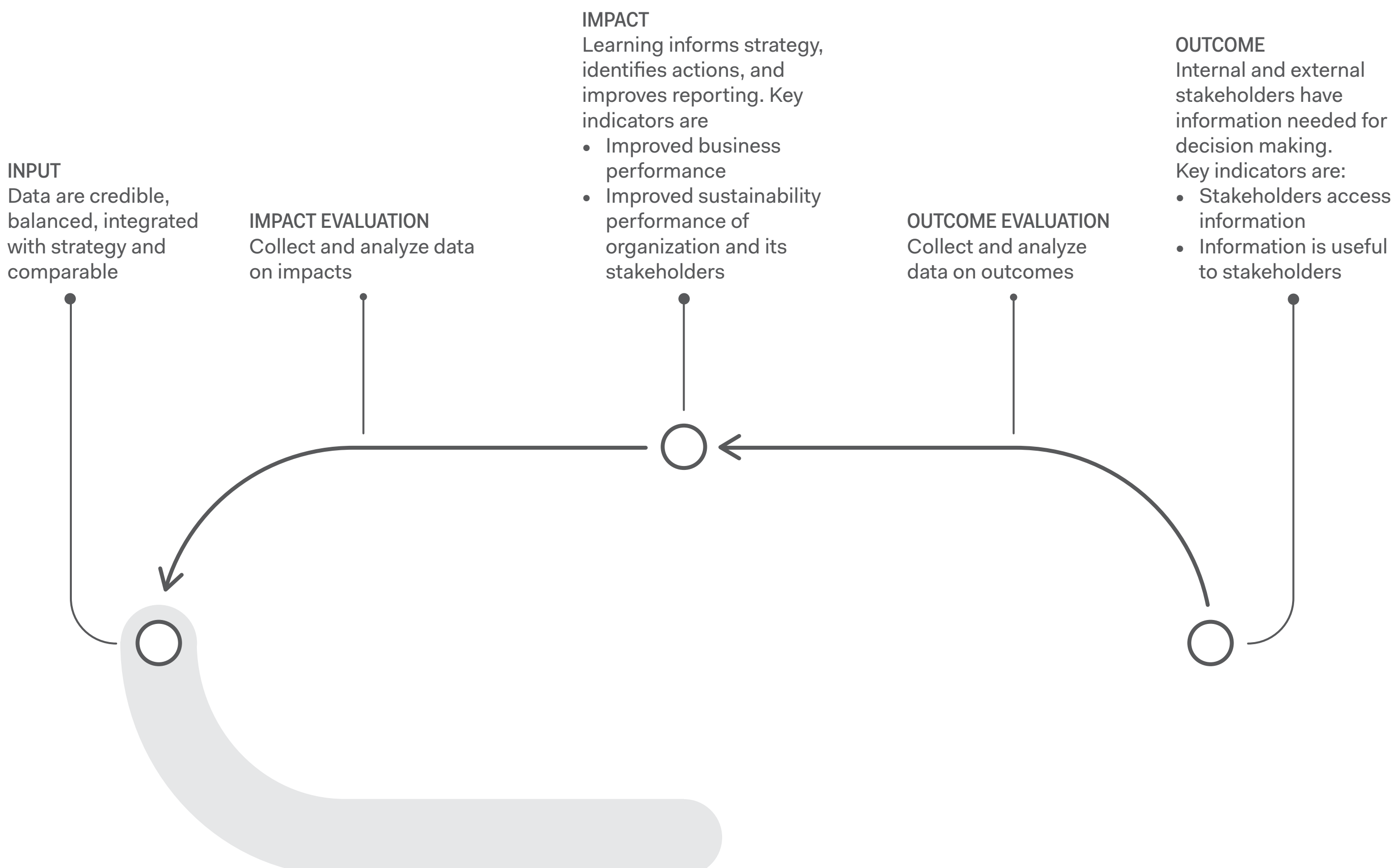
The quote below describes how the data required for sustainability reporting helped improve a business function's response to audits.

> *"We go to the business for their results and their targets. So things that they weren't necessarily tracking really well helped them to do that. [Now,] every year, when we get audited, we know exactly what numbers are going to be looked at, and how they got to those specific numbers. So, there has been a lot of influential changes as a result of reporting."*
>
> – Sustainability Manager from a Food Retail Company

Impact is greater when sustainability and business goals align over the long term. A common language aids organizations in evaluating the reporting's impact on its performance, and encourages internal stakeholders to adopt the insights generated in the reporting process.

Research encourages firms to **evaluate outcomes and impact,** to assess how effective reporting has been. Figure 2c shows these elements.

FIGURE 1C From Outcome to Impact (and Input)



Action: Improve Your Process for Evaluating Outcome and Impact

Best Practices

Evaluating outcome entails assessing whether stakeholder needs are satisfied. Did the stakeholders access the reported information? Was the information useful to them?

Access is often easiest to assess, for example, by using web analytics to determine whether stakeholders have downloaded and/or viewed online sustainability information.

However, understanding the subjective **usefulness** of the information requires stakeholder feedback, preferably through active engagement. Analytical stakeholders are likely to contact an organization directly with questions 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' into 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, Sustainalytics, DJSI or 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."*
>
> – Sustainability Manager from a Mining Company

To evaluate the usefulness of reporting, the sustainability reporting team should assess whether the reporting content is written for the intended audiences (i.e. minimal use of technical terms, content that matches their interests). The reporting team needs to know how different stakeholders use the report information and what formats meet their objectives. The team must act on this knowledge by adjusting their reporting.

The following quote describes how one organization uses feedback to understand outcomes and adjust its reporting efforts.

> *"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 is 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

Evaluate Impact: Impacts from effective sustainability reporting include better organizational performance and better sustainability performance of internal (e.g. employees) and external (e.g. suppliers) stakeholders in the long term.

To **evaluate improved business performance,** for example, look for:

- whether the learning from current reporting cycle influences future reporting cycles — e.g. metrics to report, stakeholders to involve, and sustainability indicators to integrate with organizational strategy, and
- whether the internal stakeholders are convinced that sustainability reporting provides value.

To evaluate impacts on the organization's sustainability performance, look at:

- whether internal stakeholders have made changes based on the reporting — e.g. adjusted employee performance management system to include sustainability indicators or taken steps to reduce products' carbon footprint based on the figures reported.

Assessing the impact of effective sustainability reporting on external stakeholders' sustainability performance can be challenging, as external stakeholders may not be as willing as internal stakeholders to provide information. Organizations may have limited access to data on how external stakeholders have used the reported information to take action.

Organizations can work around these constraints by using different data sources — reports, press releases, and other publicly available content — and using it to connect their reporting with a stakeholder's sustainability practice.

Assess Your Evaluation Process

Respond to the following statements to assess where your firm in the ability to evaluate outcome and impact:

		Yes	No	Not Applicable
	Evaluating Outcome			
1	We have adequate metrics in place to evaluate whether internal and external stakeholders access the information in our organization's sustainability report (e.g. number of downloads).			
2	We have adequate practices in place to evaluate whether this information was useful to the internal stakeholders (e.g. employee focus groups).			
3	We have adequate practices in place to evaluate whether this information was useful to the external stakeholders (e.g. feedback surveys).			
	Evaluating Impact			
4	We have adequate practices in place to evaluate whether the reporting process has helped the organization achieve its strategic goals (e.g. practices for formal/informal feedback that connect changes in product/service strategy with the reporting process).			
5	We have adequate processes to evaluate our sustainability reporting's impact on external stakeholders (e.g. analysis of reports, press releases, and publicly available information connecting sustainability actions of external stakeholders with our reported information).			
6	We have adequate processes to evaluate our impact on internal stakeholders (e.g. employee satisfaction survey that indicates better employee understanding of sustainability issues).			

Create an Action Plan

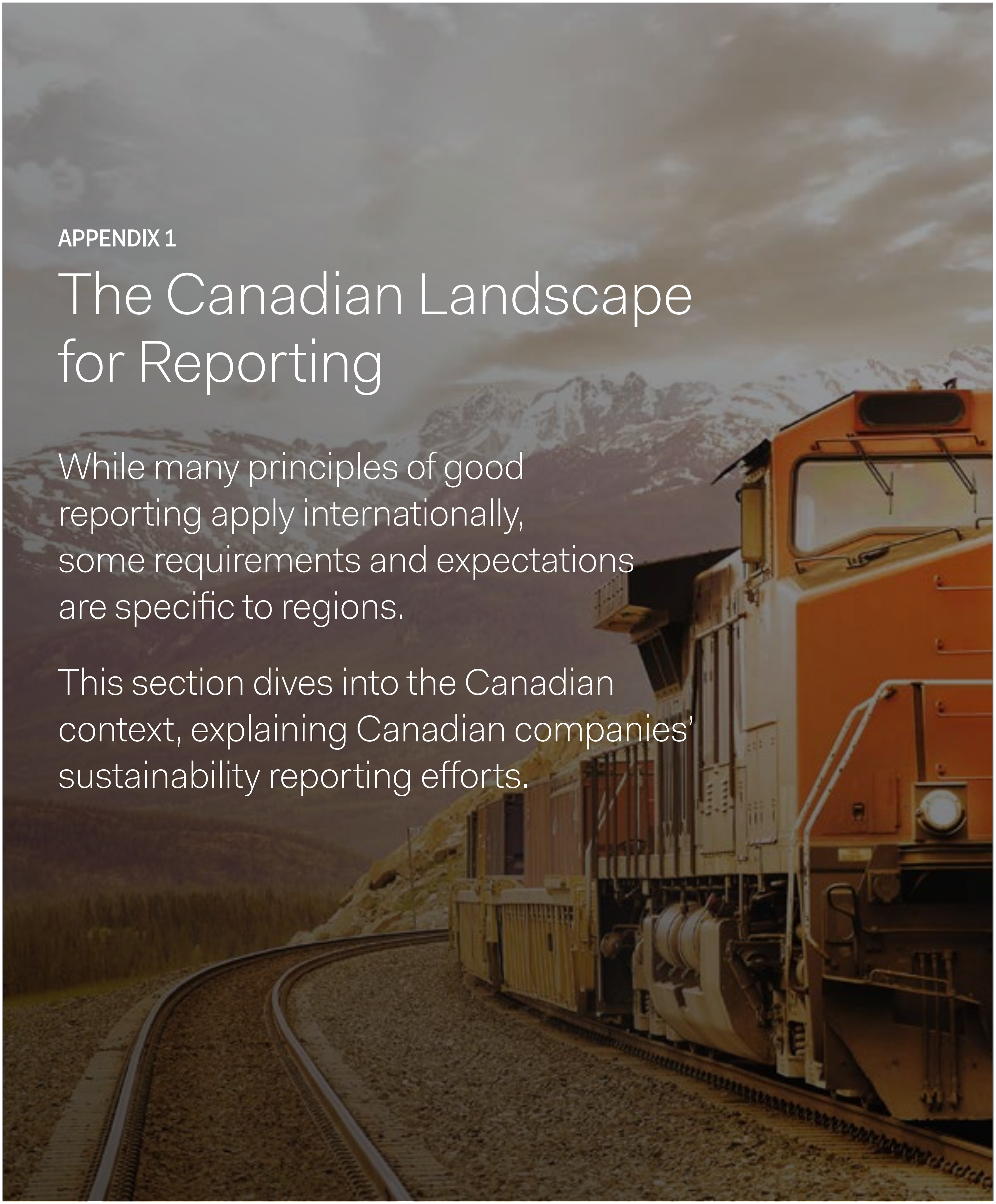
Identify the statements where you indicated “No.” In the box below, list your action plan to indicate what would you do differently:

	In the next three months:
1	
2	
3	
	Over the year:
1	
2	
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 with a range of outputs, and by seeing reporting as a continuous process rather than a yearly report production exercise.

In this playbook, we provided guidance and exercises to help you better understand your sustainability reporting process and craft an action plan to improve it. Sustainability reporting is a powerful way for businesses to improve their own and their stakeholders' sustainability performance, translating into better organizational performance over the long term. We hope that this playbook will move you toward more impactful sustainability reporting that informs, engages, and inspires.



APPENDIX 1

The Canadian Landscape for Reporting

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

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

This report studied firms in Canada. Canadian companies face a specific set of sustainability reporting incentives and obstacles, detailed here.[16] However, the findings could also apply to other contexts.

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 these 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.[17] 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, 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 or integrated reporting[18] is mandatory in some countries and regions.[19] 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.[20] 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.[21]

[16] In addition to the research cited, this section was shaped by the first-hand experiences of sustainability communication specialists working in the Canadian market.

[17] Results obtained from the Global Reporting Initiative database (http://database.globalreporting.org).

[18] Integrated reporting is corporate reporting that combines financial and non-financial information in a single document.

[19] Sustainability reporting is non-mandatory in most countries. That said, there are a numbers 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. ***Sustainability reporting: The time is now***. n.p.: EYGM Limited.

[20] Willis, A., Campagnoni, P., & Gee, W. 2015. ***An evolving corporate reporting landscape: A briefing on sustainability reporting, integrated reporting, and environmental, social and governance reporting***. Toronto: Chartered Professional Accountants of Canada.

[21] Institute of Directors in Southern Africa. 2009. "King III code of corporate governance for South Africa." Johannesburg, SA: Institute of Directors in Southern Africa.

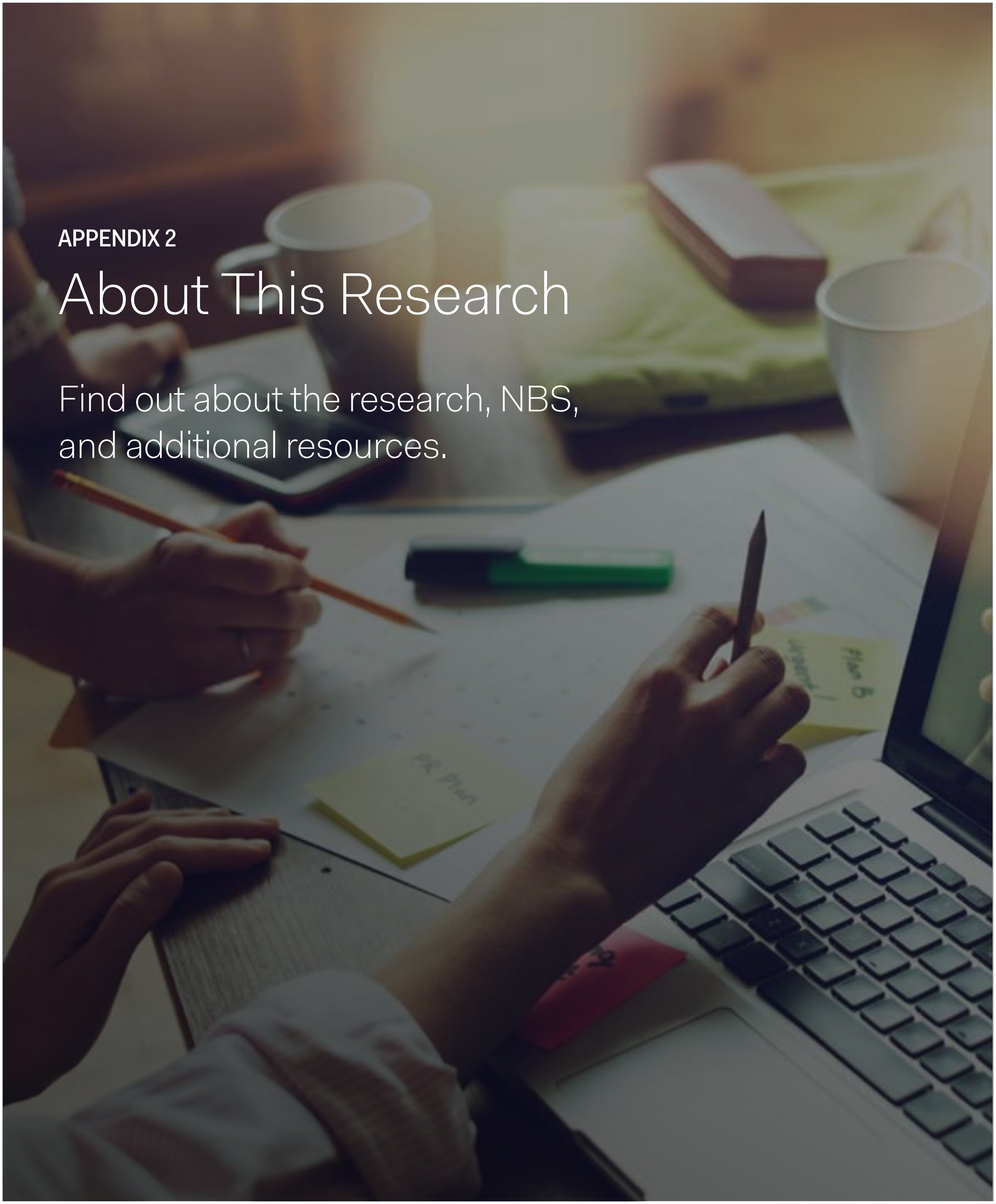
While Canada has few legislative requirements on sustainability disclosure, publicly traded companies, in particular, face other requirements that make reporting a priority. These include Canadian Securities Administrator (CSA) regulatory requirements for corporate governance practices; Annual Information 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.[22]

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) [23] and the Principles for Responsible Investing (PRI). [24] 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.

These trends have led some Canadian companies to improve how they address key risks, differentiate 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,[25] 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.

[22] Willis, A., Campagnoni, P., & Gee, W. 2015. ***An evolving corporate reporting landscape: A briefing on sustainability reporting, integrated reporting, and environmental, social and governance reporting***. Toronto: Chartered Professional Accountants of Canada.
[23] Seven Canadian financial institutions have adopted the Equator Principles (http://www.equator-principles.com/index.php/members-and-reporting).
[24] The PRI database provides examples of Canadian asset owners, investment managers, and service providers that are signatories (https://www.unpri.org/directory/).
[25] See the new GRI Standards published October 2016 (https://www.globalreporting.org/standards/gri-standards-download-center/).



APPENDIX 2

About This Research

Find out about the research, NBS, and additional resources.

This report draws on a study by Drs. Jodi York, Brad Potter, and Chris Dembek of the University of Melbourne, Australia, and Wesley Gee of The Works Design Communications Ltd., Canada. We are grateful to the companies and individuals who participated and to Guidance Committee members who worked with the researchers through the research process: Jeremiah Brenner, LoyaltyOne; Rachel Guthrie, TD Bank; Maia Becker and Deniz Ergun, Metrolinx; and Tim Faveri, Maple Leaf Foods. We are also grateful to Robin Roberts, professor, University of Central Florida, for his impeccable guidance on the research.

For additional detail on research findings and methods, please see the accompanying full report.

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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