IMS REPORTING UPDATE

Reporting: Change from Drain to Major Gain

Reporting can consume a lot of your time and resources, for a significant part of the year. Often, we focus on 'what' – the information to include; and 'how' – the design and the reporting standards to apply. But it is easy to lose sight of the 'who' and 'why.'

Materiality has been the sustainability tool to find out 'what' you should report on, but often the true value of the process is missed. Materiality gives you unique insight on your audiences. It can tell you what they are interested in, and how they prefer to receive information. We know that the full report is important for investors but that is only one of your stakeholders – who else is likely to read the report? In reality, you have a whole range of stakeholders that you can influence with your sustainability 'stories' and messages. Use your materiality process to really understand how best you can communicate with them and ensure that you incorporate this intelligence into your reporting strategy.

View some of our latest reports here

Grab our guide 'Get to grips with reporting' here

BREAKING DOWN THE MESSAGE

Reporting is effectively communications, and communication strategy is all about understanding your audiences and how to reach them – what are their attitudes, level of influence and areas of interest? What tools do you need to get your messages across? This strategic approach can get lost in the pressure to produce and distribute a substantial report.

In this information rich world, your messages are competing with a huge amount of other information, you need to think of clever ways that can reach people quickly in an impactful way. Producing a summary 'highlights' document can be a great way of getting you key messages across quickly. Infographics that can be quickly picked up and used in presentations or on posters is a great way of ensuring that your content makes its way out of the report and into the organisation. Short animations (under 90 seconds) are a great way to focus on communicating your strategy and highlights into a 'nut shell', creating that easy to repeat 'dinner party' story for your management and employees.

THINK DIGITAL

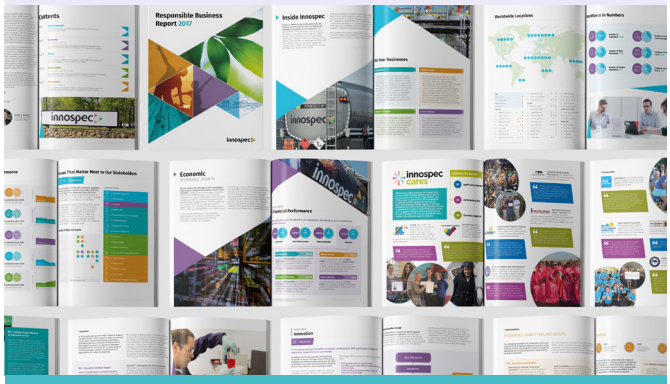
Making your information accessible is also a key requirement in today's digital age – anyone should be able to access your report information regardless of ability. Presenting your report as html web pages can be a real game changer, people can easily navigate and access content anytime and anywhere. It can also free you from the annual reporting cycle and enable real-time reporting.

Taking time out to think about your materiality and communications strategy in a coordinated way can ensure that you get the most out of both activities and influence where you need to most.

CASE STUDY: CREATING MOMENTUM WITH REPORTING AT INNOSPEC

We have worked with Innospec for the last four years, helping to develop their reporting strategy. This global company needs to communicate in five languages and reach employees and stakeholders located all over the world. The annual sustainability report was produced in English and distributed in print. Through the materiality process. carried out by IMS, it became clear that management and employees needed information in a more accessible format that they could quickly pick-up and use to explain the company's strategy.

We developed a tri-fold highlights document that included clear infographics and was translated into all the company's languages. As we helped develop their communications strategy, we worked with the sustainability team to develop a website that presents their report content in engaging html pages and developed a short animation that explains their strategy quickly and effectively.



NEED A SAFE PAIR OF HANDS FOR YOUR REPORTING?

Led by Kim and Alex our team has been involved in more than 80 reports over 15 years. Kim is a master of audience focused content development and Alex is a seasoned provider of full reporting services and an Expert Reviewer on the global reporting database **www.corporateregister.com/reviews**

Data Tools: We have data experts used to handling many terabytes of information. They regularly work on science-based targets, CDP, stakeholder data and natural capital accounting.

Design and Digital: Our design partners have a second-to-none reputation in international corporate communications including digital media.

Speak to our friendly expert **Kim Barton,** who can talk you through how it could work for you. **kim.barton@imsplc.com**

4 commercial benefits of materiality

1 REDUCE UNNECESSARY SPEND

Most large businesses report to some form of sustainability standard or index (CDP, GRI, FTSE4Good, RobecoSAM, BITC) and many companies also pay to be part of various sustainability trade associations, working groups and programmes. Materiality gives clear instruction on which of these are critical to be part of and which are just nice-to-haves. Use this clear guidance from key stakeholders to cut back on unnecessary activities and save significant time and money in the process.

2 IDENTIFY NEW BUSINESS

A side effect of a good materiality process is it often identifies opportunities for new business and collaboration opportunities. Interviews with key customers, conducted in a comfortable independent research environment, lets them to explore their sustainability priorities and naturally leads onto them talking about how your business can help them meet challenges or provide solutions. In our process we capture this information and feed it back to the people within your business that can action it.

3 MINIMISE BUSINESS RISK RELATED TO SUSTAINABILITY

Your stakeholders will tell you how environmental, social and economic factors are likely to affect your ability to deliver - and what impact these factors will have on your operations, locations, logistics, legal requirements, workforce and ability to innovate. We can help you translate this intelligence into business risks (and opportunities) for you to use in business planning. For those adopting frameworks such as the Task Force for Climate-Related Financial Disclosures (TCFD) this will form an important step.

4 FOCUS RESOURCES

Reporting, data collection systems, campaign development – they all take significant time and resources to deliver. Gain a clear remit from stakeholders on whats needed (and importantly, what's not!) and you can rapidly focus your teams resource spend much more efficiently.

Watch our video: 'Tips for effective materiality' here

See how materiality has worked for others here

And 2 benefits for you:

1 YOUR EMPLOYEES WILL BE MORE ENGAGED

Sustainability strategies can sometimes fail to gain traction because employees see it as yet another thing they're being asked to do on top of their day job. Without employee support KPIs soon fall by the wayside. Use your materiality exercise to understand how sustainability can motivate your employee base and what they need to be able to integrate it into their natural behaviours. Suddenly KPIs will start to fall into place.

2 YOUR BOARD WILL BE MORE BOUGHT INTO THE SUSTAINABILITY AGENDA

Direct commentary on sustainability priorities from key customers, government regulators and influencers can help your board understand the value of responsible business planning. Backing this up with statistical findings and clear materiality prioritisation, split by region and business unit, will complete the picture and give them all the information they need to buy into your agenda.

WANT TO DRIVE CHANGE USING MATERIALITY?

The IMS materiality process provides:

- Internal and external STAKEHOLDER SURVEYS to gather broad quantitative data and insight
- KEY STAKEHOLDER INTERVIEWS to get the detail and understand the drivers
- Statistician-backed MATERIALITY CALCULATIONS
- Internal WORKSHOPS to help understand the findings and implement the changes

You get:

- A fully managed stakeholder engagement process with clear guidance on materiality findings and how to use them
- Materiality reporting that can be published externally to demonstrate commitment
- Strategy and reporting recommendations from our strategic consultants
- Full data reporting, statistics and digestible infographic summaries
- Guidance on benchmarks and standards, communications and more

Contact us for a friendly chat through the options:
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TCFD: Are you ready?

Back in 2015, Bank of England Governor Mark Carney gave his "tragedy of the horizon" speech, the pre-cursor to the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) published in 2017. People took notice of Mr Carney then, and they are certainly taking the reporting recommendations of the TCFD seriously now.

Put simply; the TCFD report focuses on environmental and climate-related effects on business, rather than businesses' effect on the environment. Companies are encouraged to assess the business risks associated with climate change, quantify them and report on them.

Perhaps for the first time, many companies are now considering potential impacts of temperature change, drought, flood and hurricane. Certainly, we have seen a rapid raising of awareness among the financial community, since the TCFD report was published. Recent materiality surveys and stakeholder interviews undertaken by IMS point to a rapid increase in interest and knowledge of climate-related issues; from investors as well as CFOs. Aligning reporting with TCFD is a popular subject for discussion when we meet with clients. In Europe in particular, where national reporting regulations are broader and stricter than in the UK, there is a strong move to include more on governance, risk (and opportunity) management, strategic approach to risks and the metrics used to assess climate-related risk.

Through the support that IMS gives reporting companies who disclose their performance as part of CDP (formerly the Carbon Disclosure Project), we have experienced literally hundreds of assessments of climate-related risk and opportunity. Often, companies struggle to consider risks comprehensively and the opportunities related to climate change are almost always under-stated.

Our in-company Risk and Opportunity workshops are proving popular with clients, perhaps because they give colleagues the chance to think more expansively about the potential business impacts of climate change.

The outputs from the workshops can provide valuable input into CDP disclosures and statutory reporting, as well as helping to develop action plans for risk mitigation and climate adaptation. They are often also an opportunity for a client's sustainability team to work alongside their finance and R&D teams – at least for a couple of hours.

NEED HELP ANALYSING YOUR ENVIRONMENTAL RISKS AND OPPORTUNITIES FOR TCFD REPORTING?

We've helped clients develop risk and opportunity matrices and scenario planning for several years and are now assisting companies in putting these stepping stones in place to develop TCFD-based reporting.

Contact us for a friendly chat through the options:
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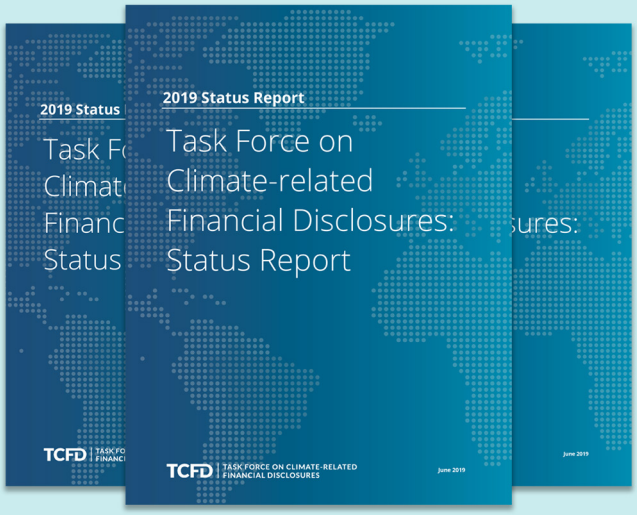

ABOUT THE AUTHOR

Ladislas Smia, Co-head of Responsible Investment Research at Mirova

Mirova is an investment manager dedicated to sustainable investment. Through a conviction-driven investment approach, Mirova's goal is to combine value creation over the long term with sustainable development.

INVESTMENT IN CLEAN SOLUTIONS such as renewable energy, buildings' insulation, electric vehicles, and sustainable agriculture MUST GROW TREMENDOUSLY

Investors and Carbon Footprinting: Please Don't Let Me Be Misunderstood

INVESTORS ARE INCREASINGLY TAKING CLIMATE CHANGE INTO ACCOUNT WHEN PLANNING THEIR INVESTMENT STRATEGIES.

From a financial point of view, there's growing evidence that the environmental transition is already having a strong impact on some companies' finances. And that's just the beginning of the trend: in addition to an increasing number of investors assessing the financial materiality of climate change, there's also a growing appetite for "impact investment." Spurred by rising consumer awareness and growing regulatory pressure, investors are starting to look at how they can contribute to the achievement of sustainable development goals, such as combating climate change.

In short, whether inspired by financial practicality or the desire to have a positive environmental impact, investors have begun to factor in climate change when reviewing their assets and portfolios. Unfortunately, it appears that some confusion remains regarding how climate change can potentially impact investments. Because carbon assessments are complex, the bulk of the financial industry is still only looking at direct emissions which means that their approach is quite limited. Furthermore, as traditional financial theory takes a hard line on sectoral diversification, factoring in climate change has almost never impacted capital allocation between fossil fuels and green technologies.

This is problematic. From a macroeconomic perspective, it's been clearly established that limiting the global temperature increase to 2°C or less will require that investment in fossil fuel-related technologies is significantly reduced and that investment in green technologies increases. Therefore, any investor who wishes to mitigate their climate risk or display a positive climate performance will need to implement such principles in their investment strategy. This implies, for instance, cutting back investment not only in areas like coal mining and oil and gas extraction, but also in utility companies that generate the majority of their electricity through the use of fossil fuels, traditional car manufacturers, airline companies, and fertilizers. Most importantly, investment in clean solutions such as renewable energy, buildings' insulation, electric vehicles, and sustainable agriculture must grow tremendously.

Carbon footprinting can help in achieving these objectives.
To be useful, footprinting should include the entire life cycle of a company's products and services, including the whole supply chain, the use of products, and what happens to products at that have reached the end of their lives. Otherwise, a company which manufactures highly emissive cars but which only uses a small amount of energy to run its production site could be considered as a clean company, even though the bulk of its environmental impact will be felt while the product is being used.

In addition to assessing carbon emissions linked to a company's activities, carbon footprinting should also reflect how a company's products and services might help reduce CO2 emissions compared to a reference scenario. Assessing avoided emissions is the only way to identify solution providers such as energy-efficient companies or companies that use renewable energy, and to differentiate between these companies and companies in low-impact sectors such as cosmetics or media.

While reporting direct emissions is relatively straightforward, implementing a life cycle approach and calculating avoided emissions can be quite a challenge. It requires a change in mindset, as such assessments can be made only by relying on strong hypotheses and estimates and many companies are used to relying only on quantifiable measure and concrete figures. However, meeting this challenge is a necessary step toward understanding how climate change can really impact a company's activity and how a company can develop products and services which mitigate climate change and drive a company's growth. In other words, we must shift from a disclosure-oriented carbon reporting system to a performance-oriented carbon reporting system.

Some companies and investors have already begun to make the switch. Although it's a complex process which requires the development of both internal and external expertise, it will allow us to better address the looming challenge of climate change.

CASE STUDY

MORGAN SINDALL GROUP

IMS

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

IMS and Morgan Sindall Group - First UK company in the construction sector to have their SBTs approved

Morgan Sindall Group, one of the UK's largest construction and infrastructure companies, wanted to gain approval for science-based targets, including complex Scope 3 GHG emissions, to drive emissions reductions within the business, and to show their ongoing commitment to being a responsible business. At the outset of this process, the client had assessed Scope 3 emissions on a limited basis. IMS worked closely with the carbon team at Morgan Sindall Group to agree the appropriate methodology, assess the impact of Scope 3 emissions across all of the companies' divisions for each of the 15 GHG categories and develop a submission that was put to the Science Based Targets Initiative (SBTI).

Because no other UK construction companies had submitted, or had approved, Science Based Targets, Morgan Sindall Group and IMS were very much setting the bar for Scope 3, both with the SBTI and the industry peers.

THE SBT SUBMISSION WAS SUCCESSFUL.

Morgan Sindall Group is the first amongst its industry peers, and one of only three construction companies globally, to adopt and gain approval for long-term greenhouse gas (GHG) emissions reduction targets.

Mapping SDGs

Only 23% of global businesses have disclosed meaningful targets related to the SDGs

The UN Sustainable Development Goals were adopted in 2015 and as soon as they were made public businesses started demonstrating their alignment to them through their own plans. Four years on many companies report upon the SDGs. However an increasing number are struggling to sensibly marry up the SDGs with their own sustainability and corporate strategies.

A common outcome can be a slightly confused maze of strategies, statements and plans which have overlapping but different purposes. Businesses can find themselves reporting on their sustainability goals whilst also separately reporting on SDG targets, which can seriously confuse stakeholders trying to understand your approach. At IMS we are helping businesses create clear and cohesive strategies that incorporate (rather than bolt on) the SDGs. Here are our tips to navigating SDGs with purpose:

DO YOUR RESEARCH

Spend some time understanding the SDGs in more detail. The 17 Goals on the face of them may all sound relevant to your business, they may all sound like things your business should care about. But when you dig beneath the surface and start to understand the 169 targets that comprise them you will find that some Goals aren't relevant to your business, your industry, your value chain or your geography. Mapping the SDG targets to the micro and macro perspective of your business will give you a clear idea of Goals that are relevant and Goals where you can have little impact.

UNDERSTAND WHERE THE TANGIBLE IMPACT IS

Next you need to consider impact. Many businesses fall foul of trying to adopt 12,14 even 17 Goals and end up in a tangled mess trying to report against them all. Instead take a considered approach. Decide which Goals you can have a strong and tangible impact upon and focus your efforts on developing detailed plans within your sustainability strategy to help meet these Goals. You may end up with only 3 or 6 but you will be focused and much more able to communicate progress clearly.

INVOLVE YOUR INTERNAL INFLUENCERS

SDGs selected in isolation within the sustainability team wont go very far. By taking your management and even your board along with you in the decision making process, giving them explanations and choices along the way, you'll end up with Goals that the business a) knows about and b) are willing to stand by and do something about. Engaging with your internal influencers is key.

INTEGRATE INTO YOUR STRATEGY

Once you've selected your Goals and explained the rationale for them you will need to do something about them! Don't treat the SDGs as a separate topic, creating SDG statements and SDG reporting to show your progress. Instead integrate the SDGs and the targets into your sustainability strategy (and your business strategy). Use them to identify the gaps in terms of responsible business risks and opportunities and strengthen your approach. You will get much more value from the exercise this way.

NEED HELP INTEGRATING SDGS OR OTHER FRAMEWORKS?

We work with large corporates across the UK and Europe in developing research led sustainability strategies that make the best use of frameworks such as the SDGs. We can help you focus in on what matters and discount what doesn't; mapping out a purpose, targets, goals and a timeframe for delivery. We will also ensure your internal audience and your board are engaged in the process.

Contact us for a friendly chat through the options:
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REPORTING UPDATE is brought to you by IMS Consulting (Europe) Ltd

IMS provides sustainability reporting, materiality, disclosure and strategy services to companies and organisations across Europe.

IMS works with clients to focus reporting around stakeholder requirements, using multiple platforms to deliver the right message to the right audience in an engaging way. We will take the pain out of report planning and delivery so you can focus on what matters most. Our ambition is to help your business become more responsible, resilient and sustainable.

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