A Strategic Approach to Sustainability Reporting

– Tiara Anthonisz,
Head of Strategic Corporate Responsibility, STING Consultants

Sustainability Reporting is the practice of companies measuring, disclosing, and making themselves accountable to their stakeholders, for their organizational economic, environmental, and social performance.

Though known and functioning in its early years as purely 'environmental reporting', and then progressing to 'social reporting' or 'CSR reporting', we have now come to a stage where it is widely accepted that companies should engage in 'sustainability reporting', that is, reporting which addresses all aspects of a company's operations that contribute to sustainability of a nation, inherently, on the economic, social, and environmental fronts. Recent events in the global business sphere have also brought to light the importance of sound corporate governance, in this mix of contributors to sustainability.

Reporting on the financial performance of companies has long been standardized and accepted worldwide. However, reporting on the non-financial aspects of a company's performance – on its sustainability impacts – remains at various degrees of progress across different countries, industries and companies – none more so than here in Sri Lanka.

Sadly, a lot of companies have not yet realized the true value of reporting. Instead, they engage in reporting for the purpose of marketing, or simply in order to win various awards.

This is not to say that these aren't valid reasons to report. Sustainability reports are most definitely a marketing tool that investors, customers, and future employees alike are increasingly scrutinizing. The awards schemes too play a vital role by instilling competition amongst corporates who must then produce better reports in terms of quality and transparency in order to retain their victories. The problem is that most companies see reporting as a means to the specific end of winning these awards, rather than recognizing it as the valuable management tool that it is.

The core component of structured sustainability reports are the balanced performance indicators that they must include on the company's economic, environmental, and social performance. Reporting accordingly then requires that companies implement monitoring and measurement systems into their operations, which will consistently track their performance, enabling them to collate this information into a high-level report at the end of the reporting period. Reports are generally produced annually, which means that companies must monitor their performance systematically throughout the entire year in order to have the necessary information at their disposal when the time comes for report writing.

The main outcome of reporting should then not be the ability to publish a glossy sustainability report, but it is the monitoring of internal performance within the company, which makes clear where its biggest impacts are, and makes the management aware of what areas they need to improve on. A handful of local companies have realized this, whereby monitoring their environmental impacts, energy usage for instance, has made them aware of how they can cut this down, resulting not only in a reduced impact on the environment, but also a reduction on their overhead costs.

Sustainability reports are also a vital management tool as they allow for benchmarking on organizational sustainability performance, amongst different companies, as well as over time. Global frameworks for reporting including the Guidelines established by the Global Reporting Initiative (GRI), now the de facto standard for reporting, require that companies measure and disclose their performance in line with very specific metrics. The purpose of this is to ensure that readers, whether they are investors, non-governmental organizations or other interested parties, have access to comparable information across different companies, allowing them to make the most informed decisions. This comparability also allows companies themselves to assess their own performance against that of their competitors, thereby fuelling further improvement. The fact is that once that information has been put out into the public domain, companies are compelled to disclose increasingly better results each year.

Of course each of these outcomes requires that reporting is done in a certain way. Sustainability reports must not consist purely of flowery stories on the company's various community investment activities. They must be structured according to globally established frameworks, and their core should be the quantifiable indicators on the economic, environmental, and social performance of the organization. These indicators must show balanced information - both the positive and the negative results - if reports are to be of any use, and they must utilize standardized measurement procedures if they are to be comparable across companies. Above all, reports must be truthful. Company procedures and performance indicators should be audited by an external party, and an assurance statement should be included confirming the accuracy of reported information.

The 2011 STING Corporate Accountability Index found that though 86% of the 66 companies on the Index included at least some mention of sustainability or CSR issues in their public disclosure, only 30% (or 20 companies) produced structured reports in line with the GRI Guidelines. What's more, only 8 of the 20 reporting companies in Sri Lanka included external assurance statements in their reports, and only 4 of these statements – those of CTC, Dialog Axiata, DIMO, and John Keells Holdings – provided solid confirmation that reports accurately represented the companies' internal sustainability performance. This shows that the majority of our companies have not yet realized the importance of credible sustainability reporting, or the value they could gain from implementing the necessary monitoring systems. Most see sustainability as a PR buzzword, and they engage only in greenwashing, rather than truly making themselves accountable for their impacts, or contributing towards sustainable development of the nation.

This all boils down to one thing – the majority of companies in Sri Lanka are wasting the opportunity to make their operations more efficient, and are therefore losing out on improving their bottom lines – whether 'triple' or not.

It is hoped that companies realise this sooner rather than later, and implement the necessary improvements for the betterment of our economy and nation as a whole.

-End-

The author is the Head of Strategic Corporate Responsibility at STING Consultants. She holds an MA in Corporate Social Responsibility from Nottingham University Business School and a BA in Economics from the University of Nottingham, UK.