

Taking Action: Sustainability Reporting

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Follow-up

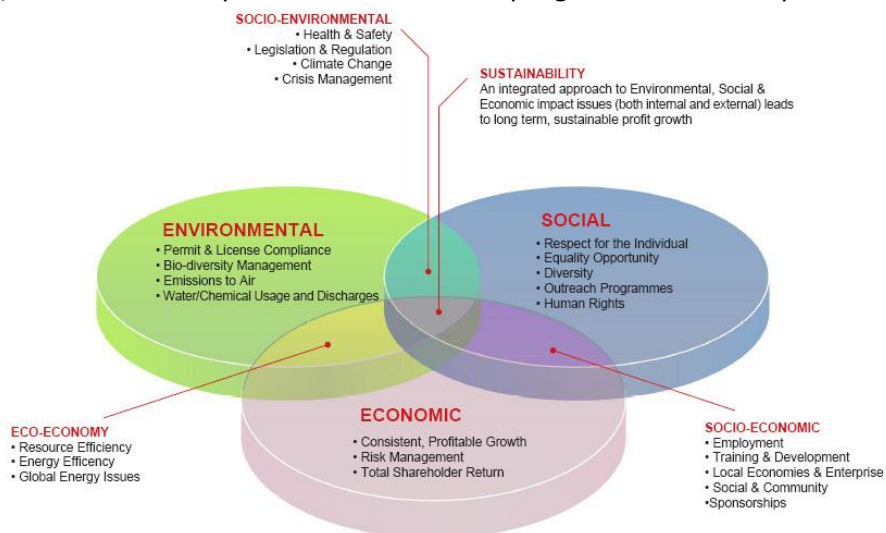
In the article¹ last month, companies that are planning to embark on sustainability reporting should start first by knowing its carbon footprint. The common standards adopted by most companies in the world are the [ISO 14001 – Environmental Management System](#) and ISO 14051 – the new Environmental Management Standard that allow the organisation to acquire a better understanding of the environmental and financial consequences of the material and energy use practice within the company. Companies that are familiar with implementing ISO could do well by going on their own while others that are new to such standards could benefit by being members of local support groups or engage practitioners that have implemented such standards.

While companies start taking steps to measure its carbon footprint; it is imperative that these organisations have a good understand of sustainability reporting.

What is Sustainability Reporting

In its simplest form, a sustainability report is an organizational report card on how it has fared in the areas of economic growth, environmental protection and social progress. Most sustainability report focused on the disclosure of non-financial information about the organisation's performance and activities that have a direct impact on society, environment and economic performance or otherwise known as the triple-P's: People, Planet and Profit. People is associated with Human Capital while Planet refers to the impact on the environment as a result of the organisation's policies and activities.

Accounting for sustainability reporting is not a new thing – it started some 20 years ago and existed in the forms of social accounting, social and environmental accounting, corporate social responsibility reporting or non-financial reporting. Companies in the chemical and oil industries were amongst the pioneers of such reporting as these industries had serious image problems in how they were impacting the environment in which they operated. Subsequently, such reporting was also made by small and medium-sized companies that were involved in environmental management systems. There are many ways to depict the inter-relationships amongst the 3 pillars; namely: economic growth, environmental protection and social progress. One example is illustrated below:



Source: Verifysustainability²

Over time as companies in various industries began to publish sustainability reporting to their stakeholders, customers and regulatory bodies, sustainability accounting evolved into a tool used by organisations to become more sustainable. The most widely used measurements are the Corporate Sustainability Reporting and the triple bottom line or triple-P accounting mentioned briefly above.

Reporting Framework and Guidelines

As a result of more sustainability reporting by companies, there is the need to ensure that there is consistency and standard in the way these reports are being prepared and published. Over the years, various reporting framework and guidelines on sustainability reporting have been proposed and developed. One of the most widely used is the **Global Reporting Initiative (GRI)**³ that has been adopted by more than 4,000 organisations from over 60 countries. As a non-profit organisation, GRI's mission is to make sustainability reporting standard practice by providing guidance and support organisations that are promoting a sustainable global economy.

The Sustainability Reporting Framework developed by GRI covers 4 key areas; namely: economic, environmental, social and governance performance. The framework itself includes the Reporting Guidelines, Sector Guidelines and Other Resources. The 3rd Generation Sustainability Reporting Framework, G3 and G3.1 have been adopted by many organisations. In Singapore, listed companies such as SingTel, City Development Pte Ltd and Keppel Land Limited are examples of pioneering companies that provide a separate Sustainability Report on an annual basis. For the government sector, the National Environment Agency (NEA) recently became the first Singapore public agency to publish a Sustainability Report that was prepared in line with the GRI guidelines. GRI is in the process of finalizing the 4th generation Sustainability Reporting Framework⁴ (G4) and has recently invited public consultation for the draft.

Besides the GRI, the **International Standard ISO 26000:2010**⁵, Guidance on Social Responsibility, provides guidance for private and public sector organisations of all sectors with the intention to encourage the implementation of best practice in social responsibility globally. It is however important to note that ISO 26000 is not a sustainability disclosure framework but rather a guidance document providing organisations with the information necessary to understand and address sustainability issues. Both ISO 26000 and GRI are closely aligned and a publication developed by GRI on how to use the GRI (G3 and G3.1) in conjunction with ISO 26000 can be found at the reference link below⁶.

In addition to GRI and ISO 26000, the **United Nation Global Compact (UNGC)**⁷ is an initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. UNGC is the largest voluntary corporate responsibility initiative in the world comprising over 8,700 corporation participants and other stakeholders from more than 130 countries. The key objective of this initiative is that business, as a primary driver of globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.

Committed participants of the UNGC are required to issue an annual Communication on Progress ("COP"). Although a COP template is readily available to participants, a GRI report more than adequately covers the requirements of the COP. Organisations that are interested in becoming a participant can download a copy of the UNGC brochure⁸. **Singapore Compact**, a local network of the UNGC was launched in Sep 2005. The Singapore Compact for Corporate Social Responsibility (CSR) acts as the country focal point for the Global Compact in Singapore. Currently, the national society has over 370 members that provide a multi-stakeholder platform to further broaden CSR dialogue, collaboration and programmes for implementation. Readers can download a copy of the survey of the Sustainability Reporting landscape in Singapore 2010-2011 prepared by Singapore Compact⁹.

For companies and financial institutions, investment considerations have extended beyond the typical criteria such as management capabilities, growth opportunities, financial status, business alignment, technology and innovation. Increasingly, investment decision has to consider the sustainability issues and concerns. The United Nations-backed **Principles for Responsible Investment Initiative (PRI)**¹⁰ is a network of international investors working together to put the six Principles for Responsible Investment into practice that reflect the view that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios and therefore must be given appropriate consideration by investors if they are to fulfill their fiduciary duty. The Principles provide a voluntary framework by which all investors can incorporate ESG issues into their decision-making and ownership practices and so better align their objectives with those of society at large.

Summary

As more companies in different industry sectors embark on their journey to publish their reports on sustainability either on their own accord or through regulatory or stakeholders' pressures, it is inevitable that current reporting framework and guidelines will have to be reviewed to meet the changing needs as the sustainability reporting regime become more mature. The upgrading of its existing 3rd Generation framework to 4th Generation is a direct response to this need. As this is an ongoing process, companies should not adopt a wait-and-see attitude as there are various benefits to adopt a pro-active approach vis-à-vis their competitors. Companies that are pioneers in this aspect have not only integrated sustainability into their overall corporate and business strategy – this has not only prepared these companies for greater sustainability but has demonstrated to their customers and stakeholders of their commitments and transparency in the area of sustainability practices.

References:

¹ Sustainability Reporting for Companies dated 28 Jun 2012, Innovar Pte Ltd:

<http://www.innovar.com.sg/more.htm#Top%20Header>

² VerifySustainability – the Solution Matrix:

http://www.verify sustainability.com/Pie%20Diagram/PieDiagram_Open_Page.aspx

³ The Global Reporting Initiative (GRI) website is at: <https://www.globalreporting.org/Pages/default.aspx>

⁴ The public consultation of the 4th Generation Reporting Framework (G4) closes on 25 Sep 2012. Interested parties can go to the url below to submit their feedback:

<https://www.globalreporting.org/reporting/latest-guidelines/g4-developments/Pages/default.aspx>

⁵ ISO 26000 - Social Responsibility:

<http://www.iso.org/iso/home/standards/management-standards/iso26000.htm/>

⁶ How to use the GRI in conjunction with ISO 26000

<https://www.globalreporting.org/resourcelibrary/How-To-Use-the-GRI-Guidelines-In-Conjunction-With-ISO26000.pdf>

⁷ The United Nation Global Compact website is at: <http://www.unglobalcompact.org/>

⁸ A copy of the UNGC brochure can be found at:

http://www.unglobalcompact.org/docs/news_events/8.1/GC_brochure_FINAL.pdf

⁹ A copy of the Singapore Compact Report can be found at the following url:

<http://www.csr singapore.org/c/resources/publications?download=43%3Asustainability-reporting-in-singapore-non-financial-reporting-among-mainboard-listed-companies-in-singapore>

¹⁰ The United Nation's Principles for Responsible Investment Initiative is at: <http://www.unpri.org/>

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