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Sustainable Reporting: Lessons From The Fortune 500



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Leadership

Many companies extol their positive environmental performance, their social causes and exemplary governance (ESG). How do investors and other stakeholders verify those claims? A first step is to look to the company's Sustainability Report. More than a marketing piece, these reports also indicate company intent and follow-through and are complementary to annual Financial Reports. Annually, the Centre for Sustainability and Excellence (CSE) publishes its unique research on sustainability reporting trends. This year's research, [Sustainability Reporting Trends in North America 2017](#), focuses on the United States and Canada, with surprising insights on sustainability reporting and profitability. To address these trends more deeply, I spoke with the president and founder of CSE, Nikos Avlonas.

Terry Waghorn: Why has CSE embarked on annual research specifically into sustainability reporting?

Nikos Avlonas: Many myths surround sustainability in the corporate world. A common one is that embarking on a sustainability strategy will increase communication and operations costs. Many past studies show this is not true, and our research shows that increased attention to sustainability strategy with comprehensive Sustainability Reporting influences profitability positively. At CSE, we're looking to debunk the myths, find the strengths and weaknesses as demonstrated through reporting. Last year, we found that Silicon Valley companies are NOT sustainability leaders despite the hype about young companies with young leaders. Not particularly good news, but good to know. This year, we took a wider lens and found really good news industry wide when it comes to sustainability reporting, strategies and profitability.

Waghorn: What is your most significant finding?

Avlonas: We found that about two thirds of companies with the highest rankings or sustainability ratings such as CSRHub had better financial performance than companies with lower rankings as indicated by revenue during the period 2014-2016 than those without reports. In my experience, these companies recognize the importance of a comprehensive sustainability strategy and reporting that includes goals, and externally assured performance data. Transparency and comprehensive sustainability goals are great business enablers and support the success of corporate strategies. Stakeholders, including investors, shareholders and clients see more opportunities and have more trust in these companies.

Waghorn: What are the specific characteristic of companies with successful sustainability reporting?

Avlonas: The use of specific guidelines for reporting is growing, adding value, integrity, transparency, and credibility to companies publishing sustainability report. Of the many guidelines available, 65% of companies use the Global Reporting Initiative (GRI). The GRI guidelines remain the most widely used for conducting sustainability reports.

We are also pleased to find that carbon footprint reduction has become a priority of the companies that have the highest sustainability rankings. All the top companies have well-stated and measured goals and targets found in their reports and websites

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Waghorn: What are the greatest sustainability reporting shortcomings?

Avlonas: In North America, most reports following reporting guidelines have not sought external assurance. In the USA and Canada, the number of externally assured reports is low compared to the EU. We believe one barrier is the high fees of the assurance companies. External assurance confirms the quality of information (both quantitative and qualitative) that is being provided. It provides transparency and credibility, increases reliability and trust. The percentage of North America companies seeking assurance has not grown since 2014. We believe the use of external assurance will increase in the near future as board members come to understand the value of Sustainability Reporting.

Waghorn: Where is the greatest room for improvement?

Avlonas: We'd like to see greater adoption of the UN Sustainability Development Goals (SDGs) and more comprehensive strategic goals related to social, environmental and transparency topics.

Incorporating the SDGs has proceeded slowly in North America. However, 41% of businesses are expected to embed SDGs into their strategy and business practices within five years, and 71% of businesses say they are already planning how they will incorporate the UN SDGs.

Waghorn: What should investors and other stakeholders look for in a Sustainability Report?

Avlonas: An overview of company sustainability does not take more than 15 -20 minutes. We have seen via stakeholder focus groups their surprise when some of the leading FT 500 companies give a negative first impression when their Sustainability Reports do not include several key elements.

Does the company use internationally recognized standards or guidelines such as GRI and CDP? Are there specific metrics which are presented showing previous and present performance and future goals? Has there been active stakeholder engagement? Without that, the materiality and credibility of the report comes into question. Finally, has there been any external assurance done for all or specific elements of the report? We don't expect reports to be perfect or to cover every possible aspect of sustainability. We do expect an honest and transparent effort with well-stated goals which hit on environmental, social and governance criteria.



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I am the CEO of the Katerva (www.katerva.net). Katerva's mission is to create the world's first truly open global platform for change. I am a bestselling author, speaker... [Read More](#)