the need for sustainability reporting

To gauge the true health of a business one needs to evaluate not only its financial performance, but also its environmental and social performances.

Financial Analysts

- As the scarcity of natural resources is on the increase, financial analysts want to know the dependence of your businesses on natural resources. The efficiency with which you are using these resources.
- Energy too is getting expensive and thus it's no surprise that they want to know the amount of energy you are using to manufacture a unit of produce. What are your oganisation's energy security plans? How much of the energy you use comes from renewables?
- Analysts are also interested in how your local community perceives you - Is there a harmonious symbiotic relationship? or do they feel that you are a hostile alien predator exploiting their natural habitat?
- The analyst draws three conclusions from studying your relationship with your local community – first is your organisations ability to attract good talent, second the degree of risk that your organisation faces from protests by the local community and third that in this emerging sustainability conscious world will your brand have a preference over others.
- All three of the above impact market valuation on the bourses and the cost at which a firm can raise capital.

Customers

- Large customers too have similar concerns, because their continuity of supply depends on it.
- Today in the developed world consumers are holding a brand responsible for sourcing from vendors who are polluting the environment or violating human rights. Thus customers are including sustainability parameters in their pre-qualification criteria.
- To protect their marketshare and brand image customers (especially those in developed nations) are demanding that organisations aspiring to supply to them should be sustainable.

Consumers

- Consumers the world over are showing a marked preference for green and fair trade products. Most consumers are also ready to pay a premium for sustainable brands. The degree of premium that they are ready to pay though varies across various groups.
- Consumers have become much more informed and world over consumers are taking up causes. Brands with suspicious environmental and social conduct are more susceptible to protests and boycotts.

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Society

- Society too today wants to know if your business is an asset to the society or a liability.
- If perceived to be a liability, society through policy and/or protest could halt your company's growth and could even take away its societal license to operate.

Government

- Climate Change being the centre of global debate. Governments across the world are legislating on Environmental and Social issue.
- New Policies and stricter implementation are the order of the day.
- Carbon taxes are becoming the new trade barriers.
- Carbon credits are opening new avenues for revenue.

Progressive organisations realize that environment and social risks are no more fringe risks.

They have adopted sustainability reporting to

- Measure their performance on important environment and social parameters and manage related risks.
- Engage on an ongoing basis with diverse stakeholders on these prominent environmental and social issues.
- Demonstrate the highest degree of transparency and thereby gain investor confidence
- Proactively build an environment of dialogue and minimize the business disruption risks due to protest
- Be qualified for business across geographies and ensure that compliance with pre-qualification criteria
- Be future ready before policies and legislation kick in
- Gain competitive advantage for supply to customers in developed nations
- Build brand preference and gain accelerated marketshare
- Enjoy higher PE multiples
- Gain preferential access to capital
- Lower their cost of capital

Where CR reporting was once merely considered an ‘optional but nice’ activity. Now seems to have become virtually mandatory for most multinational companies

the global reporting initiative (GRI)

- GRI is an international network based NGO whose secretariat is based in the Netherlands
- The Global Reporting Initiative (GRI) is an independent institution whose mission is to develop and disseminate globally applicable sustainability reporting guidelines that help organisations to report on the economic, environmental, and social dimensions of their activities, products, and services.
- GRI has developed the world's most widely used framework for sustainability reporting
- GRI works with different stakeholder groups, such as corporates, NGOs, investors, trade union representatives – multi stakeholders – and uses a consensus based approach to develop these guidelines
- GRI's vision is: reporting on economic, environmental and social performance by all organisations should be as routine and comparable as financial reporting.
- To enable comparison of reports and performance GRI has introduced through their guidelines a consistent language and common metrics, so that everyone reports the same information in the same way.
- Whilst the GRI Guidelines seek to enhance comparability between reports through encouraging the use of common indicators, it can also incorporate flexibility so that organisations can take steps to reflect the context in which they operate.
- GRI is not Global Real Estate Institute, it is Global Reporting Initiative

the GRI reporting guidelines

- The GRI Guidelines are a free global public good and can be downloaded for free at www.globalreporting.org
- The reporting guidelines provides a framework to build a Sustainability Report
- The guidelines are constantly being updated and the third edition of the Guidelines - the G3 - was published in 2006.
- The GRI Guidelines are intended to be applicable to organisations of all sizes and types operating in any sector. However, they were developed primarily with the needs of larger businesses in mind.
- The data that needs to be included in a Sustainability Report can be divided into 3 broad categories

⊖ About the Report
⊖ About the Organisation – It's Profile
⊖ About the Organisation's Performance
across the triple bottom-lines of Economic, Environmental, Social

the GRI reporting guidelines

- The Guidelines list out indicators which an organisation needs to report on in each bottom-line

	Core Indicators	Supplementary Indicators
Economic	7	2
Environmental	17	13
Social	21	10
Product Responsibility	4	5

- Keeping in mind that many organisations are beginners, the guidelines allow reporters to take small steps at the beginning and build their report over the years as they go ahead.
- Thus organisations have the option to report only on part of the indicators. Depending on the number of indicators included in a report, a report is graded as A, B or C. Grade A being for a report that includes all the indicators.
- With time and practice, organisations are encouraged to move gradually towards more comprehensive reporting i.e from C to A.

If you want to know more about sustainability reporting, feel free to contact us at **harsh@cognitomail.com**. Cognito, India's leading sustainability advisory, helps organisations adopt sustainability, report on their triple bottom-line performance and in due course leverage sustainability for competitive advantage. We assist businesses to do better by doing better.