



GUIDE TO REPORTING ON **SUSTAINABLE DEVELOPMENT**

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CONSULTING

UNLOCKING
SUSTAINABLE
POTENTIAL



HOW TO USE THIS GUIDE

Non-financial reporting, often in the form of a dedicated sustainability report, has become common practice for many businesses. It helps build trust between an organisation and its stakeholders, provides an opportunity to reflect on non-financial performance and communicate future aspirations, and can help meet the increasing demands of regulators and investors for greater corporate transparency.

sustainability reports for a range of clients. We thought it was time we passed on some of the experience we have gained. So, whether you are a seasoned reporter or are thinking about it for the first time, this guide is intended to help you navigate through the whole reporting process, and asks some of the important questions we think you should consider along the way.

IMS Consulting has worked in the sustainability communications arena for over 20 years, during which time we have developed and delivered numerous



WHY PRODUCE A SUSTAINABILITY REPORT?

At IMS Consulting, we find that many organisations produce a sustainability report without really considering its purpose. Before you invest time and resources, it is worth defining exactly why you are reporting as this will shape both the reporting process and the final report.

- To meet legislative requirements
- As a management tool to highlight current performance
- As evidence of non-financial activities to use when bidding for new work
- To help build trust in your business or brand
- In response to specific stakeholder demands (such as your clients or investors)
- To discuss your non-financial impacts
- To explain your future direction and document progress towards objectives



DO I HAVE TO REPORT?

Currently few countries require companies to report on their non-financial performance by law. However, there are signs that this is changing. In early 2014, the EU passed a new directive on the disclosure of non-financial and diversity information by large companies. Under the directive, EU companies with more than 500 employees will be required to report on environmental, social and employee-related, human rights, anti-corruption and bribery matters. They will also be encouraged to adopt on recognized third party frameworks such as Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines. Thinking about sustainability reporting now will mean you are ahead of the curve and will minimise the risks associated with the local implementation of this directive.



WHO AM I REPORTING TO?

Another commonly neglected question is the target audience for a sustainability report. Whereas an annual report and accounts is, almost by definition, aimed at shareholders and investors, the potential audience for a sustainability report is much wider.

Before any decisions are made about the 'what' or 'how' of a sustainability report, you should consider which external and internal stakeholders you want to target with the report. Stakeholder mapping can be used to identify and prioritise the stakeholder groups that have most influence or involvement with your business, and who therefore should be the target audience for your report. It is also worth considering the extent to which different stakeholder groups can help your business reduce negative impacts or maximise positive impacts across your value chain, as your report can be used to start a dialogue about these.

WHAT SHOULD I REPORT ON?

The idea that sustainability reports should focus on material issues (those issues that matter most to a business and its stakeholders) is a rapidly emerging trend, helped by the increased emphasis placed on material issues by the GRI's latest G4 sustainability reporting guidelines. A materiality assessment adds a crucial new step in the reporting process, and one that needs to happen before the report is written.



“Over the past 4 years, IMS has helped us refine our strategic approach to sustainability by working with us to develop and implement our sustainability roadmap. This involved an engagement exercise, facilitating and inputting into our steering groups which assisted in determining what is important or 'material' to the Group's stakeholders. This materiality assessment established the priority areas, actions and milestones which gave our overall communication plans regarding sustainability messages a clear focus.”

Brian Handcock, Head of Sustainability,
Morgan Sindall Group plc

MORE MEANINGFUL MATERIALITY

Using a materiality process that includes stakeholder engagement is a key aspect of the latest G4 sustainability reporting guidelines provided by the Global Reporting Initiative (GRI).

In response to the increasing focus on material issues, IMS Consulting has used its extensive experience of materiality assessments to develop a powerful, online Materiality Tool. This online tool helps businesses understand which sustainability issues matter most to their stakeholders, helping them inform the contents of sustainability reporting. The IMS Materiality Tool features:

- Ability to combine statistical analysis of the number of stakeholders who identify a particular issue as relevant as well as the average importance score assigned to that issue, to determine which issues are most likely to be material to stakeholders
- Provides a list of material issues grouped by relative importance
- Option for extending to segment results to show material issues for different stakeholder groups or for different parts of a business

Visit www.imsplc.com for an online demonstration of the IMS Consulting Materiality Tool.

EXPERT VIEW: MATERIALITY ASSESSMENT

There can be no doubt that materiality is a valuable concept for companies to consider when developing a sustainability report (regardless of whether or not it is being done to be 'in accordance' with the GRI G4 guidelines). It both encourages companies to find out from the stakeholders what issues they want to see reported, as well as resulting in more focussed sustainability reports that contain only the most relevant and useful content. However it requires a materiality assessment to be undertaken which is a process that will be new for many, is currently poorly understood and documented, and involves

several practical challenges. Recognising these challenges, and based on our considerable experience of using stakeholder engagement to help businesses understand their material issues, we have developed a new online materiality tool. It uses a robust and transparent methodology to help businesses understand what issues matter most to its stakeholders, as part of a materiality assessment. It also allows results to be segregated so that variations in material issues between different parts of a business or stakeholder groups can be identified.

Dr Richard Westaway, Sustainability Specialist, IMS Consulting



BEFORE



HOW SHOULD I REPORT?

Businesses report on sustainability in a variety of ways, depending largely on the purpose of the report and the intended audience:

- **Section in annual report and accounts** – Although this gives sustainability greater prominence and allows for links to be made to business strategy, in our experience it invariably limits the space available and tends to constrain design and tone.
- **Standalone report** – Many companies now produce a standalone report, which although typically requiring extra resources, provides greater space to talk about achievements and challenges and permits a less formal approach that is likely to be more accessible to stakeholders. Recognising that few stakeholders will read a report from cover to cover, some businesses now produce an additional summary report to emphasise the key points.
- **Integrated report** – A relatively new concept, an integrated report is intended to replace a traditional annual report and accounts, and provide a more balanced view of a company's economic, environmental and social impacts and performance. The early signs are, that since such reports remain targeted to shareholders and investors, they tend to retain a financial focus and therefore perhaps should not be seen as a replacement a dedicated sustainability report.
- **Online report** – Some businesses have dispensed with a hard copy sustainability report, and provide content online only. Such an approach means that reports are not limited to be snapshots in time, but can include continuous updates through the year and can encourage real-time dialogue with stakeholders.
- **Customised reporting** – Technological advances mean that businesses are increasingly available to produce multiple versions of reports to meet the needs of different stakeholder groups. This sees material issues defined from the bottom-up, rather than the top-down, as reporting focuses on the most important issues in the local context.



“At Skanska AB, sustainability is an essential and integrated element of our overall business strategy and everyday operations. Skanska AB has used IMS services since 2006, where it has supported various internal and external education and communication initiatives helping create content, materials and platforms that really drive and re-enforce our sustainability strategy together with our green business initiatives. We really value the support we get from IMS as they have a better understanding than most about the key topics that we want to communicate in order to educate our stakeholders. IMS provides me with cost-effective, timely services using staff that have a good grasp of Skanska and our priority topics”

Noel Morrin, Senior Vice President, Sustainability & Green Support, Skanska AB

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EXPERT VIEW: ONLINE REPORTING

Undertaken properly, online reporting is a very powerful addition to the communication mix. Not only can online reports be customised to suit the precise interests of different groups, they can also be used to provide regular updates throughout the year; including data dashboards and case studies.

Justin Prole,
Web Specialist,
IMS Consulting

EXPERT VIEW



IMS Consulting has delivered three engagement programmes for British Land in the past 18 months helping us understand how stakeholders want to be communicated with, to understand more about upcoming material issues for the business and to find out from investment analysts what standards and metrics they use to assess sustainable investments. The recent launch of British Land's latest Stakeholder Engagement report summarises much of the work IMS has done. IMS Consulting undertook an online stakeholder survey for us to understand attitudes to CR reporting and materiality on CR issues. We were delighted with the quantity and quality of the response that we received and have used the findings to inform our thinking for the future.

Justin Snoxall, Head of Corporate Responsibility,
British Land

DURING

TESTIMONIAL

SHOULD I USE THIRD PARTY GUIDELINES?

Whilst there is no mandated methodology or guidelines for a company's reporting there are globally recognised guidelines and standards. The best-known of these is the Global Reporting Initiatives (GRI) Sustainability Reporting Guidelines. In our experience, even where full compliance with external guidelines is not required, the use of guidelines like the GRI's provide a valuable internal 'checklist' when preparing a sustainability report.



IMS Consulting is proud to be recognised by GRI as an Organisational Stakeholder

ACCOUNTABILITY PRINCIPLES STANDARD

DURING

GRI G4

The GRI is a not-for-profit organisation that has been developing guidelines for how companies report on sustainability since 2000. Although voluntary, their guidelines have become the *de facto* global standard, and are now used by over 75% of the 250 biggest companies in the world. By introducing a standard element to sustainability reporting, stakeholders can more easily compare the approach and performance of different companies.

The GRI's latest guidelines, G4, were launched in May 2013, including some common information and data that are required from all companies and some issue-specific information and data that are required if that issue is material to your company and its stakeholders.

Guide to Navigating GRI G4, available on request or download from www.imsplc.com

WHAT'S IN A NAME?

Different organisations call their non financial reporting by different names. Although this might seem a fairly trivial decision, from our experience it could have a big impact on how your report is perceived by its audience.

Corporate Social Responsibility (CSR) or Corporate Responsibility (CR) reports are typically perceived to focus on past performance and achievements, and report on the environmental and social impacts of a business.

Corporate Sustainability or Sustainable Development reports are typically perceived to include discussion about future targets and aspirations, and include consideration of environmental, social and economic impacts (the three 'pillars' of sustainability). Such reports would be expected to situate a company's activities and operations within a wider context, and demonstrate how it aligns its decision-making with the principles of sustainable development in a resource-constrained world and maximises long term value for both the business and its stakeholders.

Some of the reports produced by IMS Consulting



THE IMS CONSULTING REPORTING CHECKLIST

- ☐ Involve as many colleagues as possible. Because the subject matter is diverse, it is unlikely that one person will 'know' everything, and it can be useful to assign 'owners' for specific sections to source and approve content.
- ☐ Establish a small editorial team to review and approve content
- ☐ Don't see the report as a one-off project. Collection of evidence/information to include should occur year round, and the report contents should be preceded and informed by stakeholder engagement.
- ☐ Find out what data is available. It is important that commentary is provided to explain what data shows and conversely that data supports what is written about progress. All too often, data is simply 'dropped' into the report. Maximum value is obtained by writing the report around what trends the data shows.
- ☐ Don't forget illustrations and photos. We commonly find that illustrations and photos are the last thing considered, yet are often the first thing the reader sees. Infographics are increasingly used as an compelling alternative to traditional graphs.
- ☐ Include stakeholder views to provide different (and ideally external or independent) perspectives on what you are doing.

HOW CAN I MAXIMISE THE VALUE FROM MY REPORT?

A common pitfall we have observed is that many sustainability reports, once finished, are simply put on a shelf and forgotten about until next year. Yet, having invested time and money in creating it, you should extract as much value as possible from your report.

- As soon as it is complete, discuss what worked and what could be improved for next year, while it is all fresh in everyone's minds.
- Ensure that as many people as possible know about it and that it makes as big an impact as possible - both inside and outside your organisation.
- Encourage its use through the year as a reference document for other company activities such as

strategy development, staff training, recruitment and tenders.

- Use the evidence collected to provide input to other voluntary disclosures. When completing submissions such as CDP and Business in the Community's CR index, much of the information required can be taken from the report, rather than having to be written from scratch.
- Create a web platform that allows you to update or add to your report during the year. This could be in the form of news stories and case studies, or an online dashboard to display metrics and data in real time

HOW DO I LET PEOPLE KNOW?

Once your report is finished, there are many ways in which you can raise awareness of it. Here are some ideas from IMS Consulting:

- Develop a communications plan targeting key stakeholders.
- Hold a high profile launch event to which you invite selected key stakeholders.
- Use social media to provoke discussion and debate.
- Hold a webinar or conduct a #tweettalk
- Make sure it is featured in online sustainability report directories, such as CorporateRegister and GRI's Disclosure Database.
- Enter your report for an award. There are several dealing with reporting and sustainability. For more information visit: www.rsaaccreditation.org
- And don't forget your employees! Often they are the last to know about a sustainability report, when they should be among the first.

SHOULD I GET MY REPORT EXTERNALLY ASSURED?

While an external audit of a company's annual report and accounts is accepted practice, there has previously been less desire to expose sustainability reports to a similar level of scrutiny. However, KPMG's 2013 survey of CR reporting found that over half of the world's 250 largest companies now have their non-financial reports externally assured. Companies have realised that formal assurance makes their reports more credible and improves stakeholder confidence in the information provided. The two most commonly cited standards are AA1000 Assurance Standard (AA1000AS) and ISAE 3000.

External stakeholder panels are an alternative way to receive third party feedback about a sustainability report. Stakeholder panels bring together experts and stakeholders from outside a company, and are commonly convened with the

purpose of reviewing a sustainability report and making recommendations for improvements. Although lacking the rigour and recognition of a formal audit, in our experience stakeholder panels provide a better connection with the intended users of sustainability reports, and are therefore more able to ensure that disclosure covers what really matters in a way that is meaningful to readers.

EXPERT VIEW: STAKEHOLDER PANELS

Panels and advisory groups that bring in the views of external stakeholders are incredibly valuable. At IMS Consulting we've set up, facilitated and chaired numerous panels on behalf of our clients. Not only do panels provide valuable feedback on the direction of travel, they can also be a great source of intelligence on mega trends and horizon-scanning."

Graham Sprigg,
Founder IMS Consulting



Panels and focus groups provide valuable ways to engage with stakeholders.



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“I've worked with IMS for over three years now and have always found them extremely helpful in supporting our sustainability aims. The team's knowledge in the field helps to expand upon what we're trying to achieve as a business and enables us to access the latest advice when it comes to ever changing legislation. I'd recommend IMS because they take the time to understand your business, rather than jumping in with a one size fits all approach. They look to find a solution which meets your needs, even if this means creating a bespoke offering.

Rod Leigh, Sustainability Director, Jewson

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HOW DO I EVALUATE THE IMPACT OF MY REPORT?

In our experience, very few reporting companies make any attempt to understand the impact or value of their reporting. We have found that a stakeholder-led evaluation of a report allows a business to improve its reporting process in future years, as well as providing an ideal opportunity to engage with stakeholders on a range of issues relating to sustainability.



AFTER

Online engagement - with internal and external audiences - provides valuable feedback

EXPERT VIEW: STAKEHOLDER SURVEYS

A stakeholder survey would typically gain intelligence about the reach of your report and the extent to which it has changed stakeholders perception of your business, as well as seeking more general feedback on it and how it compares with other reports. IMS Consulting's online platform, StakeholderTALK, is an ideal tool to use for engaging with stakeholders in this way.

Roxanne Ratcliff, Online Engagement Specialist, IMS Consulting



REPORTING CYCLE - DECISIONS AND ACTIONS

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YOUR AIMS AND
OBJECTIVES

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AND THINK ABOUT
HOW YOUR REPORT
COULD BE IMPROVED
NEXT YEAR



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5 SHOULD I USE THIRD PARTY GUIDELINES?

6 INVOLVE AS MANY COLLEAGUES AS POSSIBLE
BUT
ESTABLISH A SMALL EDITORIAL TEAM

KEEP IN MIND WHAT DATA IS AVAILABLE

DON'T FORGET ILLUSTRATIONS AND PHOTOS

INCLUDE STAKEHOLDER VIEWS

AFTER

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ABOUT IMS CONSULTING

IMS Consulting provides expert advice and guidance, enabling organisations to unlock their sustainable potential. We will help you:

- Develop sustainable strategies
- Communicate intelligently
- Engage effectively with stakeholders

We'll help you turn cost into opportunity, by ensuring that the sustainability of your own goods and services provides maximum benefit to all stakeholders. We achieve this by delivering knowledge and expertise, helping you build sustainability into your commercial framework; future-proofing your business.



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IMS RESOURCES AND GUIDES

A range of reporting resources, including free guides and a lite version of the IMS Consulting Materiality Tool are available on our website. Visit www.imsplc.com

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StakeholderTALK Guide



GRI and Reporting Services



IMS Consulting Services Overview



Navigating GRI G4

