

## The guidance tool on sustainable development reporting

This document is to be developed further with regards to analysis and 'new' answers from members companies. The aim is to make the document less general and more specific. Some areas would win in credibility if we get member companies to submit real-life cases of their own experience [one or two paragraphs might be enough]. Examples of these areas are:

- How do companies conclude and define on their own specific business case for sustainable development?
- How do companies conclude and define on their own specific business case for sustainable development reporting?
- How do they work with stakeholder dialogues in order to decide what to report on and how, and what is their experience on the outcome?
- How do they work on identifying useful indicators to report on and how have they developed their information-systems to support the reporting process?
- What is the value of verifying the information submitted in the sustainable development report and what do they include in the verification process?
- What is the value gained by electronic reporting in relation to printed reports and sustainable development related information in the annual report?

Other areas that might be of interest to develop further are:

- Driving forces in the external and internal environment that hasten the transformation into a commitment to contribute to the development of a sustainable development and to produce sustainable development reports
- How do companies plan their reports and how much time is actually spent on conducting stakeholders dialogues and developing the reporting format?

### The sustainable development reporting process (layer II)

The sustainable development reporting process supports companies in developing sustainable development reports by describing the primary steps involved in the production. Below the generic description of the primary steps involved in the infrastructure and in the reporting process is found.

#### **INFRASTRUCTURE [suggested new name: THE DRIVING FORCES AND THE BUSINESS CASE]**

##### **External and internal environment**

The **external** and **internal environments** of the company are the driving forces behind transforming a company into committing to contribute to the creation of sustainable development. Important factors within the external environment that hasten the transformation are, among others, changes in the business climate and expectations from the wider society. Important internal factors influencing the transformation are the company's business idea and the creation of business value as well as the expectations from the people of the company.

The deregulation and globalisation of the world economy has affected and decreased countries' and governments' power and ability to influence decisions. As a consequence the demands on the global companies to take on a greater responsibility for environmental, ethical and social issues have increased. One argument in the debate is that among the worlds 100 largest economies 51 are companies and only 49 countries. Another argument is that it is the companies that are the winners in the globalised world and that they have to support the less fortunate. At the same time the distrust in companies willingness to take on this responsibility is increasing within some groups of the global society.

Examples of other external factors that influence companies are:

- The financial markets demands more and more information on companies commitment and performance in relation to the concept sustainable development
- Important institutional investors are taking evaluations of companies sustainable development related performance into accounts when deciding on their investments
- The public debate on the effects of globalisation is creating more demand for companies to commit to the creation of sustainable development, particularly in developing countries. The debate is driven by NGOs and the UN system
- NGOs are increasing their direct involvement by becoming shareholders and by mobilizing votes at shareholder meetings with the purpose to influence companies to increase their contribution to the creation of a sustainable development
- National governments and regional organizations are introducing legislation for corporations on environmental and other types of non-financial reporting
- The UN system is asking to know more about actual business performance with relation to sustainable development activities and is asking for dialogue and business engagement in "The Global Compact" and "Corporate Governance" initiatives
- The OECD is demanding the multinational companies to contribute to the creation of a sustainable development in their "OECD Guidelines for multinational enterprise"

Another important factor is that the 'meaning' of sustainable development varies in different parts of the world. In Southeast Asia working conditions and child labour are perceived as important sustainable development related issues while in North America energy consumption and environmental issues are more important. In Western Europe globalisation is a major issue while in Scandinavia environment and the Agenda 21 are perceived as more important questions. In Africa issues in relation to fair trade are, in turn, perceived as very important.

Internal factors influencing companies to move towards a commitment to contribute to sustainable development are among others:

- An increased understanding within the area of business development of companies that the business model used not only should facilitate efficient environmental performance but also manage the impact on society that company processes and performance causes. More and more companies realises that the original business models and business ideas are not sustainable in the long run and might threaten their future license to operate. In order to manage this risk companies are developing their business model and business ideas so that they take their important sustainable development issues into account.

- The link between certain sustainable development initiatives performed within the company and increased business value is identified internally (in the form of innovation, operational efficiency, increased revenue, shareholder and stakeholder value, access to capital and increased brand value & reputation) within companies and forms the base for a systematic approach towards contributing to sustainable development. More and more companies also identify the intangible value that certain sustainable development related initiatives create for their company.
- The people of the companies demand their employers to commit to the creation of sustainable development. They prefer working with those companies taking their social and ethical responsibility seriously but also because they want to work for companies with a sound attitude towards workplace conditions and human rights. Their attitude and their concerns are also reflections of the rising environmental and social concern in the society as a whole.
- More and more companies realise that their ability to attract and retain people with talent is influenced by how the specific company is perceived both externally and internally with regards to environmental, social and ethical responsibility.

### **Business case for sustainable development**

Sustainable development is traditionally defined as progress that meets the needs of the present without compromising the ability of future generations to meet their needs. In order for business to have the ability to contribute to the creation of a sustainable development there has to be a business case connected to the concept. This since business historically has had to fulfil the demands from their shareholders to maximize financial profit and shareholder value. When discussing the sustainable development business case we talk about forms of economic progress that meet the current performance goals of commercial companies, without compromising the ability of that company to meet its future economic goals. Sustainable development is then a strategy for business growth and not philanthropy. WBCSD perceives that the business case for sustainable development has a business impact based on the belief that companies are led by and serve people with vision and values. Companies that do not reflect their people's best vision and values in their actions will not have a long-term possibility to stay in the marketplace. The business case also comprises the belief that business can only be more competitive by being more sustainability driven. (*WBCSD 2001, The Business Case for Sustainable Development*).

It is usually not enough for a company only to embrace the traditional definitions of sustainable development and the business case for sustainable development. Nevertheless, the definitions are perceived as good tools for companies trying to analyse what sustainable development means for them and in identifying their own specific business cases. The overall sustainable development reporting process clearly indicates that each and every company has to perform its own analysis of the present business situation and appraise its importance with regard to sustainable development and the creation of business value. Based on the outcome of the analysis (e.g. SWOT) the company can position itself in relation to the traditional definitions and determine its own business case.

Under certain circumstances the demands from external and internal environment drive the company to identify and define its own specific **business case for sustainable development**, in line with the specific business overall objectives, strategies and policies.

*Is it possible and desirable to get some members to contribute with how they in practice worked on defining their specific business case for sustainable development?*

## **Commitment**

A company's specific business case for sustainable development will never become operational if it is not implemented within the organisation. In order to make integration possible, top-management has to openly communicate externally and internally the **commitment** of the organisation to contribute to the creation of a sustainable development. Without top-level commitment, the risk increases that the sustainability driven business approach will never get fully integrated into the every day business of the company. The confidence in the external and internal environments will wane and result in negative effects on the business performance of the company. One of many ways to communicate the commitment to sustainable development, both externally and internally, is by reporting on the company's achievements in a sustainable development report.

The commitment to sustainable development management is expressed in different ways within different companies but originates from the understanding of the importance of the sustainable development concept. The commitment to sustainable development is integrated into the organisation with the help of:

- Top-management decisions, statements and leadership styles
- Business ideas, business models, overall business objectives and strategies
- Policy documentation
- Management systems
- Training programs

The articulated top-management commitment to sustainable development is embedded in various key documents of the organisation, such as:

- The corporate values (ethics, values and principles)
- The management and business principles
- The codes of conduct, pledges and charters

Important is the public commitment from top-management to sustainable development issues and the company as a driving force in creating this development. Most companies also attach importance to the top-management statements and leadership style in order to integrate models and systems designed to implement the commitment to sustainable development issues within the organisation.

Taking into account the internal values, expectations from employees and the external business climate where the company is evolving creates the commitment. A wise leadership is one key factor to put commitment into action as it draws up suitable strategies and policies that match the commitment towards sustainable development.

Other ways to turn the commitment to sustainable development into reality are the specific training programs aimed at employees, the carrying out of research and development in line

with the purposes of sustainable development and the external and internal reporting of the sustainable development behaviour and performance.

When the commitment to contributing to sustainable development has been established on all levels within the company, the more tangible work begins. Usually companies start working with developing either the management process so that it incorporates sustainable development issues or the reporting process in order to communicate to the external and internal stakeholders what they want to achieve and how to achieve it in relation to important challenges within the area of sustainable development.

Depending on the type of external and internal pressure, different companies tend to start working with either one of these two processes. After some time the second process is developed and that is when the synergies from the two processes emerge and the real business case becomes operational.

### **Business case for sustainable development reporting**<sup>[ÅB1]</sup>

Sustainable development reporting is defined by WBCSD as public reports and information communicated <sup>[ÅB2]</sup> by companies that provides internal and external stakeholders with:

- A clear picture of corporate values and principles
- The opportunity to communicate sustainable development related values, objectives and aspirations through a public commitment to continuous improvement on a timeline with clear targets
- One part of an overall management system designed to deliver a company's strategic objectives consistent with sustainable development
- A transparent picture of performance information on the economic, environmental and social dimensions of the company
- The management response to performance: the commitment to improvement
- A description to of the company's contribution to the sustainable development of society

The business case for sustainable development reporting (*working definition awaiting final agreement*) comprise a successful communication of the business value created when developing a sustainability driven business based on a strategic approach towards the management of important sustainable development aspects of the specific company. The successful communication of the business value created has also a positive implication on how the company is perceived in the competitive marketplace and by its own people. (*in our working definition of the business case for sustainable development reporting we are not discussing the result of a successful report – what does it give back to the company – I guess that is important when defining the business case – we more speak about how the business value can be derived – is it still room for improvement?*)

The content of a sustainable development report as well as the business case for sustainable development reporting will always differ between companies. Differentiating factors are, among others, industry sector, business climate, financial position, overall business objectives, strategies and how the company defines its own business case for sustainable development. Before a company starts to develop its own sustainable development report it is therefore suggested to define its own business case for sustainable development reporting.

The purpose is to form a structured base for the content in the future report and to guide the organisation in the development process.

Aspects that companies are to take in consideration when defining their own specific business case for sustainable development reporting are among others (to be developed when the business case is finally decided):

- Can we secure our competitive position through “sustainable” products and services by developing a sustainable development report?
- Can we use a sustainable development report so that “sustainable development” can be used as a driving force for positive changes in the thought process of the people of the company?
- Can the sustainable development report be used for defensive reasons, in order to respond the question “this is expected from you”?
- Will the sustainable development report be able to use for strategic reasons, e.g. to get the best people?
- Can the sustainable development report be used as a tool to support the continuous improvement approach?
- Can the sustainable development report be used as a tool to be in on-going dialogue with stakeholders?
- Can the sustainable development report be used as a tool to better work with NGO's and to reduce external pressure?
- Can the sustainable development report increase the intangible value of our company and our brands?
- Can we use the sustainable development report to respond to increasing societal expectations on company behaviour (*what is the difference between bullet point 3 and 9?*)?

Sustainable development reporting is to create business value to companies. Reporting is one of many important communication tools for driving changes and performance improvements internally and for improving reputation externally. Reporting enables a company to publicly communicate its values, aspirations and commitments to continuous improvement on a timeline with clear targets. In the ideal case (without other factors influencing) the value created by sustainable development reporting enhance the company’s total shareholder return (TSR)

Business value resulting from sustainable development reporting is derived internally by:

- Motivating, empowering and aligning staff consistent with strategic objectives
- Attracting and retaining high calibre talent
- Driving change process
- Stimulating the development of necessary data/process management systems
- Building effective management of risk
- Encouraging innovation
- Achieving continuous improvement

Business value resulting from sustainable development reporting is derived externally by:

- Enhancing reputation
- Enhancing community license to operate
- Demonstrating effective management of risk
- Growing brand value
- Developing customer loyalty
- Increasing market share

The sustainable development report also creates value by building and maintaining stakeholder relationships through engagement and dialogue:

- Stakeholder engagement is used to identify the key areas of concern or interest for the company's operations, industry and the general societal concern.
- The stakeholder engagement is also used to identify subjects that are important to fulfilling within the companies strategic objectives, commitments and principles and in the internal transformation

## REPORTING PROCESS

### Approach

The "actual" reporting process starts when the reporting company decides on the content of its reporting approach.

But even before, the company has to get top-management approval and acceptance for the project. Important to do before deciding on the reporting approach is to define the company's specific business case for sustainable development reporting.

The reporting approach is in general divided into three activities:

- Deciding on overall purpose and ambition level with the sustainable development report,
- Deciding on target groups and stakeholders to which the sustainable development report is aiming and
- Deciding on accounting principles that will support the overall objective to produce an accountable and transparent sustainable development report

The purpose with the reporting approach is to form a strategic base that will guide the future work with developing the sustainable development report.

### Purpose and ambition level with the sustainable development report

**Question 1:** The first question to answer before going on with the actual work is: what is the overall purpose with the sustainable development report? The answer, in general connected to the company's specific business case for sustainable development and sustainable development reporting is used to scope the reporting approach. The answer is also connected

to the information needs that the company perceives that its most important stakeholders have in relation to its sustainable development performance.

**Question 2:** The next question to answer relates to the company's ambition level with the sustainable development report. Companies' ambition levels range from simple brochures to sophisticated stand-alone reports with supplementary information on the Web. The ambition level chosen then influence the whole development and production of the sustainable development report. It is important to decide on an ambition level for the sustainable development report that is in line with the specific company's business case for sustainable development and sustainable development reporting as well as with the company's experience with regards to voluntary reporting (other types of reporting than annual reporting) and the availability of company resources and support.

Important to consider is also how to make the sustainable development report different than other marketing material developed within the company and how the other reporting processes (e.g. the annual reporting processes, the quarterly reporting processes and the monthly internal processes) within the company can be used to support the sustainable development reporting process with relevant information, data and indicators as well as information on issues of interest for financial stakeholders. The availability of support from different parts of the company (investor relations, financial department, human resources, government and social affairs, environmental affairs and others) is also important to investigate before deciding on the ambition level.

**Question 3:** The third question to answer is: what type of report are we to develop? Are we to develop a sustainable development report, an environmental report, a social report, an environmental, health and safety report or sustainable development related information integrated in the annual report?

In general companies publish reports that focus on issues that are of importance in their current situation (and related to their specific business case for sustainable development and sustainable development reporting as well as the overall purpose of the report) and in which they have a sound knowledge. They also want to report on performed activities within the sphere of interest of their major stakeholders.

As a result it usually takes some time before "new" sustainable development related issues on the company agenda are fully reported on externally. There is a correlation between the level of knowledge and expertise required to deal with a specific sustainable development related issue and the level of externally reported information on the same issue. In addition, to report on new and complex sustainable development related issues is difficult since there are not yet standardised parameters and indicators to gauge behaviours and performances in reporting terms.

As a result, companies usually start reporting on those issues that are perceived as the most important by their stakeholder environment. For example in the beginning of the nineties many companies started to develop environmental reports as they thought that the environmental activities actually performed by them was not appreciated by their most important stakeholders since they were not fully aware of them. The increased demands from major stakeholder groups on companies to behave in a social responsible way have resulted in increased amounts of companies developing social and sustainable development reports. An increased demand from the financial community on companies to report on how they manage



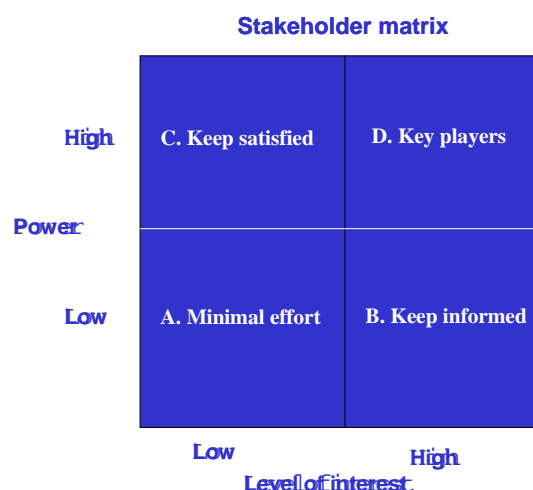
risks and create shareholder value will probably result in more and more sustainable development related information being integrated into the annual report.

### Target groups and stakeholders

The greatest difference between a sustainable development report and, for example, an environmental report is the important role of the multitude of stakeholders engaged in the companies' businesses. They are often interested in different aspects of the business, and to some extent they have different and conflicting agendas. This makes the relations to the stakeholders a more challenging task than when developing a more traditional environmental or HSE report. Although very important, stakeholder dialogues are not the one and only source of report indicators and not always the group that is to decide the full content of the company's sustainable development report. The most important source for information to report on is in turn the company itself, based on the company's business objectives and business principles.

**Question 1:** Each specific company has to decide which different stakeholder groups the sustainable development report is to target. Not all stakeholder groups and all their information needs can be targeted and fulfilled in one single sustainable development report. The cost of information is too high for the company and the content of the report would be too general and poor for different stakeholder groups to use for their analysis and evaluation of company performance.

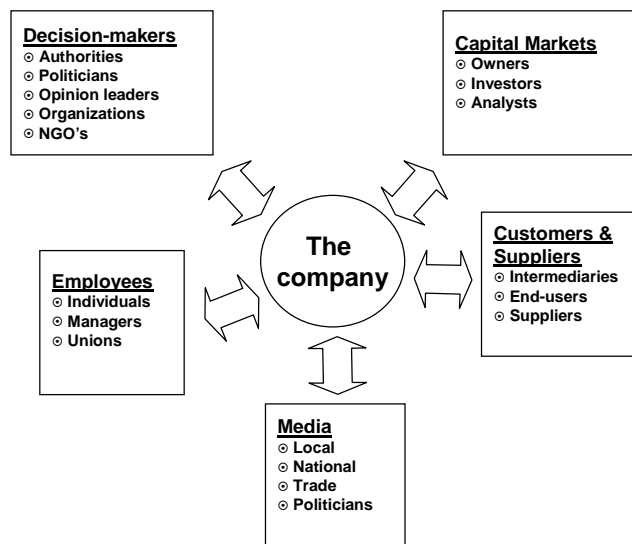
Which stakeholder groups to focus on and target in the report are decided with the help of a stakeholder matrix. In an internal brainstorming session all-important stakeholders are identified and categorized in a matrix with the two-axis power versus level of interest. The stakeholder groups that ends up in box "D. Key players" (stakeholders with high level of power and high level of interest) are the ones that companies are suggested to target in their sustainable development report.



A company's stakeholders are divided in two categories: internal and external. The former consists of employees and the different business members of a group. The latter includes all the individuals and organizations within the business sphere of influence, such as:

- Customers and clients

- Suppliers
- Opinion formers and other organizations
- NGO's
- Capital markets: owners, investors and analysts
- Government agencies
- Local communities and their families



**Question 2:** After the company has decided which different stakeholder groups that are important for them to communicate with in their sustainable development report they have to make sure that the report-format is the right media to use with the purpose to reach the identified stakeholder groups. If the report media is not perceived as the best tool to use when communicating with the specific stakeholder group then the specific group should not be targeted in the sustainable development report.

### Reporting guidelines and accounting principles

In order to develop reliable and credible sustainable development reports each and every company has to decide on their own reporting and accounting principles. This since there is no generally accepted international organisation like the IASB (International Accounting Standards Board)<sup>1</sup> within the area of sustainable development reporting that develops generally accepted standards or guidelines on for the content and structure of a sustainable development report and how to report on different sustainable development issues.

An accountable and transparent sustainable development report is a challenge to develop since there is no tradition on how specific issues should be disclosed. In order to create transparent reports companies have to make it clear in their report on what they report on and

<sup>1</sup> IASB develops and approves International Accounting Standards. Its predecessor promulgated a substantial body of standards, interpretations, a conceptual framework and other guidance that is adopted directly by many companies and that is looked to by many national accounting standard-setters in developing national accounting standards. From 2005 all listed companies within the EU have to fulfil the IASB standards in their financial reporting.

how they measure and account specific indicators. The purpose is to make it clear for the user of the report how information has been collected, aggregated, calculated and disclosed.

Companies manage this with help of two different tools:

- Firstly by deciding on which reporting guidelines to follow or be inspired by when developing their sustainable development report, and
- Secondly by defining and developing their own accounting principles to follow when disclosing their sustainable development related information and data

**Reporting guidelines:** At present companies follow two trends. Either they fully or half align with some of the below recognized reporting guidelines:

- Global Reporting Initiative: Sustainability Reporting Guidelines ([link to GRI Web page](#))
- OECD Guidelines for Multinational Enterprises ([link to OECD:s Web page](#))
- OECD Principles of Corporate Governance ([link to OECD:s Web page](#))
- United Nations: The Global Compact ([link to Global Compact:s Web page](#))

The second trend comprises those companies and line of businesses that have developed their own reporting guidelines. This group doesn't underestimate the existing public reporting guidelines but feels that they have to be complemented with information adapted to their own specific business situation. *Can we get a more full description on how companies develop their own guidelines – what is included and how are they basically built up – how many companies uses this type of internal guidelines*). Companies belonging to specific lines of businesses would, in turn, like to use reporting guidelines that is adopted and take their specific environment into consideration when suggesting structure and content of a sustainable development report as well as which information to disclose. The banking sector has developed guidelines on how to deal with sustainable development issues that can be used to create ideas what and how to report on for their sector relevant sustainable development issues those [[what is the name of those guidelines and can we provide a link to them from here?](#)]. *Are there any other industry specific reporting guidelines available that should be mentioned and link to for further information here?*

Companies can also get ideas on what information to disclose in a sustainable development report with the help of the WBCSD Web based inventory of reporting practices. The inventory consists of all WBCSD member companies' sustainable development reports and the user can search for:

- Examples on reporting practices drawn from all WBCSD member companies
- Suggested information criterion to disclose in a sustainable development report
- Which members companies that report on which information criterion

The inventory of reporting practices also contains links to the sustainable development reports from which the information is drawn. This gives the user the opportunity to get an understanding of the context in which the specific information is disclosed.

The available reporting guidelines are often used as list from which companies get ideas and suggestions on what information to disclose. When a company is developing its first

sustainable development report it might not be possible to report on all those sustainable development related issues that are of relevance for them. Instead companies develop strategic plans on how to develop their sustainable development reports over the coming years. In those plans it is stated what to report on during year one to, for example, year three together with information on what kind of resources that is needed in the form of infrastructure and data to fulfil the plan. This plan is then updated every year and guides the development of current and future sustainable development reports.

Whether a company chooses to fully or half align with a specific recognized reporting guidelines or develops its own reporting guidelines the company is recommended to state in the final report which specific reporting guidelines it has chosen to follow and which parts of the guidelines they have chosen not to align with, either because it is not relevant for their business or because they don't have the possibility due to lack of information or resources.

At this stage, the reporting approach, the most important decision to make is: which reporting guidelines are we to follow when developing our sustainable development report?

**Accounting principles:** In order to develop an accountable and transparent sustainable development report companies have to define and develop their own accounting principles to follow when disclosing their sustainable development related information and data. These principles should be developed and used internally to guide collection, aggregation and calculation of data disclosed in the sustainable development report. Information should also be given in the report on what principles that are used when disclosing data and indications should also be given if the company in a specific situation have chosen not to apply to any of the adopted accounting principles.

The importance of disclosing the accounting principles used in the sustainable development report shall not be underestimated. The accounting principles is one of the few tools that increases the transparency of the reports at the same time as it makes it possible for the user of the report to achieve an understanding on: (a) which parts of the company that is included in the report, (b) which terms and definitions that are used and what they mean in exact terms, (c) calculation principles and coefficients used and (d) changes in used calculation principles and coefficients.

In order to develop their own accounting principles companies in general uses the underlying assumptions and qualitative characteristics of IASB's conceptual framework "Framework for the preparation and presentation of financial statements" [\[link to IASB Web page\]](#) as a source of inspiration. The framework is however not a standard in itself but a guide considered by the IASB when developing new standards and when resolving accounting issues that are not addressed directly in an International Accounting Standard. The framework has also formed base for the FEE (Federation des Experts Comptables Européens) in their paper "Towards a generally accepted framework for environmental reporting" and its discussion on "underlying assumptions" and "qualitative characteristics" with regards to environmental reporting [\[link to FEE Web page\]](#). The conceptual framework also forms part of Part B. Reporting Principles and Practices in the in the June 2000 "Sustainability Reporting Guidelines on Economic, Environmental and Social Performance" [\[link to GRI Web page\]](#). European Environmental Reporting Awards put a high value on the qualitative characteristics of the conceptual framework since it concludes 50% of the total amounts of points to achieve in the competition.

**Table X: Framework for the preparation and presentation of financial statements**

Underlying assumptions	Qualitative characteristics	
1. The entity assumption	1. Relevance	5. Completeness
2. The accruals basis of accounting	2. Reliability	6. Prudence
3. The ‘going concern’ assumption	3. Clarity	7. Comparability
4. The concept of materiality	4. Neutrality	8. Timeliness
		9. Credibility

[Source: IASB Conceptual Framework. The above table is to be presented in the format of a box]

Based on the “Underlying assumptions” and the “Qualitative characteristics” each company has to develop their own accounting principles that work within their information and is in accordance with how the company in general measure, compile and discloses data. For newcomers the developed accounting principles are usually fairly simple but the more experienced the specific company gets with regards to the reporting process the more sophisticated the accounting principles tend to be.

It is suggested that companies start developing their accounting principles at the approach stage since the developed accounting principles influence the two coming steps within the process: the planning phase and the development phase.

**Planning**

The planning phase is initialised when the team to develop the sustainable development report starts planning the finer details of the final report.

The planning phase is in general divided into four activities:

- Deciding on the objective with the sustainable development report
- Deciding on which type of information to disclose in the sustainable development report
- Deciding on how to gather and collect information
- Deciding on how to quality assure the information disclosed in the sustainable development report
- Deciding on production related issues

**Objective**

**Question 1:** The first question to answer is: based on the business case for sustainable development and sustainable development reporting, the overall purpose and ambition level with the sustainable development report what is the overall objective with the report, what information in general is it to contain?

Many companies highlight that it is key to set objectives on reporting since sustainable development issues to report on are continuously evolving and arising. The report planning has to be flexible and anticipative in order to either integrate new issues or change the way to deal with already known issues depending on the development of the outside environment. Issues that were not important when the reporting process started might arise as important to deal with during the process and the more flexible the planning and objective of the sustainable development report is the easier those issues will be to manage.

**Question 2:** The next question to answer is: what type of report is it to be? Will it be a comprehensive sustainable development report that fulfils all the general definitions of a sustainable development report or will it be a report that reflects the development from a HSE report to a sustainable development report and if so, what is to be called and what implications does the chosen name have on how the final report is perceived by its users? In some cases a sustainable development report that doesn't fulfil the demands on a sustainable development report might result in bad-will for the reporting company. In other cases a company that feels that its report isn't mature enough to be called a sustainable development report might lose in goodwill. This is since not all stakeholders will identify and notice their sustainable development related performance when the report is called an environmental one.

Many reporting companies point out that one of the challenges ahead is to achieve the publication of a fully integrated report (e.g. sustainable development information in the annual report). The aim is to be able in the future to publish a stand-alone report that enables different stakeholders to get an accurate picture of the company's financial position and future business potential as well as its influence on the wider society and the environment.

### Information to disclose

**Question 1:** The first question to answer is: based on the decisions we taken before what is the structure of our sustainable development report? What major sections and headings do we want the sustainable development report to contain?

**Question 2:** The next question to answer is: what information do we want to disclose under each section, heading and specific page in the report and how do we go from information criterion in guidelines to real information to report on?

**Question 3:** The third question is: what else do we want to report on that is of importance and that is not included in any of the reporting guidelines that we align with? This information might relate to the company specific sustainable development related aspects, visions & values, business objectives, strategies, short-term targets and sustainable development related activities and projects performed within the company.

**Question 4:** The fourth question to rise is: what information do our most important stakeholders (identified in the approach) want us to report on and how are we to collect their point of views and perform stakeholder dialogues? And also how are we to report on our stakeholder involvement and how they influence the way we manage our sustainable development related aspects and issues? Also important to decide here is how can we in a transparent way report on how we work together with our stakeholders and how the guide us in this new and challenging environment? *(More input from companies on how stakeholders influence the content of a sustainable development report would be appreciated)*

**Question 5:** The fifth question is: how can we explain the value creation in the form of increased financial value, decreased levels of risks and increased image and brand name within the company based on the companies activities and performance within the area of sustainable development? The answer is specific for each and every company but is based on its business idea and its specific business case for sustainable development. The answer is usually not possible to state in a quantitative way but more often in a qualitative descriptions.

### Gathering and collection of information

**Question 1:** The first question to answer is: where do we gather and collect the information we have decided to disclose in the sustainable development report? Which management, information and financial systems contain the sustainable development related data and indicators needed to develop the report? Or is there a need to develop a specific sustainable development related information systems that collects relevant data from other systems for the purpose of sustainable development management and reporting?

First time reporter tends to use questionnaires to gather and collect the relevant sustainable development data that is not included in already existing systems, e.g. financial systems, human resource systems and environmental information systems.

**Question 2:** The second question to answer is: how are we to define which data we want to collect from available information systems and how do we make sure that the end result is in accordance with our accounting principles?

**Question 3:** The third question relates to data quality: which internal demands do we have on data quality and internal controls of the sustainable development related data reported into existing information systems and how do we quality assure the data transferred within the systems? Also important is to develop internal demands on the level of underlying documentation that is to support the data that is reported into the information systems used. The lack of these types of internal routines makes an external third-party assessment of the sustainable development information reported on in the report very difficult and expensive, both in terms of internal resources and cost for the external independent verifier.

**Question 4:** The fourth question relates to how often data is reported into existing information systems: how often is sustainable development related information reported into the systems and often is data aggregated and analysis of actual performance performed? Will there be data available to perform a nine-month closing or an eleven-month closing that can form base for a first analysis of this year's performance? Also important is to develop and communicate the reporting plan to all different parts of the company that is to report sustainable development related data into specific information systems. The importance to keep the deadline should also be stressed since delayed reporting on important and relevant date will delay the whole production of the sustainable development report. This is even more important if the sustainable development report is to be released together with the company's annual report.

**Question 5:** The fifth question relates to answer is: are we to perform a third party verification of the information included in our sustainable development report and how is it to be performed?

There are currently three types of third-party verifications on the market:

- The traditional third party-verification performed by accountancy firms based on the international verification methodology that gives the reader the assurance that *“it is our opinion that that the data and statements in this report ...provide an in all material aspects true and fair view of the reported parts of the company’s operations”*
- Third-party verifications performed by stakeholders where they form themselves an opinion on the status of the company’s performance and activities within certain sustainable development related areas of importance for the specific company
- Assessment of the status of a company’s performance within certain sustainable development related areas of importance performed by environmental and social and CSR auditors

*We have so far received very little information from you on the verification issue. Are there more types of assessments out there and what is included in them and how are they performed (as well as the above described)? This section will be completed with information on the pro’s and cons with verification and also with some ideas on how companies can perform themselves before a third-party verification (from an audit firm)*

### Production related issues

**Question 1:** The first question to answer is: when is the sustainable development report to be published and when will it have to go to print (the last part is not applicable if the report format is electronic)? The final deadline forms the base for the detailed plan of the production of the report.

**Question 2:** The second question is: how will the responsibility of the development of different parts of the sustainable development report be divided internally. The best way to divide responsibility is by following the internal guidelines within the company on how to manage projects and divide responsibilities and authorities. Usually the following responsibilities are divided between members of the project team:

- Overall responsibility
- Data management and analysis of performance
- Responsible persons within each business unit and specific competence areas to deliver qualitative and quantitative information on activities and projects performed during the year

**Question 3:** The third question to answer is: who is going to write and layout the report are we to use in-house resources or external consultants experienced within the area of reporting?

### Development

- Selection of qualitative information to be included on the report (policies, vision, commitments)

Most of companies mention that an important source used to define the information is the dialogue with stakeholders in order to find out their expectations. Other source of information is the use of systematic approaches to decide on the issues to report on. An



"issue analysis" that identifies the key issues to be reported on is one of these approaches; these issues should also respond to strategic choices.

Other approaches used by companies with production systems closely linked with specific communities are "community relation plans". The purpose with this type of plans is to establish how the relationships between the company and the community are to be held and how to report on it. Input on what to report on is also drawn from top-level policies, commitments made by the company, regulations and public initiatives.

*Are any companies performing risk-analysis or SWOT analysis in relation to business and sustainable development objectives and use the result from this and the following action plan as an input on what information to report on?*

Finally, some companies get advice from external consultants that could be a consultant enterprise or an advisory group. *(don't understand this sentence)*

- How does the reporting organization decide on which important sustainable development indicators to report on and how to follow them up?

According to the interviewed companies, the selection of indicators to be reported on come from stakeholders dialogues. The carrying out of "key issues analyses" and "community relation plans" is another way to determine the selection of indicators as well as what qualitative information to report on. Obviously, this selection is subject to the current ability to measure and follow them.

The choice of indicators must reflect the commitments and areas of performance critical to the management and interests of stakeholders. The process of development of key performance indicators in conjunction with stakeholders is a step forward to really integrate stakeholder views in the management.

*Are there any companies that consider reporting on those key performance indicators that is of importance when managing the companies towards its overall objectives? In many cases those indicators might be of greater importance than those suggested by stakeholders and in some cases they correlate with each other.*

External consultants still remain a way to help companies in the identification and development of indicators. *(Doesn't the companies has anything to do with the selection of indicators – I would guess that it is very important that there is a connection with indicators used to follow performance and the targets and objective of the business and its sustainable development activities?)*

- How does the reporting organization gather the sustainable development information that is used in important indicators (Information system)

As first-time reporters, companies use data first for reporting issues and then for management considerations. The more developed reporting companies have developed comprehensive information systems that are used for the planning and follow-up of management objectives and as a basis for decision making. Reporting is hence a driver for internal change.

The collection of data is mainly done through an information system that has to be able to handle a steady flow of information. Among the methods to get less accurate information (*religions, races?? explanation:black/white/asian, sexual definition..(see KPMG answer)..*), questionnaires are still a tool quite used.

When information handling is centralised at a corporate level, each production site has a "data responsible " that is in charge of delivering information to the reporting team or to a suitable department. Thus, the final processing of data is made at the central level. Site data is usually backed up by the site-manager that is accountable for the information transferred from the site.

- Which demands does the reporting organization put on those systems that gather and present SD information?

Reporting companies agree that information systems have to be reliable, verifiable and very flexible as well as dynamic. Their reliability depends on the maturity level of the system; the more mature the area the more rigorous the system. *The Key Performance Indicators would form the logical basis to focus verification effort, particularly in the evolving social ethical area. (don't understand)*

IT issues are crucial to run the information system. The system has to improve communication throughout the organization and makes the data standardization easier and faster.

- How does the reporting organization get information from stakeholders on what to report on (questionnaires, dialogues, round tables,..)

The ways to get stakeholder information are varied and mainly depends on several factors like the type of stakeholders concerned, the level of confidence with them, the company's culture, etc. Among the main methods used by companies are NGO forums, information meetings with stakeholders, feedback forms in reports and websites, contacts with financial community and peer groups, private research, and internal and external opinion surveys addressing specific issues.

- How does the reporting organization get information from competitors? Have it developed or participated in any benchmark data system?

Going through companies' reports, specific information published in media, independents rankings, through regular contacts with companies associations, informal contacts and being part of benchmarking groups.

- Which consideration is taken in order to make information easily understandable to readers?

In order to make information easily understandable, companies take the following issues in account

- The language and the information reported must be fully adapted to the audience targets

- To consider the participation of professional writers and designers to help convey complex information
  - To make each section independent from others so that readers can understand sections separately
  - To provide readers with special formats which facilitates the information dissemination
  - To complete the report with suitable and clear information disclosed on the net
  - To avoid the use of complex and technical terms, if necessary to enclose a glossary or explanatory notes
- How is the sustainable development report compiled, edited and revised, and which steps does this work process follow?

This is a way to undertake the writing of a report: decision on issues, decision on key messages, approval by the management, writing process, translations, revision by internal experts, final approval by the executive management board.

The process is conducted with the support of an internal task force (steering committee) in which people from both the Health, Safety & Environment Department and the Communications Department participate. Those people are responsible of collecting, analysing and communicating figures and qualitative information. Task forces could be formed at site and corporate level; the latter is in charge of gathering a filtering information derived from sites around the world.

- How is the quality data assurance performed?

The simpler procedure is to examine first data at an internal level and then to get an external verification that normally checks the reliability of the collection data and the omission of key data. The external verification may be performed by a team of independent enterprises according to the complexity of the company to be verified. The external verifiers provide advice on how to improve the reliability of reported data and processes; this information is valuable for the management as it may either help improving procedures or finding shortcomings in the data processing.

The internal verification has to be done for each production site; each manager must ensure his top-level manager that the information reported is legitimate, correct and reliable through documents that prove that.

Writing

Management of data

Verification process

## **Distribution and use**

- Does the reporting organization have a communication and dissemination plan?

After having published a report, companies may use several means to announce the launch of the report to the expected audience; for this purpose the interviewed companies use the Annual General Meeting, the corporate website, press releases, and advertising. The addressees are mainly stakeholders, like government agencies, clients, associations, NGO's, local communities, and financial community.

In most of cases, there is no a specific dissemination plan and the release of the report are made through no coordinated actions. *(is that so?)*

- Which media is the reporting organization considering to publish in (hard copy, internet, in the annual report,..) and distribute the SD Report?

Companies are publishing their reports in different ways. The most common support of reports remains the printed copy, however the trend is to gradually use more the Internet based reports that are supported by a summarised printed copy.

Companies that have started reporting a short time ago tend to introduce the little information they have in the annual report.

An effective way to widely disseminate the report is to enclose a summary insert of it in international magazines *(how many said that and what is the resolut?)*

## Review and learning

- How does the reporting organization get feedback from the most important stakeholders?

Companies get report feedback through:

- Questionnaires addressed to internal and external stakeholders
- Internet feedback (mails addressed to persons indicated in the report)
- Telephone calls (calls addressed to persons indicated in the report)
- Peer group contacts
- The commission of an evaluation report to a consulting firm
- Feedback from report awards schemes
- Perception surveys
- Engagement events
- Ranking studies

- How does the reporting organization evaluate the SD Report?

The evaluation of reports is not still fully systematised; some of the current approaches mentioned by interviewed companies are:

- The review of all sorts of feedbacks
- The comparison of the report against the trends supported by the GRI and other international institutions
- The use of information coming from independent report rating bodies

- The analysis of the input provided by verifiers
- The analysis of external comments in a unsystematic way

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[ÅB1] Information based on discussions at the WG-meetings. No final definitions have been decided. Also, it is not decided whether the information in the section is only to be available in the printed final report or if it also should be included here in the guidance tool. **A suggested development of the definition is: sustainable development reporting is defined as public reports by companies that provides internal and external stakeholders with:**

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[ÅB2] This part of the definition is questioned by some of the member companies since it is stated that this project only is about reporting and not about **information and communication**....(users of the final material might misinterpret the project and believe that it is to include also “common” information and communication and not only reporting