

12 tools

to face sustainability reporting

Sustainability or corporate responsibility (CR) reporting is an instrument increasingly used by companies to communicate about relevant impacts of their business operations. The challenges companies face today have arisen due to emerging political regulations, guidelines and standards in the topic fields value chain, materiality, stakeholder inclusion and target group orientation. An interdisciplinary research team has developed twelve tools to assist companies in overcoming these challenges in sustainability reporting.

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Sustainability reporting has become a common practice among listed companies worldwide. Indeed, almost 75% of the 100 world's largest companies published a sustainability report in 2015. In the European Union, sustainability reporting has become a legal requirement for major companies. The European directive that recently came into force will most likely have implications for small and medium-sized enterprises such as supplier companies as well since major companies will also need to report on sustainability issues both up and down the value chain.

In many world regions there is no political regulation on sustainability reporting, and even where there are regulations – such as in the European Union or South Africa – the directives are often too vaguely formulated as to provide concrete guidance for companies. Also, there is currently a variety of reporting guidelines including the Global Reporting Initiative's (GRI) Sustainability Reporting Standards, the guidelines for Integrated Reporting of the International Integrated Reporting Council (IIRC) or the sector standards of the Sustainability Accounting Standards Board (SASB). Both political regulations and guidelines provide only general information about the topic fields val-

ue chain, materiality, stakeholder inclusion and target group orientation. Because of this panoply of reporting options, companies may have very little practical orientation about how to proceed with their reporting. The aim of this research project was to overcome these challenges.

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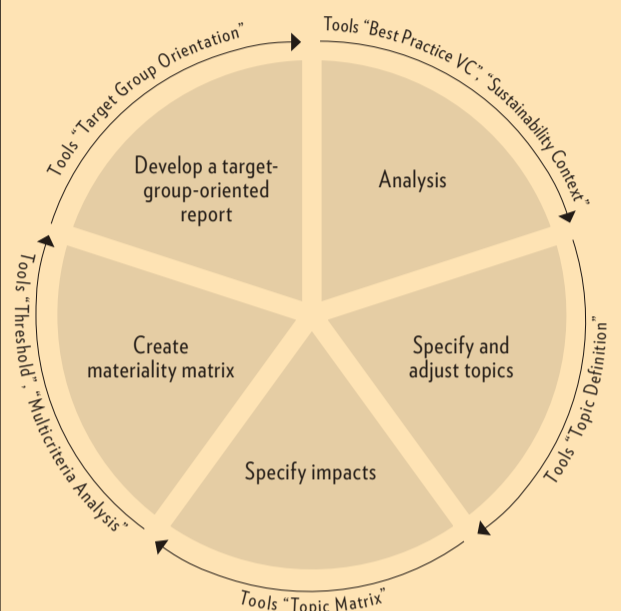
Challenges and tools during the reporting cycle

The research team developed twelve tools to overcome the challenges companies face in the areas of their value chain, stakeholder orientation, materiality analysis and target-group-oriented communication, all of which are central elements of a reporting cycle (see figure: Central elements of the reporting cycle and corresponding tools).

The primary challenge is that both GRI and IIRC require companies to describe their main impacts along the entire value chain (including sourcing, manufacturing, consumption and recycling). This reflects the fact that companies are increasingly held responsible by external stakeholders (e.g. customers, investors, media and NGOs) not only for impacts that emerge from their immediate business operations but also for impacts that are related to their up- and downstream value chain. Coca-Cola, for instance, has been heavily criticized by the NGO Oxfam concerning the issue of forced labour in their cane sugar supply chain and by Foodwatch for contributing to obesity among the US population – neither of which has much to do with Coca-Cola's production sites. In such contexts, the tools "Best Practice Value Chain" and "Topic Matrix" assist companies in graphically illustrating their value chain and identifying their main sustainability impacts transparently and consistently along the entire chain.

A second challenge is that both GRI and IIRC provide different criteria for prioritizing CR topics. Therefore, if companies strive to comply with both standards, questions will emerge about which prioritization criteria they should be using. Moreover, CR topics are often defined on different scoping levels, which can lead to overlaps and confusion in the subsequent reporting process. Here, the "Defi-

CENTRAL ELEMENTS OF THE REPORTING CYCLE AND CORRESPONDING TOOLS



nition Topics" tool helps to define CR topics in a consistent way. Furthermore, the tool "Multicriteria Analysis" brings together the prioritization criteria of both GRI and IIRC in order to come up with relevant topics that are based on both standards. In addition, the "Threshold" tool sets out a method for threshold-setting and identifying CR topics for inclusion in the report.

A third challenge is that CR reporting by companies often appears to be only loosely connected to the most pressing global CR challenges and, consequently, lacks practical relevance. To meet this challenge the "Database Sustainability Context" tool provides a database of sustainability objectives for key organizations on international (e.g., UN Sustainable Development Goals), regional (e.g., EU's sustainability strategy), and national (e.g., Swiss sustainability strategy) levels. Users can filter the objectives for their industry of interest and thereby identify the specific sustainability context to make their reporting more substantiated and credible.

A fourth challenge is that sustainability reports are frequently a "one-size-fits-all" solution, i.e., they strive to address each of the target groups a company may have. However, investors and sustainability rating agencies need very different information and are appealed by different messages, compared to, for example, consumers. The six tools under the heading "Target group orientation" help to define target groups and produce reports that are specifically designed for the target audiences a company wants to communicate to.

Successful cooperation between science and practice

The research team worked together closely with two corporate partners: BKB/Bank CLER and the Kuoni Group (see interviews box). Throughout the project, international sustainability consultancy BSD Consulting as implementation partner and the Center for Corporate Reporting (CCR) as dissemination partner supported the process of tool development and ensured they would be relevant to companies. BSD Consulting is the owner of the twelve tools and utilizes them in their consultancy work.



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How to do it user experience

The project was conducted in close cooperation with the companies BKB/Bank CLER and the Kuoni Group. We asked representatives of these companies about the practical relevance and specific benefits of the project for them and other businesses.

What are the main challenges in the sustainability reporting process for companies, and do the tools which have been developed help you to overcome them?

Hansjörg Ruf, BKB/Bank CLER: Investment decisions in the banking sector affect numerous industries and many different CR impacts and issues can play a role. It is therefore very difficult for Bank CLER to identify the main sustainability impacts along the whole value chain and to prioritize the most important CR topics for inclusion in our reporting. Here, the tools “Best practice Value Chain”, “Topic Matrix” and “Multicriteria Analysis” developed by the research team may help us to illustrate our value chain graphically and to identify and prioritize the relevant CR issues for Bank CLER. Additionally, the “Database Sustainability Context” tool may be used to connect our reporting more strongly to the main national and global sustainability discussions and in so doing make our reports more credible for external stakeholders.

Stephanie Ossenbach, formerly at the Kuoni Group: Clearly, there are the more practical challenges of coordinating data collection processes over a myriad of topics, data sources and job functions throughout a global organization, while simultaneously reducing internal burden and increasing the benefit of this “self-knowledge” to the company. However, the biggest challenge by far is in defining the company’s relevant topics in a way which is transparent, validated by stakeholders, and which truly reflects the company’s positive and negative impacts on sustainable development. The tools developed by the ZHAW offer a solution by reducing complexity – whether in understanding the sustainability context (Tool “Sustainability context”) in general, including the relevant national and international regulations and conventions, or understanding the magnitude of potential impacts along the value chain (Tool “Topic Matrix”).

What concrete benefits can organizations gain by using these tools? Please give one specific example and describe the benefits for your company.

Hansjörg Ruf, BKB/Bank CLER: The specific benefits of the tools for Bank CLER are that we save a lot of time and financial resources in optimizing our reporting and aligning it with the most common reporting standards, GRI and IIRC. For instance, the tools “Target group orientation” save us time by making our reporting more specific, relevant and credible to our main audiences.

Stephanie Ossenbach, formerly at the Kuoni Group: The main benefit is in reducing complexity. As a practitioner, you must rely on tools that are quickly and easily applicable, and will hold up to the scrutiny of experts. But, above all, the results must also be understandable for all internal stakeholders whose daily work may not involve “sustainability” at all. Comprehensibility is essential to ensure buy-in for any subsequent strategy development. For example, the tool “Topic Matrix” is extremely valuable in helping companies (1) define their value chain, (2) understand the potential sustainability impacts throughout the value chain, and (3) visualize the degree of impact and their own leverage. One product of the tool is a bubble chart depicting impacts along the various value chain stages, which strongly supports internal communication and knowledge sharing. In addition, the collection of best-practice reports and the tools “Target group orientation” can help the user to define the tone of the report and the message it communicates.

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