Know your audience: FROM ONE-SIZE-FITS-ALL TO TARGETED ESG DISCLOSURES

The days of one huge 'CSR report' should be behind us, both for the sake of the reader and the reporting entity. Instead, rising stakeholder demands for information on ESG strategy and performance must be met in a targeted way, responding to the different information needs of various stakeholder groups and the changing ways in which they access and engage with non-financial disclosures.

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Sustainability reporting is never the same as the year before. Still in its infancy compared to financial reporting models, practitioners will be familiar with the traditional large sustainability or CSR reports that despite, months of work, are not as effective as hoped at meeting the rising expectations for transparency on Environmental, Social and Governance (ESG) topics.

Internally, reporting is a powerful driver for change. Consider the current focus on reporting against 'Taskforce for Climate-related Disclosures' (TCFD) recommendations. On the surface, this is a reporting standard or requirement, but behind the disclosure itself sits real organisational change, strategic planning, consideration of risk appetite, and more. However, this internal value of reporting needs to be complemented by the external value of informing decision-making and building trust through transparency with stakeholders. Delivering on this second point is ultimately how you support behaviour change on a much bigger scale, enabling people to make more sustainable choices from everyday purchases to major investments.

Stakeholder capitalism recognises that the long-term durability and success of a company stems from their relationships with all key stakeholders. We know that demands for transparency on ESG matters are increasing across the board, from investors and regulators to retail customers and employees. Meanwhile, the evergrowing list of reporting standards and guidelines is often referred to as an 'alphabet soup'. This is a crucial moment for practitioners to understand how they meet the demands for ESG disclosure efficiently and effectively. Achieving transparency is not about increasing the size of the report. Neither would applying all the existing standards make for an efficient disclosure for the business. Instead, the key will be to target the content and form of disclosures to the particular stakeholder need and move away from 'one-size-fits-all'.

The Santander approach

With this ambition, in 2019 Santander mapped the spectrum of its UK sustainability-related disclosures to understand the full picture, considering the different channels and the stakeholders these attract. Various reporting standards were overlaid to see how these benchmarks are met, and which are most useful to different disclosures. This foundation enables streamlining and targeting of reporting to respond to different stakeholder needs, while gaining internal efficiencies by removing duplication and ensuring the right governance. For example, disclosures in (or supplementary to) the annual report are subject to a rigorous governance, including Board approvals and external assurance, while web content and social media are updated through the year with a more agile governance model, allowing a response in real time to issues and campaigns.

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Investors have seen the ESG agenda rise dramatically with a greater understanding of financial implications of ESG risks and opportunities. Two years ago, after the mapping exercise, Santander UK launched its first 'ESG Supplement' to the annual report, aimed at the same readers such as investors and regulators. This approach was informed by ESG meetings directly with its investors to proactively understand the information they seek, useful standards, and level of assurance. As a key stakeholder, direct feedback allows Santander to continually improve its disclosures in a user-centric way. Importantly, the engagement also influences broader strategic direction, such as target development, initiatives and governance, which feed into the end product of disclosure.

Looking ahead

The demand for ESG disclosure seems to be increasing from all directions. The challenge is to cut through the noise to understand what is useful to the organisation and its key stakeholders. Current efforts to harmonise ESG reporting standards should be welcomed, but not lose sight of the fact that overlapping standards vary because they're designed to appeal to different stakeholders, such as SASB (Sustainability Accounting Standards Board), aimed at investors. This nuance means we need a set of standards, as the IFRS proposal acknowledges, rather than one standard, and these will act as a toolkit for practitioners to apply as appropriate to the disclosure and audience. Ultimately, disclosing in this targeted way enables others to come on the sustainability journey with the organisation – engaging employees, finding partners that fit with our ambition, satisfying investors who look to account for ESG risk and opportunities, or attracting customers who are seeking more ethical choices.