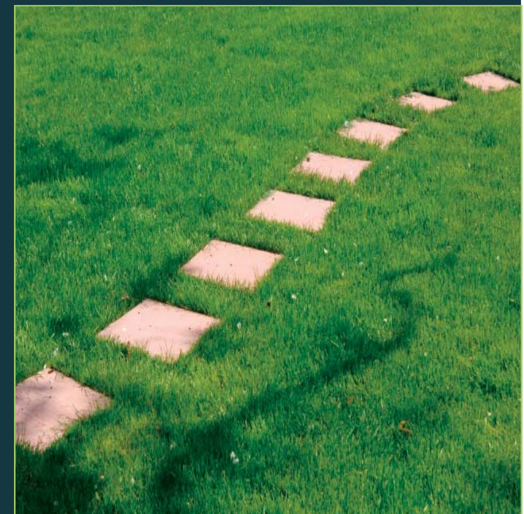

Sustainability Reporting and SMEs:

A Closer Look at the GRI

In recent years, there has been a growing interest in corporate social responsibility. This has meant that more and more firms are assessing their environmental and social impacts, and reporting on these impacts to their stakeholders. This paper surveys a few popular reporting standards that companies have used in their reporting, before focusing on the prevailing standard—the Global Reporting Initiative (GRI). Detailing the structure of the GRI and its recommendations, this paper also examines how some small to medium-sized firms have used its guidelines. Finally it provides recommendations for SMEs thinking of starting their sustainability reporting process.

Wendy Tng

STRATEGIC
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Introduction

"THE theological question—should there be CSR?—is so irrelevant today, Companies are doing it. It's one of the social pressures they've absorbed."

John Ruggie, Harvard University's Kennedy School of Government. (quoted in The Economist special report on Corporate Social Responsibility, Jan 17th 2008)

As public and investor interest grows regarding the social, environmental, and economic impacts of decisions made by businesses, firms are responding to this interest by tracking and communicating their corporate social responsibility (CSR) efforts. Going beyond reporting on their financial performance, these firms are branching out to consider the "triple bottom line"—and to communicate to their stakeholders their environmental and social initiatives. In so doing, they hope to accomplish a few things: gain a competitive edge, garner positive marketing, cut costs, and understand more fully the risks that may accompany their businesses. At PepsiCo for instance, CEO Indra Nooyi has stressed the importance of companies embracing "purpose" as well as performance, with products that "contribute positively and responsibly to human civilization".[1] Clearly more and more businesses are moving beyond pure profit, to include environmental and social impacts as part of their overall performance.

1 The Economist, 'The greening of corporate responsibility'. (London: The Economist, Jan 17th 2008) Retrieved from (http://www.economist.com/specialreports/displaystory.cfm?story_id=10491124, subscribers only)

At the same time, guidelines have been developed to help organizations track and report their sustainability efforts. These include the Global Reporting Initiative (GRI), AccountAbility's AA1000 standards, the Carbon Disclosure Project, and the International Organization for Standardization's (ISO) 14000 standards to evaluate environmental performance. Among these, the GRI Guidelines have emerged as the leading Guidelines of choice for firms in recent years, having been used by some 1,000 firms internationally at last count. This is largely due to the fact that the GRI covers the generic set of indicators that are generally relevant to most organizations, most of the time.

In this paper, we discuss how small- to medium-sized enterprises (SME) may effectively prepare their sustainability reports, paying particular attention to the GRI since it is steadily becoming the most popular standard for reporting. We begin with a brief background on the GRI, looking at how the Guidelines have been informed by a multi-stakeholder process and the components that make up its Guidelines. We also look at how some firms are currently using them to structure their reporting, and elaborate on the particular opportunities and challenges being faced by these firms in their reporting efforts. Finally, we provide some recommendations and advice to help you start the exciting process of preparing a sustainability report for your organization.

Why Report?

> "Sustainability is a tremendous source of value."
>
> - Walmart Supplier Sustainability Assessment, 2009.

There is increasing interest in sustainability reporting, as the benefits of doing so become more apparent. These benefits apply to both large and small organizations, and they include:

- ***Cutting costs.*** Sustainability reporting often prompts a better understanding of a company's operations and leads to ways to reduce environmental impact and costs. For instance, firms have found that air travel for meetings has been a big contributor to their carbon footprint, and are substituting that with the cheaper, less environmentally harmful alternative—video-conferencing.
- ***Improving employee morale and retention.*** Increasingly, employees report their desire to work with firms that have positive impacts on society and the environment.[2] (The Economist, 2008) By reporting on the firm's sustainability efforts, one could improve employee morale and create a competitive advantage when it comes to hiring and retention.
- ***Creating marketing and branding advantages.*** Noting your company's philanthropic efforts, through donated volunteer hours or resources to help local communities, can help burnish a positive image in the eyes of your customers.
- ***Anticipating the future demands of customers and regulators.*** By getting a clearer understanding of your supply chain and environmental and social impacts, you could work towards reducing negative effects before costly regulations are imposed on you to do so. Moving to greener ways of production (by reducing the use of pesticides for instance) is a way to respond to growing consumer demand for organic goods.
- ***Understanding pressures from non-governmental organizations (NGOs).*** The general climate for business is also informed by advocacy from the non-profit sector. For example, calls for greater transparency regarding production and labor practices have come from organizations like the International Labor Rights Forum, which also help shape and push forward regulation that will affect businesses. Further, the national organization CERES, which works on addressing sustainability challenges, has formulated what it calls the CERES 20-20 Vision, its mission for a sustainable global economy. It states that "the world can no longer afford business as usual" and is essentially a plan with four key pillars: 1) honest accounting that includes the cost of pollution, 2) higher standards of business leadership, 3) bold solutions to encourage green innovation, and 4) smart new policies that reward sustainability performance.[3] With growing NGO pressure towards sustainability reporting, it pays to start early.

2 The Economist, 'Does CSR Work?' (London: The Economist, Jan 17th 2008). Retrieved from www.economist.com

3 CERES, 'CERES 20-20 Vision' (Boston: CERES, 2007). Retrieved from http://www.ceres.org/2020

- ***Greater credibility as part of the supply chain for larger corporations.*** As larger corporations increasingly contract suppliers located in emerging economies to supply goods or services, and as these corporations demonstrate growing interest in sustainability reporting, being an early adopter of sustainability reporting will help your credibility with these firms. [See Small, Smart and Sustainable—Experiences of SME reporting in Supply Chains—which demonstrates the considerable value-add for smaller firms to consider reporting]
- ***Organizational commitment.*** To demonstrate your organization's commitment to the environment and/or its efforts regarding fair labor practices and human rights.
- ***Stakeholder engagement.*** To take initiative to build better partnerships with external stakeholders.

Sustainability Reporting Standards and Guidelines

There are many reporting standards available for companies interested in producing their sustainability reports. From the United Nations Global Compact (UNGC), the GRI Guidelines, to the ISO 14000 standards on environmental management, there are now various standards that might, depending on your circumstances, be suitable for your reporting needs.

The United Nations Global Compact

The UNGC is an initiative designed to encourage businesses globally to adopt sustainable and socially responsible practices and to report on their implementation and progress. Its objectives are twofold:

- To mainstream its ten principles in business activities around the world
- To catalyze actions in support of broader UN goals, including the Millennium Development Goals (MDG)[4]

The ten principles break down into four core areas, which are: human rights, labor, environment, and anti-corruption. For instance, under anti-corruption, a principle reads: "Businesses should work against corruption in all its forms, including extortion and bribery." Under the human rights category, the UNGC encourages businesses to "support and respect the protection of internationally proclaimed human rights."

Structured as a public-private initiative, the UNGC offers a policy framework to assist in the development, implementation, and disclosure of sustainability principles and practices related to these four core areas.[5] By inviting participation not only from the business sector, but from civil society, labor, academia, and cities as well, the UNGC is aiming at an inclusive collaboration to advance sustainable and socially responsible policies globally. Businesses are required under the UNGC to report annually on their progress on implementing the ten principles listed, in an effort to ensure transparency and accountability, and safeguard the integrity of the initiative. These principles are closely aligned with GRI, and preparing a GRI report will cover all UNGC reporting requirements.

The Carbon Disclosure Project

Based in the United Kingdom, the Carbon Disclosure Project (CDP) is an organization working to collect and distribute information that motivates investors, corporations, and governments to take action in responding to climate change.[6] Launched in 2000, it acts on behalf of 475 institutional investors (with a combined $55 trillion in assets under management) and approximately 60 purchasing organizations, including Walmart, PepsiCo, and Cadbury.

While it appears that the CDP is largely focused on engaging the CEOs of large enterprises and institutional investors, its work clearly has effects across the whole economy. For instance, in the

4 You can find out more at http://www.unglobalcompact.org/

5 UN Global Compact, 'How to Participate'. Retrieved October 19, 2009 from http://www.unglobalcompact.org/HowToParticipate/Business_Participation/index.html

6 More information on the Carbon Disclosure Project is available at: https://www.cdproject.net/en-US/WhatWeDo/Pages/overview.aspx

Walmart Sustainability Index released earlier this year,[7] one question that suppliers have to respond to is the following: "Have you opted to report your greenhouse gas emissions and climate change strategy to the Carbon Disclosure Project?" Walmart's interest in greenhouse gas emissions is going to ripple across its supply chain, prompting its suppliers to start measuring and reporting their environmental impacts as well.

The Global Reporting Initiative

The GRI is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework.[8] Formed by the non-profits CERES (formerly, the Coalition for Environmentally Responsible Economies) and Tellus Institute, this initiative has been supported by the UN Environment Program and works in collaboration with the UNGC. Its goal is to promote disclosure on economic, environmental, and social performance so that it becomes as widely adopted and comparable to financial reporting, and is seen as critical to the success of an organization.[9]

The GRI's first Sustainability Reporting Guidelines were released in 2000, and 50 companies released their sustainability reports based on these Guidelines. These Guidelines are developed and refined through discussions with a variety of stakeholders, including those from business, government, civil society, and labor. More recently, the third iteration of these Guidelines, known as the G3 Guidelines, was published in 2006 and made publicly available. So far in 2009, approximately 600 organizations from many countries have conducted their sustainability reports based on the GRI Guidelines.[10]

7 For more on Walmart's sustainability efforts, see http://walmartstores.com/Sustainability/9292.aspx

8 Global Reporting Initiative, Sustainability Reporting Guidelines (Amsterdam: Global Reporting Initiative, 2006) Available at www.globalreporting.org

9 For more of an overview of the Global Reporting Initiative, see www.globalreporting.org

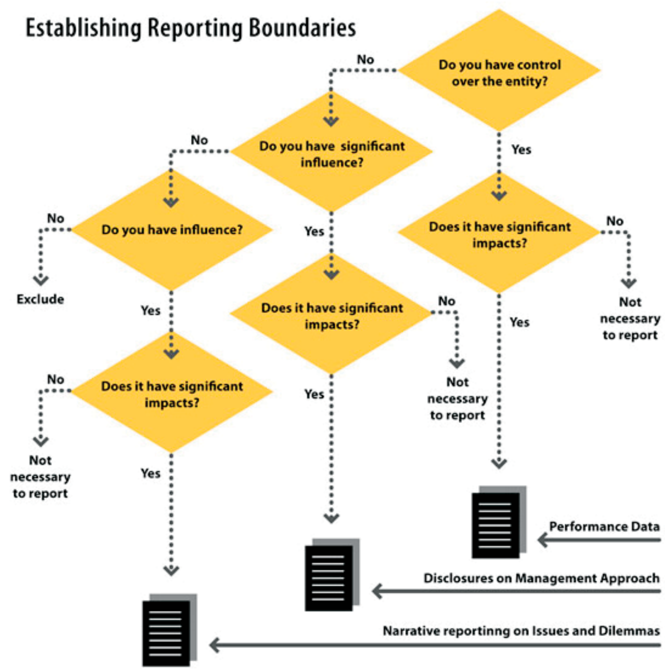
10 Ibid.

Structure

So how is the G3 structured? The GRI's Sustainability Reporting Framework is meant to be applicable to organizations of any size or sector. Since its inception, approximately 20,000 people have engaged in the GRI network. The organization considers this interaction critical to its "multi-stakeholder consensus-seeking approach", where engagement with reporters and stakeholders from the business, civil society, investment, and labor communities helps to inform and shape the GRI.[11] It is composed of:

- ***The Guidelines, which form the basis of sustainability reporting.*** They outline the core content for reporting that would be relevant to all organizations, independent of their size, type or industry. The Guidelines offer guidance and indicators to help organizations decide what, and how, to report on their social and environmental impacts.
- ***Standard disclosures.*** Standard disclosures for an organization's profile, for instance, would include information that sets the overall context for understanding organizational performance such as its strategy, profile, and governance.
- ***The G3 also offers principles that are to guide reporting content, such as materiality, stakeholder inclusiveness, sustainability context, and completeness.*** For instance, materiality refers to the idea that organizations should report on the financial, social, and environmental impacts that would substantially affect the decisions of stakeholders. In short, an issue is material and should be reported if it impacts these areas in a significant way. External factors (like relevant laws and key sustainability areas mentioned by stakeholders) and internal factors (risks to the firm and views of internal stakeholders like employees and company leadership) should be included in assessing whether an area is material or not. Advice is also given on how to set the report boundary—e.g. on countries, divisions, subsidiaries, leased facilities, suppliers—and how to identify and

Establishing Reporting Boundaries



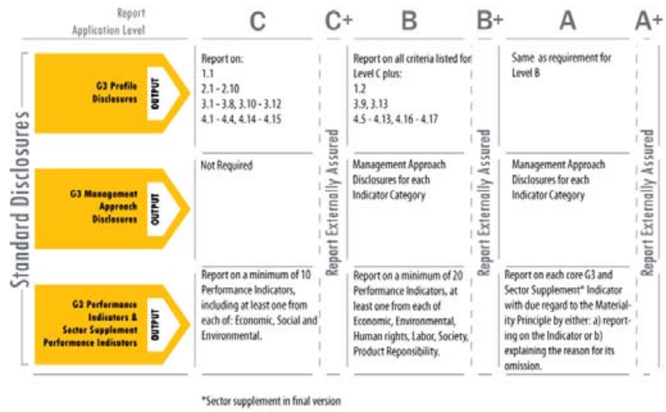
select stakeholders the firm should engage with.

- ***Performance indicators.*** These are indicators that elicit information on the social, financial, and environmental performance of the organization, which can then be compared. These were developed through the GRI's multi-stakeholder process, and those that have been determined to be "core" are thought to

11 Ibid.

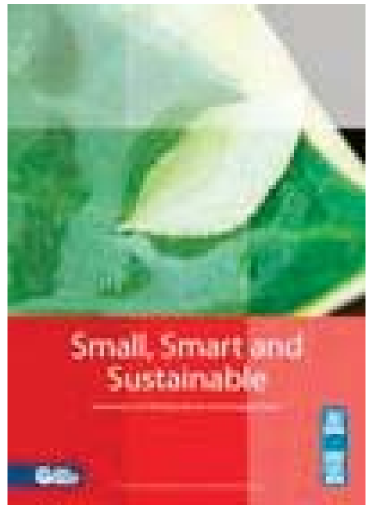
be generally material to most organizations. For example, under the category of Social Performance Indicators, the specific aspects on labor practices and decent work are shaped by internationally accepted standards such as the UN Universal Declaration of Human Rights and its Protocols. The indicators to be measured here include the total workforce by employment type, employment contract and region, as well as the percentage of employees covered by bargaining agreements.

- ***Protocols.*** Protocols, which provide more information behind each indicator and include definitions for key terms in the indicator, compilation methodologies, the intended scope of the indicator, and other technical references. These protocols help to ensure consistency in the interpretation of the performance indicators.
- ***Sector supplements.*** Sector supplements that complement the use of G3 Guidelines by providing supplementary information on the sustainability challenges facing particular industries like mining, financial services, public services, and others.
- ***Application levels.*** For ease of use, there are three application levels—C, B, and A. Each level represents an increasing application of the GRI criteria. An organization self-declares a reporting level based on its own assessment of its report, against the criteria set out by the GRI. It can indicate that it has sought external assurance on its reporting, by declaring a "plus" at each level, i.e., C+, B+, and A+.



- ***Entities to be reported on.*** Entities that the firm exercises significant influence or control over.

The Importance of SMEs to Sustainability



The importance of SMEs to sustainability cannot be understated. The cumulative impacts of small to medium-size enterprises are considerable—SMEs make up more than 90 percent of businesses worldwide. They also account for 50 percent of GDP of all countries and for 60 percent of their employment, on average.[12] Given their combined influence, their impacts on the environment and society are substantial and merit further attention. It is no wonder then that organizations like the GRI are now providing more guidance to SMEs to help them with their sustainability reporting efforts. With such considerable cumulative impacts on the environment and society, they have to be included in the process.

12 Global Reporting Initiative, 'Small, Smart and Sustainable' (Amsterdam: GRI Research and Development Series, 2008). Available at www.globalreporting.org

A Selection of Case Studies

> "… businesses can look at the emerging role they have in society as part of their long-term planning process. Businesses that come to grips with the situation and put it to work in their innovation pipeline will without doubt be more successful over the long term.
>
> This is exactly where using a lens of CSR and sustainability can create a competitive advantage."
>
> -- Dave Stangis, CSR, Campbell Soup

Though the reasons for adopting sustainable policies and conducting sustainability reporting may be similar for both large and small firms, it is conceivable that small firms might go about it in different ways. What kinds of indicators are used by SMEs in their sustainability reporting? What are their principal concerns? What do they think are the important areas that should be communicated to their stakeholders? What are the challenges they face in reporting? To answer these questions, let's consider a survey of some recent sustainability reports. These reports are taken from firms in a range of industries, including agriculture, financial services, and consulting.

Desert Glory

[13]

Founded in 1990, Desert Glory produces vine-ripened tomatoes that are sold through supermarkets and stores. Based in San Antonio, Texas, the company's growing operations encompass almost 1,000 acres of greenhouse facilities and employ 4,235 associates, mostly on its farms in Mexico.[14] It mostly supplies its tomatoes to grocery stores and food service operators and distributors. In 2008, Desert Glory created its first sustainability report, which is available publicly on its website. (www.naturesweettomatoes.com) With the help of Strategic Sustainability Consulting (SSC), it defined suitable topics for disclosure and its issues of materiality and relevance, as was suggested by the GRI Guidelines.

In his message, Bryant Ambelang, CEO and President, declares that conducting a sustainability audit has been a critical step in understanding the firm's economic, social, and environmental performance. This then allows the company to coordinate and articulate its best practices and determine the potential for improvement. Noting that the company's most important asset is its employees and their families, the report goes on

13 Image from Desert Glory's website: http://www.naturesweettomatoes.com/default.asp?IsDev=False&NodeId=818

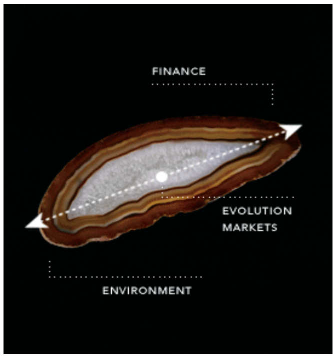
14 You can read Desert Glory's sustainability report over at its website: http://www.naturesweettomatoes.com/

to outline policies and achievements regarding its workforce. For example, by offering year-round employment, Desert Glory is able to bring stability to communities previously accustomed to seasonal work, including the provision of federal healthcare through participation in the Mexican Social Security system. For this report, Desert Glory also conducted a detailed stakeholder analysis, which included its workers, managers, local communities, suppliers, customers, and consumers. With regard to consumers, it recognizes the growing demand for "green" goods and is investigating ways to highlight the sustainable aspects of its product in its marketing efforts.

Given that water use is a key component of the greenhouse operations at Desert Glory, the company foresees that future sustainability opportunities will lie in water recycling and reuse systems. In terms of waste management, the firm has carefully examined different aspects of its operations, establishing recycling locations for cardboard shipping and product packaging, and replacing the plastic bailing twine with jute twine. This is not only more environmentally friendly because it is a compostable material, but also reduces labor costs and the time associated with separating the plastic twine from compostable material post-production.

What kinds of challenges does Desert Glory face in its sustainability initiatives? In its report, it states that the ongoing recruitment and retention of workers will be a continuing challenge, as many of the local workers view seasonal employment as preferable to year-long employment. Desert Glory also notes that more practices will have to be put in place to improve its performance on water management for instance—it is working with its procurement team to solidify a vendor policy that will specify specific environmental standards that will have to be met by its supply chain. This will include recycling standards that are likely to affect future product packaging used so as to reduce waste and increase recyclability.

Evolution Markets



Evolution Markets is a financial services firm for the global green markets and clean energy sector, providing brokerage and merchant banking services and structuring transactions for clients. With seven locations globally and approximately 60 employees (as of 2007), Evolution Markets has recently started sustainability reporting, producing a report in 2007.[15]

So why is Evolution Markets interested in sustainability reporting? Since its inception, the company has been helping its customers with their environmental goals. As such, it makes sense for Evolution Markets to ensure that it "walks the talk", to quote the words of its CEO Andrew Ertel. In its survey, it also found that 75 percent of Evolution Markets' employees consider themselves to be eco-conscious. Undertaking a sustainability report will enable the company to speak with greater credibility

15 Evolution Markets' sustainability report, as well as more recent sustainability news, can be found here at: http://w.evomarkets.com/index.php?page=Newsroom-Sustainability_News

to its customers and other stakeholders, and in so doing strengthen and potentially widen its customer base.

The Evolution Markets' report also states other reasons for embarking on a sustainability initiative. The firm is interested in being an "agent of change", motivating employees, colleagues, and customers to adopt behaviors that are more environmentally and socially responsible. So not only does it want to encourage its employees to reduce their carbon footprints, for instance, it also aspires to be a driver of change within the financial services industry.

Still, sustainability is not without challenges. Evolution Markets is currently undergoing expansion, bringing in more employees and expanding its number of offices. Being in a high-growth stage creates opportunities as well as challenges. As it grows, it is more likely to be able to develop the internal infrastructure to deal with the firm's environmental and social impacts. Still, for a firm like Evolution Markets, there are particular benefits of conducting a sustainability report. Through its first report, Evolution Markets is now able to have a clearer picture of its carbon footprint; it can then act to reduce this. More generally, an accounting of its environmental impacts helps the firm to perceive actions it could implement that would have positive effects on the environment.

The 2007 report includes a statement on the governance structure within Evolution Markets, as well as its compliance with the laws and regulations in the countries within which it currently operates. Looking closely at key GRI indicators, the firm reports its performance for each indicator or provides reasons for why it is unable to do so. For instance, indicator EC7 of the economic performance section instructs firms to outline procedures for local hiring, and the proportion of senior management hired from the local community. To this Evolution Markets reports that it doesn't have any specific local hiring policies—hiring is made solely on skills and qualifications.

Strategic Sustainability Consulting

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SSC is a firm headquartered in Herndon, Virginia, a Washington, D.C. suburb. Its focus is on helping smaller enterprises and non-profits green their businesses. In 2008, SSC produced its third sustainability report, distinguishing itself from the other businesses mentioned in this paper. At last count, SSC has a network of approximately 450 professionals in the SSC Consultant Network, as well as 25 volunteers or interns.[16]

In its 2008 Report, SSC self-reports its GRI application level to be A, indicating that it has reported on all core sustainability indicators, or explained why some of them have been omitted. The lack of a "+" or "plus" sign indicates that no external assurances or audits have been taken at the point of compiling the report. During the 2007-2008 reporting period, SSC achieved top ten rankings in the CorporateRegister.com Sustainability Reporting

16 See www.sustainabilityconsulting.com for more information.

Awards, earning accolades in the "Best First Time report" and "Best SME Report" categories.

Even though it has been reporting for a few years, SSC's reporting is not without challenges. Like Evolution Markets, the firm is facing a period of high growth. While this signals an exciting time for SSC, this also presents problems in sustainability reporting—having to more carefully account for the carbon footprints of its growing consultant network, for instance. Furthermore, financial reporting can also be potentially difficult, since the desire for transparency could clash with a feeling of sensitivity regarding the reporting of incomes. SSC notes as well that it is interested in quantifying the economic impacts of services that have been provided to clients in future reports.

Commonalities in their Sustainability Reporting

As can be seen, there are some commonalities in the sustainability reports that the firms examined have produced, both in terms of opportunities and challenges. For one, these firms have paid close attention to the principle of materiality in constructing their sustainability reports—looking closely at their operations and business model to understand which GRI indicators most matter for firms of their size, type, and industry. All firms indicate that sustainability initiatives are important for the future of their firms. For instance, the Desert Glory report states that undergoing a sustainability audit is critical both for helping the company understand its economic, social, and environmental performance and also for showing where the room for improvement lies.

Secondly, even though the firms surveyed are in different industries (agriculture, financial services, and consulting) they all indicate that measuring their sustainability performance will boost their credibility when it comes to existing and potential clients. This is largely due to the fact that their products are related to the environment and sustainability in one way or another. Evolution Markets, for example, is focused on helping its clients do well in global green markets and the clean energy sector, while SSC has helped SMEs and non-profits green their operations and conduct sustainability audits. While the pressure to go green exists across many industries, these firms are especially positioned to be sensitive to the growing demands of potential clients and other stakeholders to understand and communicate their performance when it comes to sustainability issues.

Challenges for SMEs

Clearly, there are multiple reasons for wanting to understand and report one's environmental and social performance, regardless of the size of one's organization. Still, it seems that being a smaller organization may pose particular challenges when it comes to sustainability reporting, such as:

- ***Lack of training.*** As the GRI noted in its report, *Small, Smart, and Sustainable*, training is necessary to encourage greater sustainability reporting. A family-run bed and breakfast, for instance, would be unlikely to have dedicated staff familiar with tracking environmental metrics, such as measuring greenhouse gas emissions. Firms that are trying to encourage their suppliers overseas to disclose environmental and social data may also face problems with respect to the lack of relevant training.
- ***Balancing growth with limiting the organization's environmental impacts.*** As firms hire more people and gain more clients, they are likely to see substantial increases in their environmental impacts. For instance, air travel is likely to increase as employees travel to client sites. Mitigating this impact on the environment (e.g., through the purchase of carbon offsets) is going to be a priority as these firms expand.

Preparing a Sustainability Report: A Roadmap

Here are some key steps involved in preparing a sustainability report and using it in your business. These are adapted from the Global Reporting Initiative's publication, *High 5! Communicating your Business Success through Sustainability Reporting*. This is intended as an introductory guide to businesses, especially smaller companies, to help them with starting the process of sustainability reporting.

Step 1: Get Started

To get started on a sustainability report for your business, the following are some measures to consider.

- ***Identify a coordinator.*** This coordinator will be responsible for the reporting process, taking on a project management role. They will also communicate with senior management or the owner about progress and results. The coordinator will also be critical in facilitating buy-in, cooperation and communication between all the employees involved in the reporting process.
- ***Understand your starting point.*** While it might feel like you're starting from scratch, this is usually not the case. Your business for instance will already have had experience with financial reporting, and have collected data on environmental or social indicators, such as the gender breakdown of your employees for instance. Try to get a sense of the potential information sources already available, and identify the contact persons for these sources.
- ***Form a sustainability reporting team.*** Since developing a sustainability report is a business-wide project, it would also require the commitment and support of top management and/or the business owner to ensure success. So it would be good to form a sustainability reporting team, getting various people involved and raising the level of awareness and buy-in within the organization.
- ***Discuss the big picture.*** Having identified the starting point and key members of the sustainability reporting team, the coordinator should then facilitate discussion about the big picture. Some of the questions that the team should explore include: What do we expect out of the sustainability reporting process? What does sustainability mean to us? What are our principal economic, social and environmental impacts?
- ***Create a timeline.*** Develop a work plan and schedule. This will help you keep track of the key tasks, deadlines and pieces of information that have to be gathered along the way. You might want to consider aligning your sustainability reporting schedule with the traditional financial reporting process—there might be potential cost reductions from doing so.

Step 2: Plan What to Report

This can be further broken down into a few steps:

- ***Review your core business activities, goals, and vision.*** Since the key purpose of sustainability reporting is to measure the benefits this has for your business and its stakeholders, your sustainability report should reflect your business mission. So you should state your primary business activities and goals, as well as your commitments to sustainable development.

- ***Determine your stakeholders.*** Think about whom your business affects, and who influences your business. Order them in terms of importance—this will help you structure your communications efforts. Try to figure out what pieces of information each stakeholder is likely to be interested in.
- ***Initiate a dialogue with your stakeholders.*** This can be done in a variety of ways—roundtable discussions with members on specific issues, circulating a questionnaire, or in-person interviews.
- ***Identify what aspects to report on.*** Having set your reporting goals and mapped out your stakeholders and their interests, the next step is to identify what aspects to report on. Determine whether you are going to report on all or some of the three main dimensions in the GRI Guidelines—economic, social, and environmental. Then you can start thinking about which categories in each dimension (for instance, labor practices and decent work in the social dimension) you want to report on. And then identify the specific aspects within each category to focus on. But it does not stop here: the team should then assess the feasibility of delivering the required information for each aspect. Factors such as the cost of gathering the information, and whether employees will have the skills and knowledge to deliver it, are some things to consider.
- ***Set the reporting scope.*** Before gathering the desired information, identify your reporting period. For instance, most companies use the fiscal or calendar year as their reporting period.
- ***Set the reporting boundaries.*** Since you are reporting for the first time, it might be good to set the reporting boundaries narrowly. This means covering the issues and areas over which you have direct control and legal ownership. As you get more comfortable with sustainability reporting, or you have wider sustainability goals, you could set your boundaries wider to cover entities that you may not own, but that you influence or impact significantly.

Step 3: Measure Your Performance

- ***Choose your indicators.*** Having determined which aspects are important to you, it is now time to choose the measurable indicators that will help your organization tell its story when it comes to sustainability performance. Under the GRI, indicators are divided into two groups—core and additional. The core indicators are those that pertain to most reporting organizations and are also most relevant to stakeholders. Additional indicators are those that are relevant but not very often reported, or those that provide information to a particular group of stakeholders that are very important to the reporting organization. Where possible, choose to report on core indicators over additional ones. Not only are they usually most relevant, they will also provide the opportunity to compare your performance to other industry peers.
- ***Gather information and data.*** Having settled on the relevant indicators, you should move on to collect information so that you can formulate your responses. Distinguish between formally documented and informal information sources. Formally documented sources include things like your water and electricity bills, and is quite easy to compile when needed for certain

indicators. Informal sources could be the views and experiences of employees working in the organization, which could be ascertained through interviews and surveys.

- ***Learn from your indicators.*** Having gathered all the necessary information, the next step is to convert it into meaningful responses for the indicator. Generally, you should present data in absolute figures. Ratios could be provided to give a broader context, or give a measure of magnitude. Additionally, you should analyze the results of your reporting to identify potential areas for improvement. Think for instance of areas where your reporting didn't quite meet your expectations or those of your stakeholders, and set goals to improve your performance in these areas for the next reporting cycle.
- ***Set performance targets for next year.*** Using the results from your first year as a baseline, the next thing to do is examine where you want to go from here. How does the information you've gathered relate to your larger business goals and vision?

Step 4: Report Your Results

What is the best way of communicating the indicator results for your organization? The following considerations will help you determine the best way of doing so.

- ***Check the quality of your results.*** How does the data collected measure up against your organization's expectations and those of your stakeholders? If you are not able to provide detailed disclosure on a specific indicator, it would be good to explain why it has not been included in your report.
- ***Choose the method of communication.*** How will you communicate the information you've collected? The means of communication for your internal and external stakeholders may differ—a newsletter may suffice for your internal stakeholders for instance. External stakeholders, on the other hand, may be reached through press releases and downloadable reports. Consider the costs as well of each possible method when weighing your options.
- ***Write your sustainability report.*** Now that you have collected the desired information and decided on the communication method, you can decide on the report content and determine the best way to lay it out. What format will make the information easy to understand for your audience? Use clear, simple language and be concise. Supplementary graphics—like charts, tables and photographs—can be helpful. Review your report internally before publishing, to make sure that it is accurate and relevant for your stakeholders.
- ***Finalize and distribute the report.*** The coordinator should develop a time schedule for finalizing the report and monitoring progress. Anticipate the likelihood that finalizing the layout and printing make take more time than expected. Consider different ways of publicizing your report.

Step 5: Identify Room for Improvement

- ***Solicit feedback.*** Now that your report has been written, published, and shared, it is time to collect the reactions of your stakeholders to this report. This will help you determine what worked and what you can improve on in the next report. Construct a strategy to gather feedback, keeping in mind your time, financial and personnel constraints. Some questions you could ask include: What are the strengths of the report? How can we improve on this report?

- ***Identify next steps.*** Reflect on what is needed to help you achieve your reporting goals for the next year. Consider any additional indicators you would like to report on for the next period and the actions needed to do so.
- ***Get recognition.*** You can raise the profile of your report by participating in award programs. Many academic and media institutions rank and benchmark reports. Establish which awards might be relevant to your report and apply for them. Brainstorm with your team to get more ideas on how to get recognition for your efforts so far. Finally, celebrate your success and acknowledge and reward the individuals involved in this process so far!

Recommendations

This report has stated many reasons why firms should conduct a sustainability report. It has also looked at the key standard for putting together a sustainability report, the GRI, and examined how some firms have used its Guidelines to examine and communicate their performance when it comes to the triple bottom line. Having noted the considerable opportunities and challenges associated with sustainability reporting, this paper will now turn to our recommendations for how to start (and finish!) a sustainability report.

Here are a few steps to consider:

- ***Get executive support and buy-in.*** If you are thinking about producing a sustainability report for your company, talk to company executives about why this would be a good move for the firm and gain their support. As it has been noted, there are many reasons to conduct a sustainability report—notably to help your firm assess its risks and opportunities beyond the financial spectrum, and also to help your firm gain wider access to institutional and individual investors.[17]
- ***Build a cross-functional team.*** Since sustainability reporting covers so many aspects of a firm's operations, including financial performance, operating structure, labor rights, environment, health, and safety, it would be wise to put together a cross-functional team within the company to collaborate on the report.
- ***Decide which reporting standards to adhere to.*** The reporting standards currently available provide an excellent starting place to evaluate your firm and structure your sustainability reporting. While this paper has focused on the GRI Guidelines as the predominant standard, some companies have also combined the GRI with other reporting guidelines that they have found useful. Others have also chosen to take their lead instead from the Millennium Development Goals, which might also be of interest.
- ***Determine what issues are material.*** Materiality refers to the idea that sustainability reports should focus on the key financial, economic, and social indicators and issues that would most likely impact the decisions of one's stakeholders. For instance, in the case of a financial services firm like Evolution Markets that focuses on green markets and the clean energy sector, it would make sense that its employees and customer base would be keenly interested in knowing about its carbon footprint and energy usage. So similarly for your firm, now would be a good time for you to think about what key issues matter to your stakeholders, whether they be your employees, customers, suppliers, or distributors.
- ***Set goals and measure performance.*** While it would be interesting to know how your firm did in 2008, it would be even more useful for stakeholders if they could see your performance as it changes over time, in terms of whether you have reduced your water usage in 2009 as compared to 2008, for instance. This means that a good sustainability report will have both qualitative and quantitative metrics, and data

17 Many of the following points are adapted from a recent article on sustainability reports from online publication the Environmental Leader. http://www.environmentalleader.com/2009/06/24/the-seven-phases-of-producing-a-sustainability-report-part-1-of-a-series/

should be tracked year-round to provide a fairly accurate picture of how the firm is doing when it comes to environmental and social issues.

- ***Solicit feedback.*** A sustainability report is best thought of as an opportunity for ongoing dialogue between your company and its stakeholders. How has the firm performed? Where can it do better? What issues should it pay more attention to? These are questions that are going to come up as you prepare your sustainability report. It would be helpful to the process (and to next year's report) if feedback were solicited from your various stakeholders. You could also seek feedback from related NGOs on your sustainability report. For instance, Walmart's recent progress on environmental issues has been supported by its engagement with NGOs such as the Environmental Defense Fund.[18] While this may be thought of as a risky move, it could also potentially greatly increase your credibility when it comes to sustainability, and earn you accolades later on for a job well done.
- ***Recognize and acknowledge opportunities and challenges.*** As we have seen, the GRI provides a long, exhaustive list of indicators by which to measure your financial, environmental, and social performance. This also means that no one is likely to get everything right the first time. There will be gaps in knowledge that must be addressed later (How best should labor audits of suppliers in other countries be conducted when there are huge potential language and cultural barriers involved, for instance?). In starting to produce a sustainability report, you are likely to face resistance from within your firm if employees see this as an additional task and have not been fully convinced of the report's meaning and benefits. Communicating with your employees and achieving buy-in is likely to result in greater loyalty and employee retention in the long run—who wouldn't not want to work for a firm that is both doing good and doing well?

Qualities to Strive for in Your Report[19]

- ***Measurability.*** While there will be narrative portions of your report, it should also allow for qualitative and/or quantitative measurements of performance. For instance, you can provide information on the amount of water used in your operations in the past year and the percentage reduction in water usage you are striving for in the next.
- ***Completeness.*** The criteria used should be sufficiently complete—the relevant factors that would affect a conclusion about the topic are not omitted.
- ***Relevance.*** Limit your report to criteria that is relevant to the subject matter of economic, social, and environmental impact.
- ***Accessibility.*** Your report should be made easily available to your organization's stakeholders, for instance, by being downloadable from your company's website. You can also publicize your report through channels relevant to sustainability professionals, such as releasing a press release on CSRwire. It should be written in a clear format and understood language (so it would be good to either avoid jargon or explain it, when it has to be used).

18 Lisa Roner. 'Mutual benefits galore as NGOs and brands team up.' (Climate Change Corp, 18 Jun 2008). Retrieved from http://www.climatechangecorp.com/content.asp?ContentID=5485

19 These Guidelines are adapted from Strategic Sustainability Consulting's recent webinar, 'How to Write a Sustainability Report', available at http://www.sustainabilityconsulting.com.

Conclusion

For many reasons, more and more firms are voluntarily conducting their sustainability reports. As seen in this white paper, there are indeed many good reasons to do so. Sustainability reporting helps firms establish a clearer perspective on their risks and opportunities across the financial, environmental, and social spectrums. It also helps them to stay ahead of regulations and customer demands. As more customers begin to factor in the sustainability of a product in their purchasing decisions, firms will have to find ways to account for and communicate their environmental and social impacts.

The GRI is the leading provider of guidelines for sustainability reports. It details indicators and the principles that are to guide the writing of sustainability reports. This paper has taken an interesting examination of three small- to medium-sized companies that have adopted the GRI Guidelines in their reporting, and noted the challenges and opportunities they have come across in this process.

Finally, a roadmap has been described for firms that might be interested in starting their sustainability reporting. Producing a sustainability report is no small feat. Key to the success of a report is ensuring that different departments within the firm are involved, that company executives support and understand the value of sustainability reporting, and that stakeholders are included in the conversation.

To sum up, reporting should not be the be-all and end-all of the process. Instead, sustainability reporting is better thought of as integral to developing a strategy for the organization, defining action plans, and establishing metrics for assessing performance.[20] Done right, sustainability reporting opens up communication between you and your stakeholders, improving accountability and helping to bolster your reputation and strengthen your business in the long run.

20 (GRI, Sustainability Reporting Guidelines.)

List of Resources

UN Global Compact (http://www.unglobalcompact.org/). The UNGC is an initiative aimed at helping businesses committed to aligning their operations and policies with ten key principles in the core areas of human rights, labor, environment, and anti-corruption. Currently it has approximately 7,700 corporate participants and stakeholders in more than 130 countries.

Global Reporting Initiative (http://www.globalreporting.org). Founded by the non-profits CERES and Tellus Institute, the GRI has providing sustainability reporting Guidelines that have been used by over 1,000 organizations globally in their reporting efforts.

Greenhouse Gas Protocol (http://www.ghgprotocol.org/). A partnership between the World Resources Institute (WRI) and the World Business Council for Sustainable Development, the GHG Protocol provides an international accounting tool to help government and business leaders measure, quantify, and manage greenhouse gas emissions.

CERES (www.ceres.org). The Boston-based nonprofit CERES was one of the initiators behind the GRI. With the stated mission of "integrating sustainability into capital markets for the health of the planet and its people", CERES has a coalition of investor groups, environmental organizations, and investment funds that engage directly with companies on environmental and social issues. Its publications may also be of interest, including "The Quiet Revolution in Sustainability Reporting" (2007), authored by Allen White. (http://www.ceres.org/Page.aspx?pid=654)

The Carbon Disclosure Project (http://www.cdproject.net). The Carbon Disclosure Project is a non-profit based in the United Kingdom working with organizations across the world to measure and disclose their greenhouse gas emissions and climate change strategies. Walmart, in its recent Sustainability Supplier Assessment, has asked of its suppliers whether they report their greenhouse gas emissions in accordance with the Carbon Disclosure Project.

The Economist (http://www.economist.com). In early 2008, the Economist produced a report titled "Getting CSR Right", which provides an overview of the current state of corporate social responsibility, and the prevailing arguments for and against creating CSR initiatives at companies. (http://www.economist.com/specialreports/displaystory.cfm?story_id=10491124, subscribers only)

ISO Standards (http://www.iso.org). The ISO has created a series of standards that pertain to environmental management. The ISO 14000 family of standards deals with environmental management systems and also address aspects like life-cycle analysis, product labeling, communication, and auditing.

United Nations Millennium Development Goals (http://www.un.org/millenniumgoals/) The MDG are a series of eight goals, from halving extreme poverty to stemming the spread of HIV/AIDS and improving environmental sustainability. With a target date of 2015, its goals have been agreed to by all countries and are providing impetus for action by organizations across the world.

Walmart Sustainability Index (http://walmartstores.com/Sustainability/9292.aspx). Walmart recently launched a worldwide sustainability index initiative, in an attempt to create a more transparent supply chain and communicate its findings to consumers increasingly interested in the ways that goods are produced. As part of this initiative, a list of 15 questions related to sustainability were created, which suppliers to Walmart will have to answer.

Strategic Sustainability Consulting (www.sustainabilityconsulting.com). SSC provides resources that might be useful for firms beginning to report on their social and environmental performance, such as its webinar on how to write a sustainability report, for instance (available here: http://www.sustainabilityconsulting.com/webinars/2009/6/3/webinar-how-to-write-a-sustainability-report.html).