

# **Understanding the Need for Responsible Reporting & International Trends**

**May 22, 2014**

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# Corporate Social Responsibility

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- ▶ Corporate initiatives to assess and take responsibility for the company's effects on the environment and impact on social welfare.
- ▶ CSR includes initiatives beyond required by the regulators.
  - ▶ in sustainability
  - ▶ Environmental protection
  - ▶ Human rights
  - ▶ Diversity
  - ▶ Global ethics and compliance

# Sustainability

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**Sustainable Development (SD)**

**Corporate Social Responsibility (CSR)**

**Corporate Responsibility (CR)**

**Triple Bottom Line (TBL)**

**Environment, Social and Governance (ESG)**

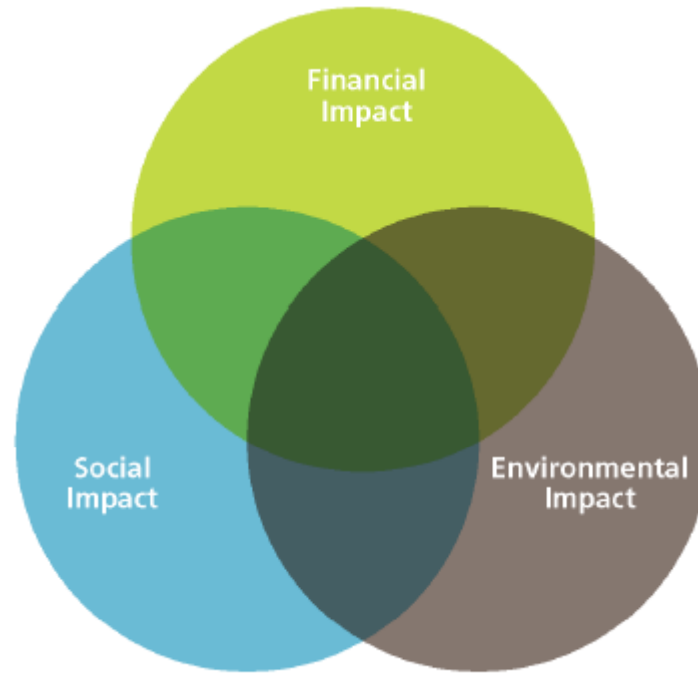
Development which meets the needs of the present  
without compromising the ability of future generations to  
meet their own needs.†

† World Commission on Environment and Development. Our  
Common Future. Oxford: Oxford University Press, 1987, p.43.

**As key force in society  
Organizations have an  
important role to play  
for achieving SD.**

Profitability is necessary **but not the only goal**

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**Sustainability is not about polar bears or trees in the Amazon, it's fundamentally about the company how it can sustain itself, along with future generations.**

# Sustainability – 3 Dimensions

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## Economic

### Profit

- Growth
- Opportunities for jobs
- Increase in Taxes



## Environment

### Planet

- Eco-efficient & effective
- Restorative

## Social

### People

- Employees
- Society
- Global world

# Sustainability – 3 Dimensions

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## Organizations Impacts (Positive & Negative)

### Economic

- Growth – Economic value created and distributed
- Income generation for local community
- Infrastructure investments
- Wealth concentration

### Environment

#### Input

- Energy use
- Water use
- Material use

#### Output

- Emissions, Effluents, Waste
- Biodiversity impact
- Impact of product and services

### Social

- Human rights
- Labor
- Society
- Product responsibility

# Reporting Frameworks

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- ▶ **Global Reporting Initiative Guidelines**
  - ▶ G3, G 3.I & G4 guidelines – GRI Sustainability Report
- ▶ **United National Global Compact Ten Principles**
  - ▶ Communication on Progress
- ▶ **International Integrated Reporting Framework**
  - ▶ Integrated report
- ▶ **Carbon Disclosure Project**
  - ▶ Reporting on climate change, water use, deforestation & supply chains.



# Sustainability Reporting

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- ▶ Sustainability reporting

A practice of measuring, disclosing and being accountable to internal and external stakeholders for organizational performance toward the goal of sustainable development.

- ▶ Sustainability Reporting is a broad term synonymous with others used to describe reporting on economic, environmental and social impacts.

- ▶ Triple Bottom Line Reporting
  - ▶ Corporate Social Responsibility Reporting etc

# Why Report on Sustainable Practices?

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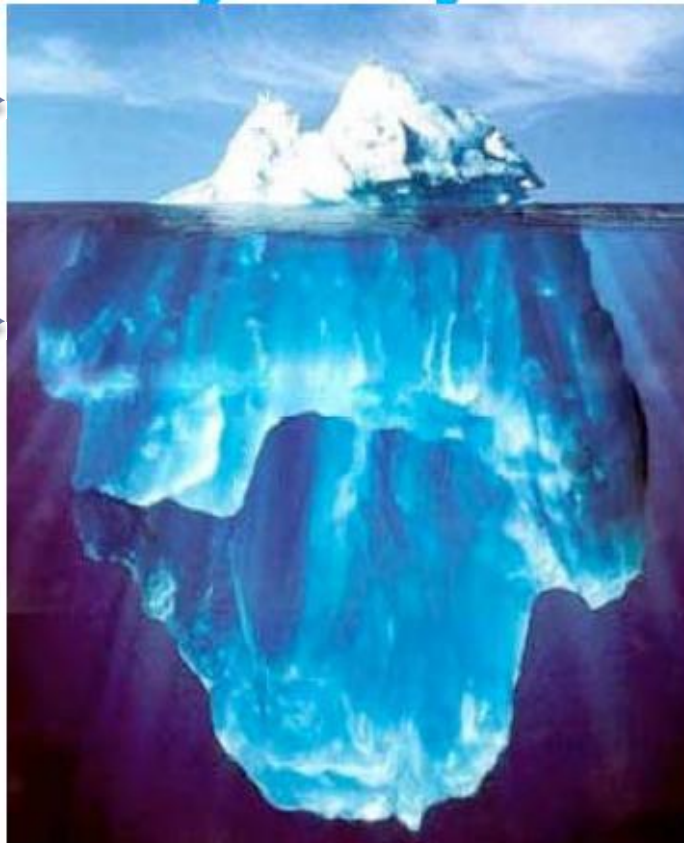
Reporting is the tip of the iceberg

Sustainability Management lies beneath

Sustainability Reporting



Sustainability Management



# Drivers for Sustainability Reporting

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## ► Show commitment and to be transparent

- Investors
- Customers
- Employees
- Community residents
- Regulators

Questioning organizational commitment

Responsible  
Business  
Conduct

- Operating permit

Conversion to

Social  
license to  
operate  
from society

- Economic, Environment and social issues are every one business
- Complexity of field
- Rapid decision through quick process and limited resources may lead to decision with negative impacts.

Organization is expected to **monitor** performance & be **Accountable**

# Drivers for Sustainability Reporting (Cont.)

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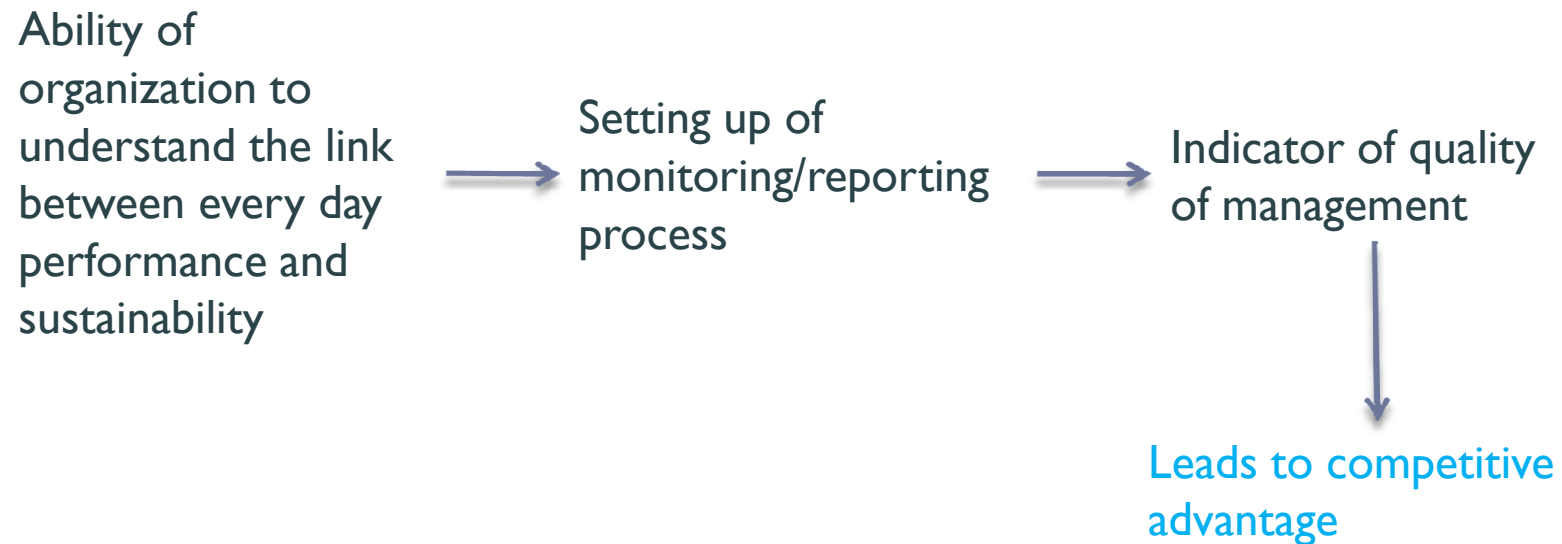
## Who Wants to Know What?

| Stakeholder    | Indication of interest in sustainability information   |
|----------------|--|
| Investors      | <ul style="list-style-type: none"><li>• Carbon disclosure project. Investors ask for disclosure of greenhouse gas emissions.</li><li>• Shareholder resolutions for expended disclosures</li><li>• Sustainability index and others request sustainability information</li><li>• Equator principles – major lenders require discussion of environmental and social impacts of significant projects in developing countries</li></ul> |
| Regulators     | Requirement for environmental and social data in annual reports (EPA and SECP)   |
| Employees      | One of the top two audience of sustainability reports  |
| NGOs           | Publish what you pay   |
| General Public | In a survey 50% of the people said that reading or hearing about a sustainability report improved their impression of the company, led them to buy the company products, or to speak positively about the company.   |
| Media          | Numerous business rankings include social and environmental criteria   |

# Drivers for Sustainability Reporting (Cont.)

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- ▶ Demonstrate the ability to participate in competitive markets

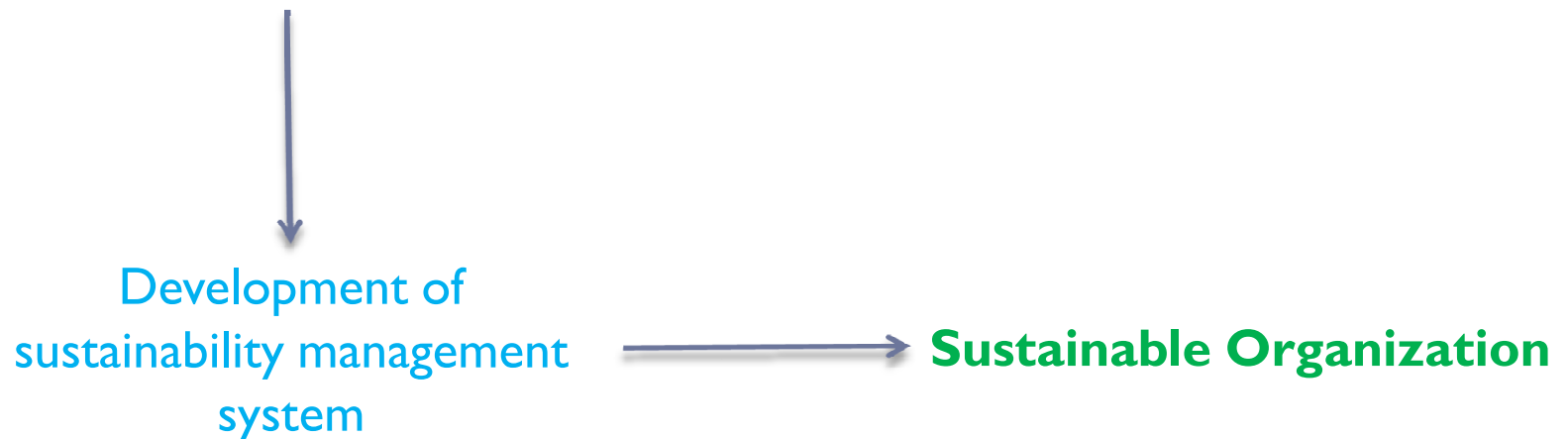


# Drivers for Sustainability Reporting (Cont.)

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- ▶ Plan activities, become more sustainable and position the company

- Tool to understand contribution for solving society's current problems
- Positioning the company in the future business context

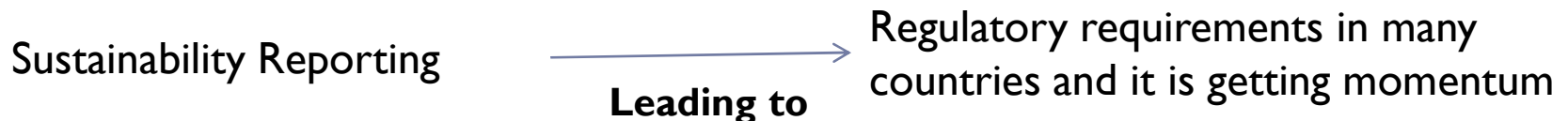


# Drivers for Sustainability Reporting (Cont.)

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## ► Comply with regulations

Organization decide to report on sustainability performance in order to be ready for compliance with current or future regulations



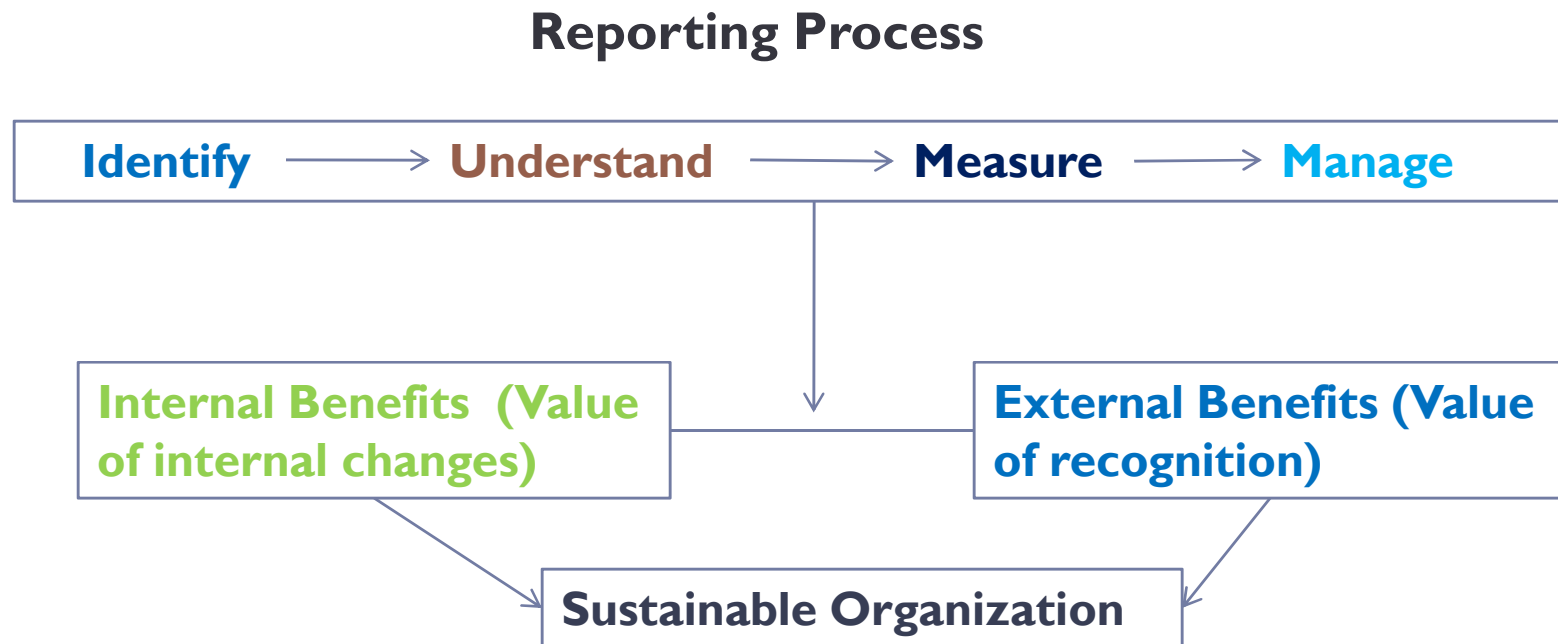
Denmark, France, Finland, Japan, Korea, Netherlands, Norway and Sweden, South Africa, USA, UK, India requires certain companies to include environmental and social disclosure in their reports. Stock Exchanges around the world are asking companies to report on Environmental & Social issues.

In Pakistan SECP requires disclosure on Social contributions by Listed companies. SECP also issued Voluntary Corporate Social Responsibility Guidelines 2013.

# Benefits of Sustainability Reporting Process

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The reporting process is a tool which help the entire organization to become more **efficient**, more **focused** and more **sustainable**.





# Value of Sustainability Reporting Process (Cont.)

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## Value of Internal Changes

- ▶ Development of vision & strategy
- ▶ Improvement in management system, internal processes and set goals
- ▶ Identification of weaknesses and strengths
- ▶ Employee retentions
- ▶ Connect departments and encourage innovation
- ▶ Raise awareness with the Board
- ▶ Achieve competitive advantage and leadership
- ▶ Attract investors

# Value of Sustainability Reporting Process (Cont.)

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## External Benefits (the value of recognition)

- ▶ Enhance reputation, achieve trust and respect
- ▶ Transparent and dialogue with stakeholders
- ▶ Demonstrate commitment to sustainability
- ▶ Enable comparability and benchmarking

# GRI Based Sustainability Report

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## ▶ GRI Based Sustainability Report

- ▶ Discloses outcomes and results occurred during reporting period in the context of

- ▶ Organization's Commitments

- ▶ Strategy and

- ▶ Management Approach

- Economic

- Environment

- Social

**Sustainability Report** —————→

- Labor Practices & Decent Work

- Human Rights

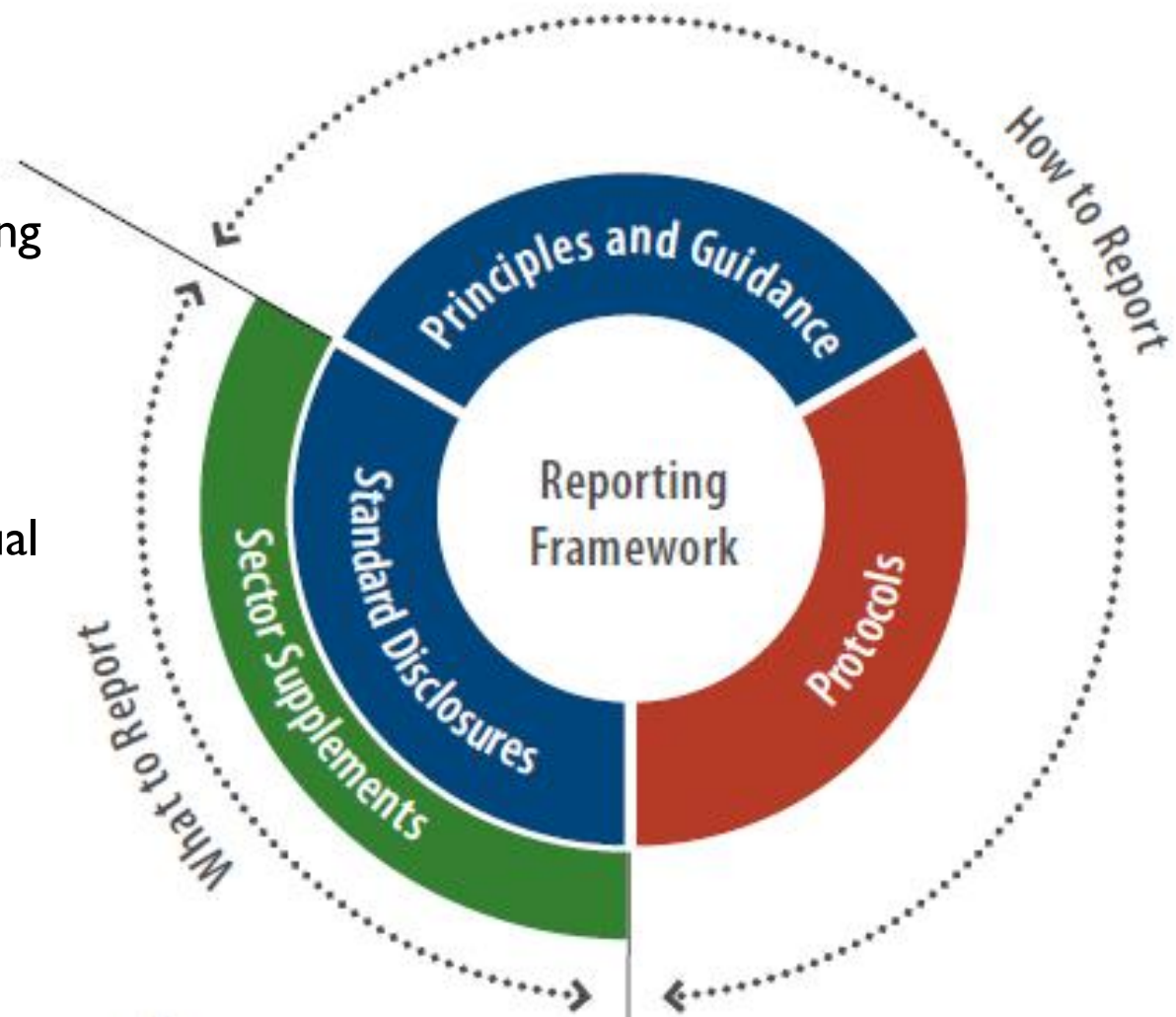
- Society

- Product Responsibility

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# GRI Frame Work for Sustainability Report

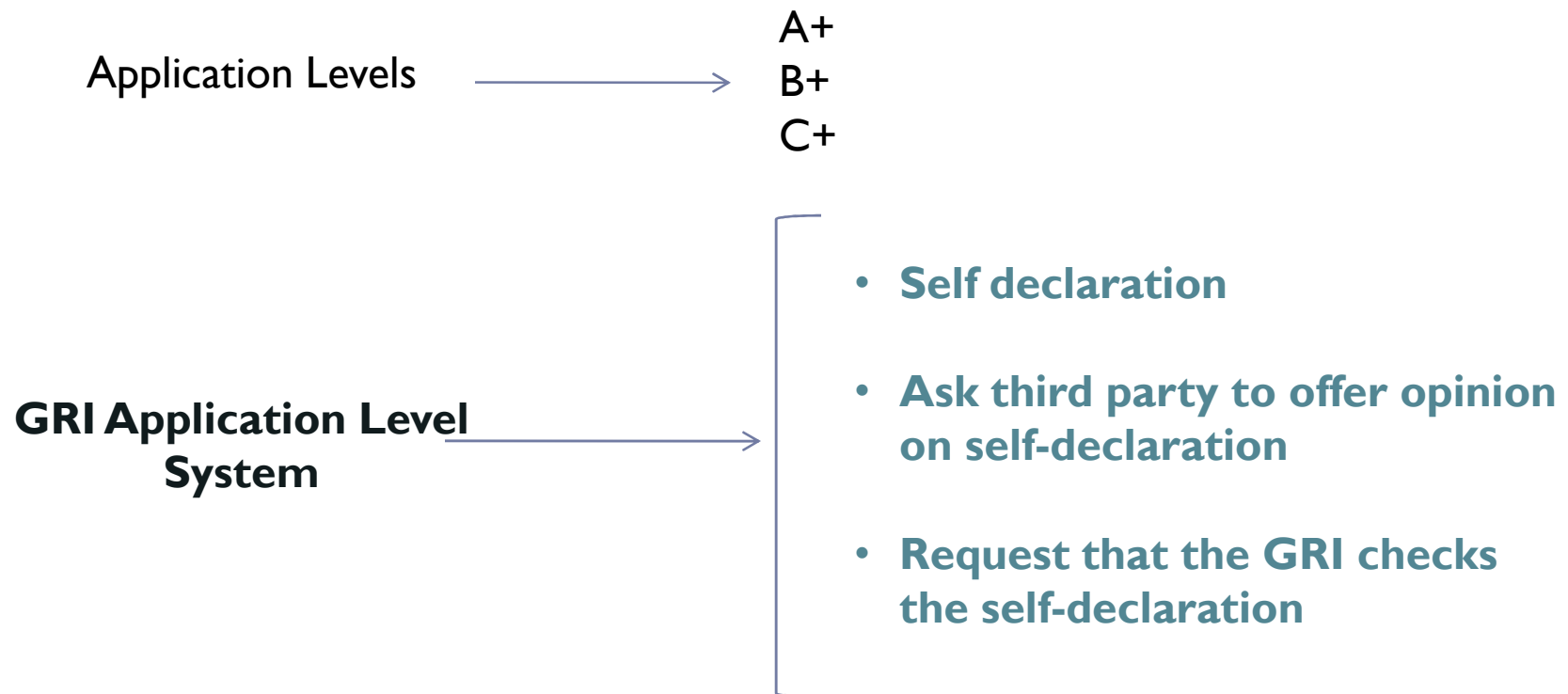
- Sustainability Reporting Guidelines (G3, G 3.1 or G 4)
- Implementation Manual
- Sector Supplements
- Technical Protocol



# GRI Report Application Levels

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- ▶ GRI Application Level clearly communicates which elements of GRI reporting framework have been applied in preparation of report.



# GRI Report Application Levels

| Report Application Level |   | C   | C+                        | B  | B+                        | A   | A+                        |
|--------------------------|---|---|---------------------------|--|---------------------------|---|---------------------------|
| Standard Disclosures     | Profile Disclosures <small>OUTPUT</small>   | Report on:<br>1.1<br>2.1 - 2.10<br>3.1 - 3.8, 3.10 - 3.12<br>4.1 - 4.4, 4.14 - 4.15   | Report Externally Assured | Report on all criteria listed for Level C plus:<br>1.2<br>3.9, 3.13<br>4.5 - 4.13, 4.16 - 4.17   | Report Externally Assured | Same as requirement for Level B   | Report Externally Assured |
|                          | Disclosures on Management Approach <small>OUTPUT</small>                                | Not Required  |                           | Management Approach Disclosures for each Indicator Category  |                           | Management Approach disclosed for each Indicator Category   |                           |
|                          | Performance Indicators & Sector Supplement Performance Indicators <small>OUTPUT</small> | Report fully on a minimum of any 10 Performance Indicators, including at least one from each of: social, economic, and environment.** |                           | Report fully on a minimum of any 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.*** |                           | Respond on each core and Sector Supplement* indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission. |                           |

\* Sector supplement in final version

\*\* Performance Indicators may be selected from any finalized Sector Supplement, but 7 of the 10 must be from the original GRI Guidelines

\*\*\* Performance Indicators may be selected from any finalized Sector Supplement, but 14 of the 20 must be from the original GRI Guidelines

# GRI G 4 Based In accordance Report

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- ▶ In accordance - No Application Levels
  - ▶ Core
    - ▶ 34 (of a total of 58 available) General Standard Disclosures
    - ▶ Management approach for material aspects
    - ▶ One Indicator for each identified material aspect
  - ▶ Comprehensive
    - ▶ 58 (of a total of 58 available) General Standard Disclosures
    - ▶ Management approach for material aspects
    - ▶ All Indicators related to each identified material Aspect
- ▶ GRI Referenced Report

# How to Prepare a Sustainability Report?

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## ▶ Sustainability Reporting Process

▶ Prepare – Plan your Sustainability Reporting Process

▶ Connect – Talk and Listen



let's\_report!-\_5\_step\_process\_640x360.flv

▶ Define – Focus Your Efforts

▶ Monitor – Build Your Report

▶ Report – Check and Communicate





# Prepare: Plan your Sustainability Reporting Process

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**Value to be gained  
out of this step**



- Develop Vision and Strategy
- Identify Weakness and Strengths

## ► Imagine your GRI Report

- Report Format – **Digital or Print**
- Deadline for report preparation – **Release date**
- Topics to be included – **Sustainability Issues**
- Identification of report team – **Members of the team**
- Audience of the report – **Stakeholders of the report**

## Prepare: Plan your Sustainability Reporting Process (Cont.)

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- ▶ Develop an Action Plan
- ▶ Holding of Kick-off Meeting
- ▶ Identification of impacts on which organization **should focus to plan, act and report on.**
- ▶ Agreement on **reporting process, team members and budget.**

|                |                |               |                |               |
|----------------|----------------|---------------|----------------|---------------|
| <b>Prepare</b> | <b>Connect</b> | <b>Define</b> | <b>Monitor</b> | <b>Report</b> |
|----------------|----------------|---------------|----------------|---------------|

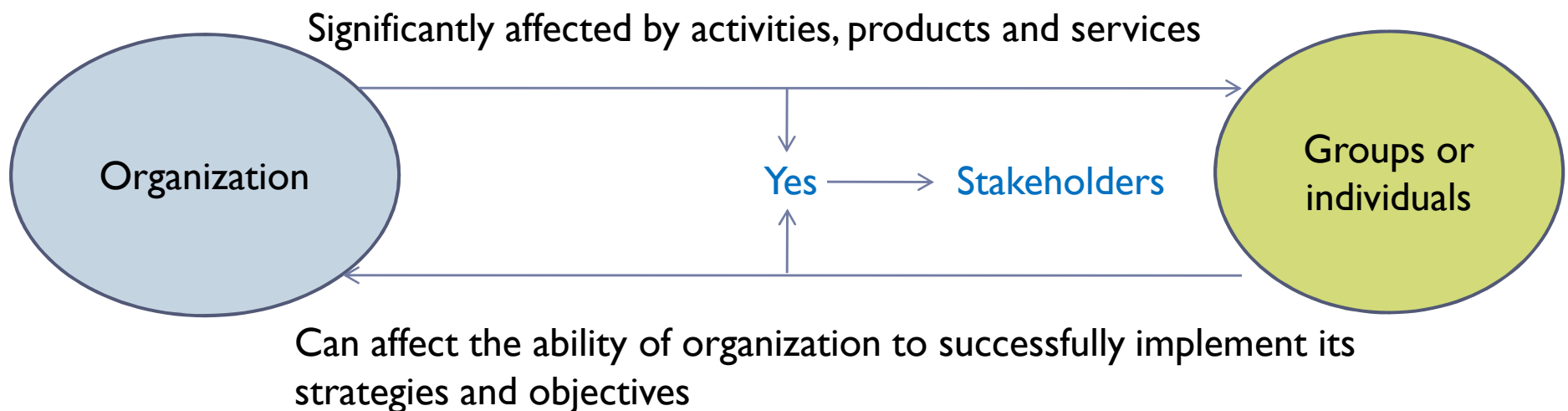
# Connect: Talk & Listen

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**Value to be gained out of this step**

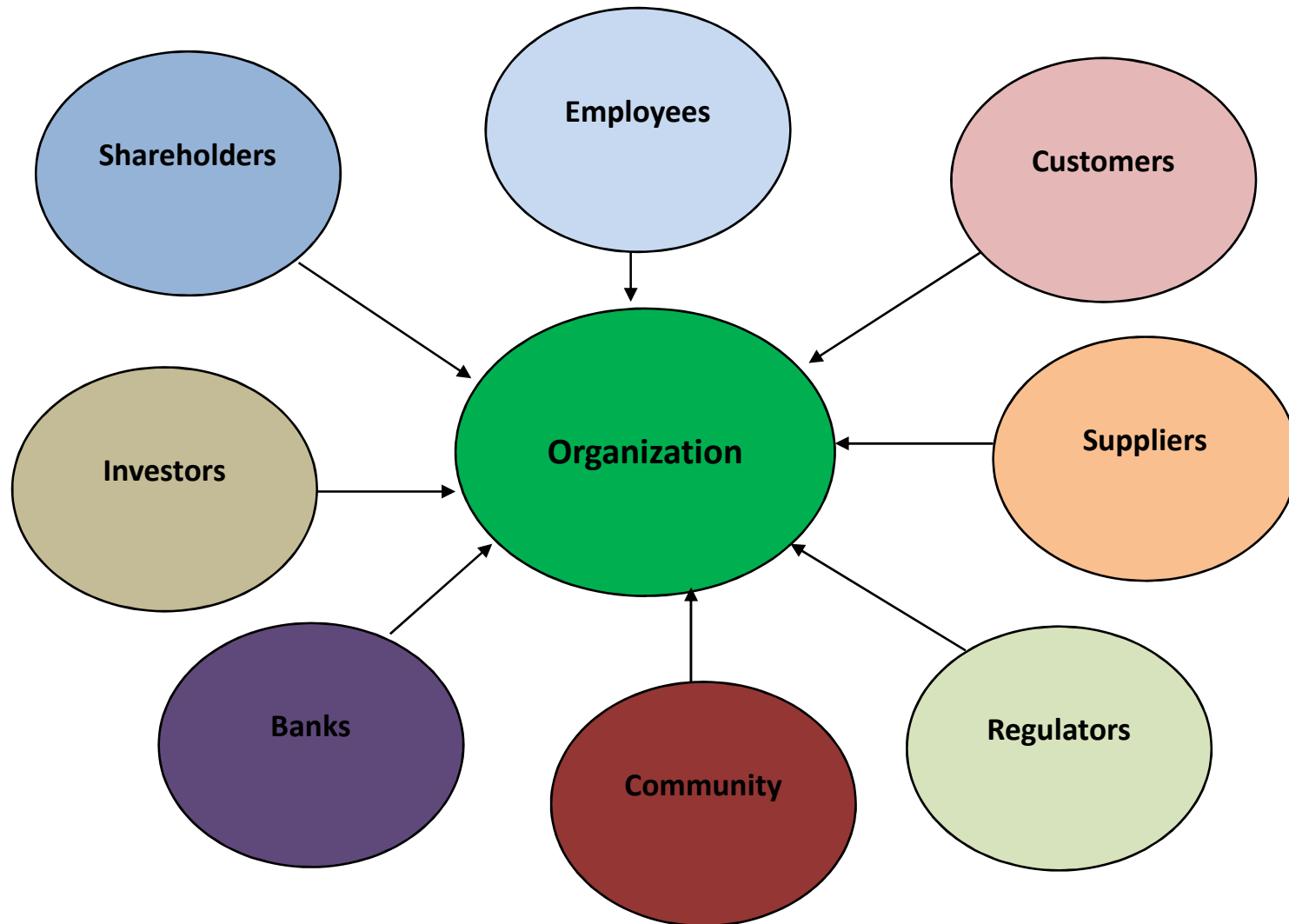
- Transparency and dialogue with stakeholders
- Enhance reputation
- Achieve trust and respect

## ► Identify your Stakeholders



# Connect: Talk & Listen

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# Connect: Talk & Listen

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- ▶ Prioritize Stakeholders
- ▶ Dialogue with Stakeholders
  - ▶ Target a representative sample
  - ▶ Determine what to ask – GRI Categories (Economic, Environment and Social) and Aspects
  - ▶ Determine how to connect – Channel
    - ▶ Letter
    - ▶ Telephone interview
    - ▶ Email
    - ▶ Face to face meeting
    - ▶ Surveys
    - ▶ Telephone hotlines

# Connect: Talk & Listen – G 3 Aspects

| Category | Economic   |   | Environmental  |  |
|----------|--|---|--|--|
| Aspects  | <ul style="list-style-type: none"><li>• Economic Performance (e.g. value generated and distributed)</li><li>• Market presence (e.g. local hiring, local suppliers)</li><li>• Indirect economic impacts</li></ul>   |   | <ul style="list-style-type: none"><li>• Materials</li><li>• Energy</li><li>• Water</li><li>• Biodiversity</li><li>• Emissions, effluents and waste</li><li>• Products and services (e.g. their impacts, product reclamation)</li><li>• Compliance</li><li>• Transport</li><li>• Overall (e.g. environmental expenditure)</li></ul> |  |
|          |  |   |  |  |
| Category | Social   |   |  |  |
| Aspects  | Labor Practices  | Human Rights  | Society  | Product Responsibility   |
|          | <ul style="list-style-type: none"><li>• Employment</li><li>• Labor/management relations</li><li>• Occupational health and safety</li><li>• Training and education</li><li>• Diversity and equal opportunity</li><li>• Equal Remuneration for Women and Men</li></ul> | <ul style="list-style-type: none"><li>• Investments and procurement practices</li><li>• Non discrimination</li><li>• Freedom of association and collective bargaining</li><li>• Child labor</li><li>• Forced and compulsory labor</li><li>• Security practices</li><li>• Indigenous rights</li><li>• Assessment</li><li>• Remediation</li></ul> | <ul style="list-style-type: none"><li>• Community (e.g. community impact management)</li><li>• Corruption</li><li>• Public policy</li><li>• Anti competitive behavior</li><li>• Compliance</li></ul>   | <ul style="list-style-type: none"><li>• Customer health and safety</li><li>• Product and service labeling</li><li>• Marketing communications</li><li>• Customer privacy</li><li>• Compliance</li></ul> |

| Category | Economic  |  | Environmental  |  |
|----------|---|--|--|--|
| Aspects  | <ul style="list-style-type: none"><li>• Economic Performance</li><li>• Market presence (e.g. local hiring, local suppliers)</li><li>• Indirect economic impacts</li><li>• Procurement Practices</li></ul>   |  | <ul style="list-style-type: none"><li>• Materials</li><li>• Energy</li><li>• Water</li><li>• Biodiversity</li><li>• Emissions</li><li>• Effluents and waste</li><li>• Products and services</li><li>• Compliance</li><li>• Transport</li><li>• Overall (e.g. environmental expenditure)</li><li>• Supplier Environmental Assessment</li><li>• Environmental Grievance Mechanisms</li></ul> |  |
| Category | Social  |  |  |  |
| Aspects  | Labor Practices   | Human Rights   | Society  | Product Responsibility   |
|          | <ul style="list-style-type: none"><li>• Employment</li><li>• Labor/management relations</li><li>• Occupational health and safety</li><li>• Training and education</li><li>• Diversity and equal opportunity</li><li>• Equal Remuneration for Women and Men</li><li>• Supplier Assessment for Labor Practices</li><li>• Labor Practices Grievance Mechanisms</li></ul> | <ul style="list-style-type: none"><li>• Investments</li><li>• Non discrimination</li><li>• Freedom of association and collective bargaining</li><li>• Child labor</li><li>• Forced and compulsory labor</li><li>• Security practices</li><li>• Indigenous rights</li><li>• Assessment</li><li>• Supplier Human Rights Assessment</li><li>• Human Rights Grievance Mechanisms</li></ul> | <ul style="list-style-type: none"><li>• Local Communities</li><li>• Anti-Corruption</li><li>• Public policy</li><li>• Anti competitive behavior</li><li>• Compliance</li><li>• Supplier Assessment for Impacts on Society</li><li>• Grievance Mechanisms for Impacts on Society</li></ul>  | <ul style="list-style-type: none"><li>• Customer health and safety</li><li>• Product and service labeling</li><li>• Marketing communications</li><li>• Customer privacy</li><li>• Compliance</li></ul> |

# Connect: Talk & Listen

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| Term      | Example   |
|-----------|---|
| Category  | Environmental (other are economic and social)                       |
| Aspect    | Energy (others are material, water and biodiversity)                |
| Indicator | Direct energy consumption by primary energy source                  |
|           | Energy saved due to conservation and energy efficiency improvements |
|           | Etc.  |

- ▶ Focus on Aspect rather indicator during stakeholder engagement process

|                |                |               |                |               |
|----------------|----------------|---------------|----------------|---------------|
| <b>Prepare</b> | <b>Connect</b> | <b>Define</b> | <b>Monitor</b> | <b>Report</b> |
|----------------|----------------|---------------|----------------|---------------|



# Define: Focus your Efforts

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**Value to be gained  
out of this step**



- Connect departments and encourage innovation
- Raise Awareness with the board
- Achieve competitiveness advantage and leadership

## ▶ Select Issues for Action and Reporting

### ▶ Prepare initial list of indicators

- ▶ Include issues pointed out in initial kick off meeting
- ▶ Include issues highlighted in stakeholder engagement process

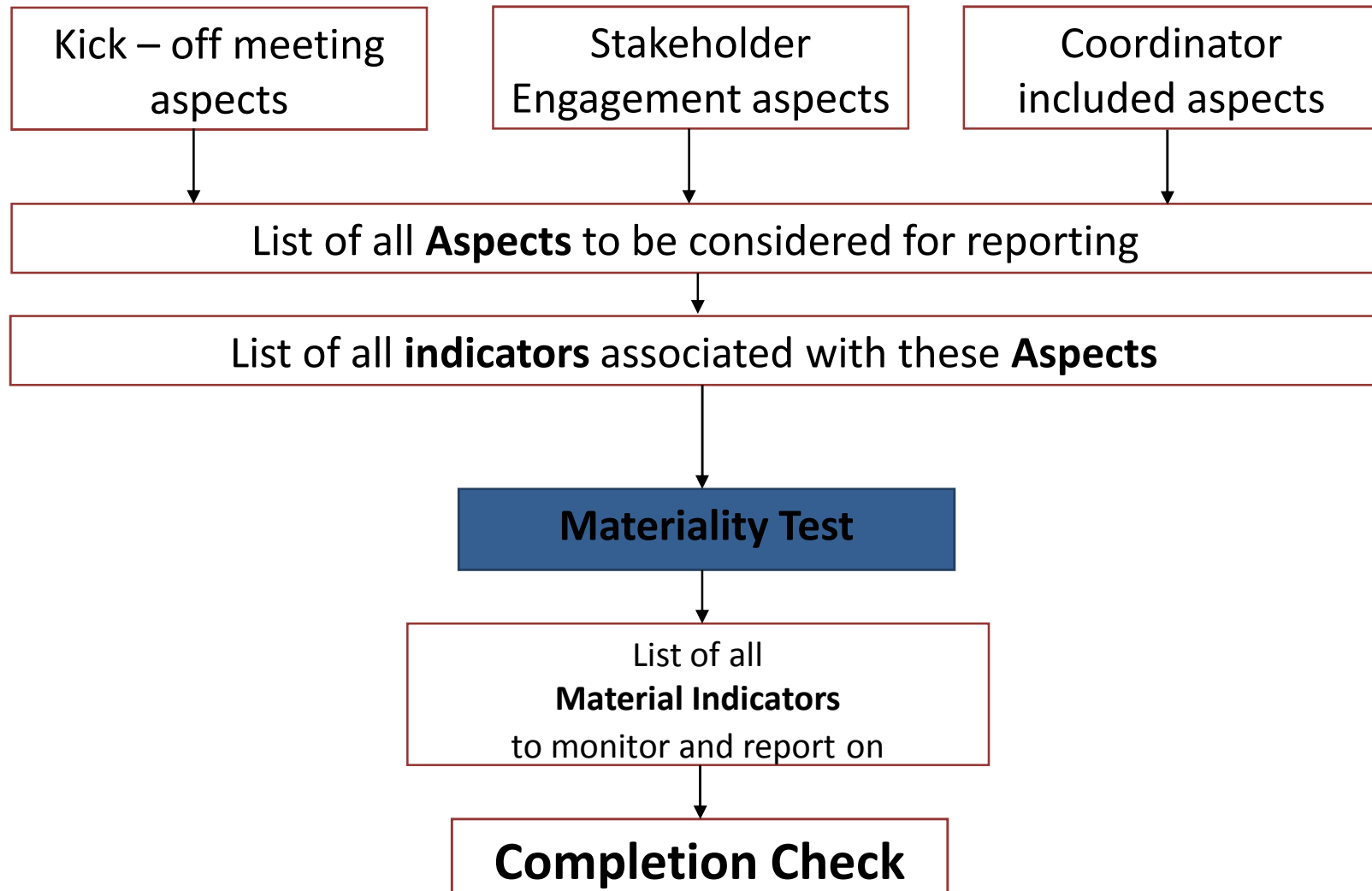
## Define: Focus your Efforts

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- ▶ Determine final list for reporting. Test the indicators against G3, G3.1 or G4 reporting principles of **Materiality**, **Sustainability Context** and **Completeness**.
- ▶ Identify Material indicators for recommendation
  - ▶ Apply materiality and completeness principle
  - ▶ Identify indicators to be focused in current reporting period
  - ▶ Identify indicators to be focused in future reporting period

# Define: Focus your Efforts

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# Define: Focus your Efforts

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- ▶ **Decide on Report Content**
  - ▶ Involve the management team (Senior Management/ Organization's leaders)
  - ▶ Decide on the aspects/indicators to be monitored and reported
  - ▶ Identify upstream and downstream entities which will be covered in the report – Report Boundary
- ▶ **Discuss and Set Goals**
  - ▶ Access current performance in selected areas and set goals

# Define: Focus your Efforts

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- ▶ Goals can be exact quantities or change processes
- ▶ Goals can include implementing new measurement systems
- ▶ Goals can be improving procedures and policies among other possibilities, engaging specialists to facilitate improvements and implementing sustainability trainings.
- ▶ Goals should be result of common effort.

**Goals or targets planned to be published have to be approved by management team.**

## Define: Focus your Efforts

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- ▶ Check internal procedures and make changes
  - ▶ Changes in internal procedures will be required out to achieve your organization's sustainability goals.

**In many cases goals are not reached because policies and procedures to support the goals were not properly planned and implemented.**



# Monitor: Build Your Report

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**Value to be gained  
out of this step**



- Improve Management Systems, internal processes and set goals
- Connect departments and innovation
- Demonstrate commitment to sustainability
- Attract and retain employees

## ▶ Check Processes and Monitor

### ▶ Measure Performance

- ▶ Quantitatively (e.g., emissions, injuries etc)
- ▶ Qualitatively (operations identified as having a significant risk of child labor, and measures taken to contribute the elimination of child labor)

# Monitor: Build Your Report

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- ▶ Ensure Quality of Information – Apply GRI reporting principles
- ▶ Follow up
  - ▶ Continually monitor your organization's overall performance – Note nothing happen immediately.
  - ▶ Don't wait until its too late to follow up.
  - ▶ Conduct early and numerous checks, keep lines of communication open.
  - ▶ Conduct a checkpoint well in time before finalizing the report

**Both achieved and missed goals should be presented in balanced GRI Sustainability Report**





# Report: Check and Communicate

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**Value to be gained  
out of this step**



- Attract investors
- Enhance reputation, achieve trust and respect
- Demonstrate commitment to sustainability
- Enable comparability and benchmarking

- ▶ **Choose the Best way to communicate**
  - ▶ Think about
    - ▶ Audience - Stakeholders
    - ▶ Method to communicate – Channels
    - ▶ Communication methods may be different for different stakeholders.

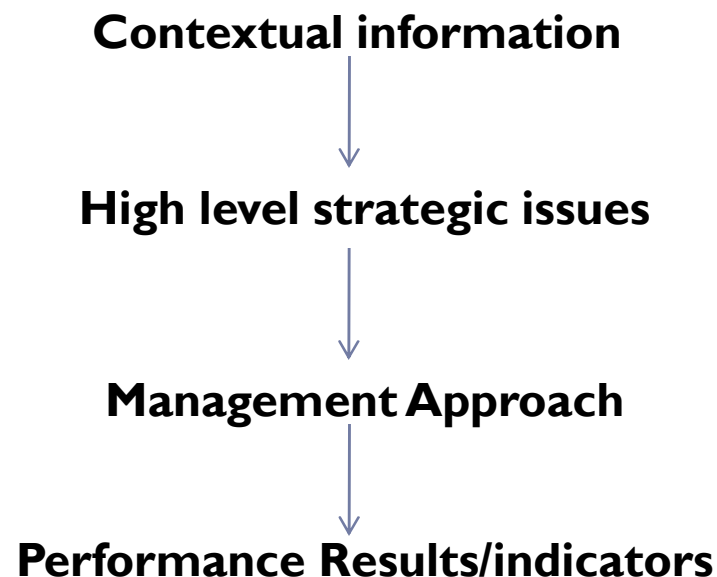
# Report: Check and Communicate

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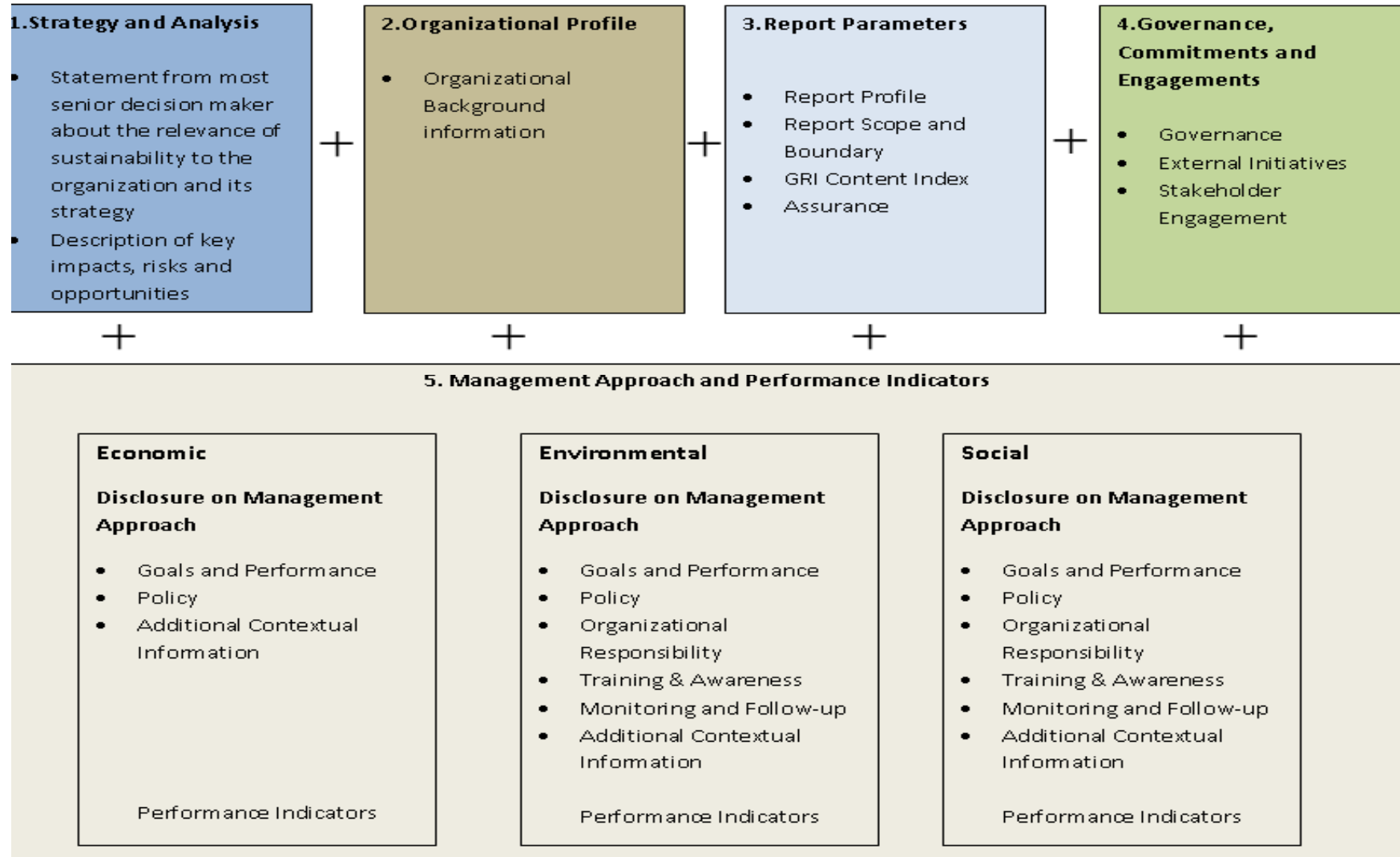
## ► Write the Report

- Numerous ways are used to write a sustainability report as organizations have unique culture
- GRI G 3.1 or G4 Guidelines suggested structure may be used

### General Flow of Sustainability Report



# Report: Check and Communicate



# Report: Check and Communicate

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## ▶ Finalize the Report

- ▶ Review internally before launch
- ▶ Management review will be helpful for final approval
- ▶ Declare Application Level for G3.I reports. Third party assurance or GRI check may be used as well.

## ▶ Launch the Report

- ▶ Acknowledge the contributions made during reporting
- ▶ Actively share report to gain insights and gather feedback.

**Gathering feedback is first step to prepare for next reporting cycle.**

# Report: Check and Communicate

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## ▶ Prepare

- ▶ start planning for next kick off meeting and stakeholder engagement.
- ▶ Sustainability reporting is a living process and does not begin or end with a publication or communication.
- ▶ Reporting process will continuously be part of the every day life of the organization, promoting improvements.

**Reporting process leads organization to **manage**  
**what it measures****

**Measuring & Reporting triggers the process of exploration, questioning and discovery that is fundamental to organization's contribution to sustainable future.**

# Global Trends in Corporate Responsibility Reporting

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- ▶ The European Parliament adopted the long-awaited directive on the disclosure of non-financial and diversity information by certain large companies. It will strengthen the transparency and accountability of an estimated 6000 companies in the EU.
- ▶ The global average reporting rate of the largest 100 companies has increased from 64 % in 2011 to 71 % in 2013.
- ▶ The America overtook Europe as leading reporting region. Asia Pacific saw the most significant increase due to jump in CR reporting rates in countries such as India, Singapore and Australia.
- ▶ 78 % of the largest 100 companies while 82 % of the largest 250 companies uses GRI guidelines.

Source kpmg – survey of corporate responsibility reporting 2013

# Global Trends in Corporate Responsibility Reporting

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## **T**rends in mandatory and voluntary reporting policies

Research released in 2013 by the GRI in collaboration with KPMG, the United Nations Environment Programme (UNEP) and the Centre for Corporate Governance in Africa, examines mandatory and voluntary reporting policies in 45 countries. The research found that:

- there are 134 separate mandatory policies covering different aspects of CR reporting and a further 53 voluntary policies
- many policies are based on a 'report or explain' approach
- sustainability reporting has become a listing requirement on several stock exchanges in non-OECD countries, including Brazil, China (incl. Hong Kong), Malaysia and South Africa.<sup>5</sup>

# Current Status of Sustainability Reporting in Pakistan

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- ▶ Voluntary Reporting – CSR Voluntary Guidelines 2013
- ▶ Companies are preparing GRI based reports as well as GRI referenced reports
- ▶ Reporting companies
  - ▶ GRI based sustainability reports
    - ▶ Engro Fertilizer Limited
    - ▶ Fauji Fertilizer Company Limited
    - ▶ Lucky Cement
    - ▶ Attock Refinery Limited
    - ▶ Karachi Electric Supply Company
    - ▶ ICI
    - ▶ Crescent Steel & Allied Products Limited



# Opportunities for Practicing Members

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## ▶ Consultancy Services

- ▶ Report Preparation
- ▶ Development of procedures and systems for effective data collection for reports
- ▶ Assurance for reports
- ▶ Trainings on sustainability reporting
- ▶ Research on sustainable practices
- ▶ Development of CSR programs
- ▶ Monitoring of CSR programs

**Thank you**

**Questions are Welcomed**

**Understanding Responsible Reporting  
& International Trends**

**May 22, 2014**