International Chamber of Commerce
Policy and Business Practices

SUSTAINABILITY REPORTING – FUTURE DIRECTIONS

POLICY STATEMENT

Prepared by the ICC Commission on Environment and Energy

INTERNATIONAL CHAMBER OF COMMERCE
The world business organization

Document No. 213/118
ABH – December 2015

Sustainability reporting – future directions[1]

With the global economy facing serious environmental and social challenges, interest in sustainability has never been higher. Resource scarcity, pollution, climate change, inequality, and poverty present challenges to sustainable, inclusive growth in many areas of the world. As key shapers and participants in the global economy, companies across the globe of all sizes and sectors are stepping forward in efforts to address these challenges. They are also adapting to the information age by increasing transparency in their operations and disclosing more about their environmental and social performance, in addition to their financial results.

Sustainability reporting has become a key way for corporations to disclose information relevant to their sustainability, in a way that complements and adds nuance to standard reports on financial performance. Indeed, sustainability reporting has become a mainstream practice among the world's largest and leading companies, who view it as a way to enhance stakeholders' understanding of their operations and underscore their social license to operate.

To accelerate the expansion of such reporting and improve the quality of data provided, different organizations have initiated sustainability indices and assessments, which attempt to rate companies based on their perceived sustainability performance and disclosure. Non-governmental and advocacy organizations have also stepped up their efforts to examine companies' performance on specific issues tied to their interests. Investors have established formal and informal disclosure mechanisms to consolidate sustainability information most relevant to their analyses. And, lastly, in some countries, governments and stock exchanges have begun to mandate certain types of non-financial disclosure.

The proliferation of reporting frameworks and mechanisms reflects firstly that the current level of disclosure by companies has not met the high degree of interest in the topic. On the one hand, mandatory disclosure guidelines are still evolving, perhaps rightly so given that such rules cannot be uniformly applied over companies that vary widely in terms of size, risk, ownership and industry. In lieu, sustainability reporting should develop in a bottom-up manner which takes into account a highly heterogeneous corporate sector, and which allows the articulation of such difference.

This is precisely why the time is right for the global corporate community to advance sustainability reporting with an agenda that is varied and flexible enough to mirror the diversity of the business community – in terms of size, sector and nationality – while meeting, and guiding, the growing interest and expectations for corporate sustainability. This enhanced agenda would be relevant to the current voluntary reporting frameworks under the Global Reporting Initiative (GRI) and the International Integrated Reporting Council (IIRC), by recognizing that corporate sustainability reporting is core to building trust and engaging with the public. In other words, the current effort is not about *whether* to report on sustainability, but rather *how* to do so in a way that is relevant and practical.

We underscore that no one size fits all, and for many companies standard voluntary approaches can be adequate and effective and offer flexibility and scope for continuous improvement. At the same time, even these standard frameworks may need to be adjusted to take into account the circumstances of small and medium sized enterprises (SMEs), while encouraging them to engage on sustainability and reporting. Conversely, more advanced frameworks may be needed to address larger corporations, particularly in light of clear global trends towards transparency, accountability and sustainability.

[1] **This document should be read in conjunction with the ICC Business Charter for Sustainable Development, ICC's Business contributions to the UN Sustainable Development Goals – Business Charter for Sustainable Development, ICC response to the UN Open Consultation on the development of a global indicator framework for the Sustainable Development Goals, and the ICC Green Economy Roadmap which sets out ICC's vision on sustainable development, including on transparency, communication, and reporting.**

ICC – the world business organization – proposes an 8 point approach with key considerations we believe each business should reflect as they determine how to advance their corporate sustainability reporting.

1. **An indispensable part of corporate sustainability:** In the interests of forward-looking business strategies, good governance, transparency and accountability to diverse stakeholders**,** we strongly believe in and accept the responsibility of businesses and corporations to communicate and disclose material information about their activities which are relevant to sustainable development. We also believe that sustainability reporting can inspire improved actions by companies that advance the cause of sustainable development, while potentially enhancing the value of a company in the long term. Therefore, it is both desirable and in the strategic interest of all companies, large and small, to pursue and continually improve on their sustainability reporting

2. **Scope and Materiality**: Companies should have sufficient flexibility to report on their material issues, which may differ from one company to another, based on the scale, nature and location of their respective operations. Companies should report on those issues –whether environmental, social or economic –that they have defined as material. In doing so, companies should make every effort to rigorously identify material issues through a process that considers the inputs and social and environmental impacts of their entire value chain, including not only their own operations and those of their supply chain, but also the communities and environments directly affected by their operations, products and services.

3. **Harmonization:** The current proliferation of standards, frameworks and guidelines is increasingly burdensome for companies to manage, with two distinct adverse consequences: first, limited company resources (both financial and human) are distracted from the activity of continually improving operational performance on sustainability, and second, the cacophony of information is confusing to end users, be they governments, investors, consumers or civil society. Harmonization and alignment along one or two global reporting standards could help reduce inefficiencies, and also serve the interests of users seeking comparability and substance. On the other hand, more harmonized frameworks need to retain sufficient flexibility for companies to define their material issues, as sustainability challenges for corporations to differentiate based on their scope, nature, and location of their operations. Moreover for SMEs a simplified reporting framework should be possible to enable them to gradually scale-up their ability to provide material information to their stakeholders.

4. **Verification:** Companies should endeavor to professionalize, harmonize and raise the quality of their reporting, and third-party verification services may help when it is not cost-prohibitive or impractical. Companies and the assurance industry should continue to work constructively together to raise the professional acumen of the assurance industry with respect to verification of non-financial reporting so that competition can expand service provision and lower costs over time. The harmonization and consolidation of verification standards among the assurance industry should proceed lock-step and in a coordinated fashion with the harmonization of reporting frameworks.

5. **Local and Global relevance:** A company's sustainability report must both be relevant to the local context of its activities, and be connected to evolving global standards and industry norms. In other words companies should continually consider, where relevant, not only legal requirements, but also emerging trends, standards and best practices that may be relevant.

6. **Internal and External Consultation:** A company should adopt an inclusive approach to sustainability reporting, both internally and externally. In particular, companies should actively use the reporting process to engage with stakeholder groups who are most impacted by the company's operations.

7. **Continuous improvement**: As the field of sustainability reporting is still evolving, companies should continually seek to enhance and extend their reporting to support their sustainability strategies and performance. In other words, reporting is an integral part of the process of target setting, benchmarking, and review, and companies should endeavor to ensure that their reporting both contributes to, and draws from, this process.

8. **Integrated Reporting**: As the field of sustainability reporting continues to evolve, there should be continuous efforts to integrate non-financial aspects of corporate reporting into business strategy and financial reporting. For some companies, these efforts may result in a so-called "integrated report"; in practice, such an outcome may not be suitable or possible for many companies, who can achieve the same goal—of informing key stakeholders and the general public of their sustainability performance – through other existing frameworks and means.

*** *** ***

INTERNATIONAL CHAMBER OF COMMERCE
The world business organization

The International Chamber of Commerce (ICC)

ICC is the world business organization, whose mission is to promote open trade and investment and help business meet the challenges and opportunities of an increasingly integrated world economy.

With interests spanning every sector of private enterprise, ICC's global network comprises over 6 million companies, chambers of commerce and business associations in more than 130 countries. ICC members work through national committees in their countries to address business concerns and convey ICC views to their respective governments.

ICC conveys international business views and priorities through active engagement with the United Nations, the World Trade Organization, the G20 and other intergovernmental forums.

Close to 3,000 experts drawn from ICC member companies feed their knowledge and experience into crafting the ICC stance on specific business issues.

www.iccwbo.org

INTERNATIONAL CHAMBER OF COMMERCE
33-43 avenue du Président Wilson, 75116 Paris, France
T +33 (0)1 49 53 28 28   **F** +33 (0)1 49 53 28 59
E icc@iccwbo.org   www.iccwbo.org