



Value of Sustainability Reporting

A study by the Center for Corporate Citizenship and Ernst & Young LLP

Executive Summary





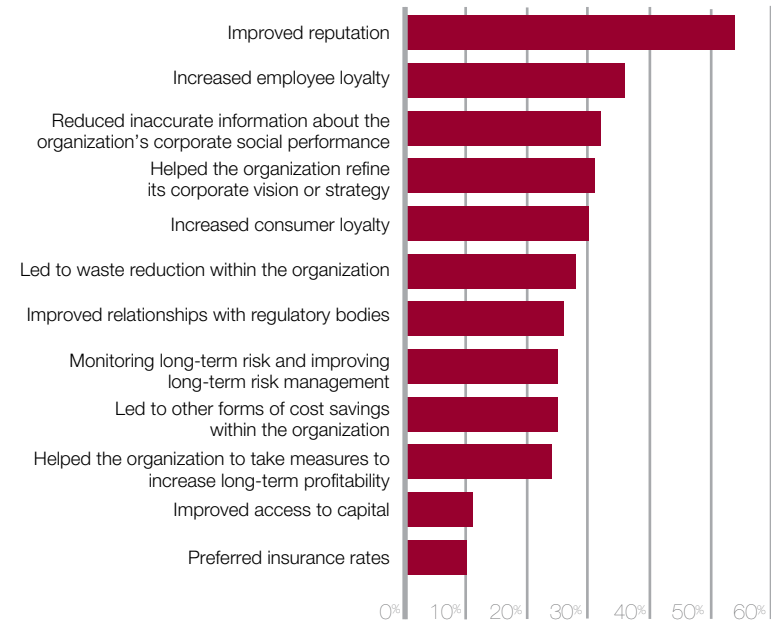
Sustainability reporting has emerged as a common practice of 21st-century business

Where once sustainability disclosure was the province of a few unusually green or community-oriented companies, today it is a best practice employed by companies world-wide. A focus on sustainability helps organizations manage their social and environmental impacts and improve operating efficiency and natural resource stewardship, and it remains a vital component of shareholder, employee, and stakeholder relations.

One of the biggest moments in the mainstreaming of sustainability reporting came in 2009, when Bloomberg made access to sustainability data available to terminal subscribers as part of its regular subscription. There are more than 100 sustainability data points available for each firm covered, and in the latter half of 2010, analysts and investors viewed more than 50,000,000 indicators, representing a 29% uptick from the prior six months.¹

It is clear that sustainability reporting is here to stay. A full 95% of the Global 250 issue sustainability reports.² Firms continuously seek new ways to improve performance, protect reputational assets, and win shareholder and stakeholder trust. The evidence is all around us.

Ways that sustainability reporting provided major value



Source: Boston College Center for Corporate Citizenship and Ernst & Young 2013 survey



Seven major business benefits of sustainability reports

1. Financial performance

New research suggests that the value of disclosure extends to the firm's balance sheet. This is consistent with the survey responses for this report, where by a majority reported realizing business value as a result of their companies' reporting efforts.

A 2009 analysis of the results of more than 200 independent empirical studies examining the relationship of corporate social and environmental performance to corporate financial performance suggested that companies might benefit from increased communication of their good deeds.³ The studies in the sample specifically covering transparency and reporting indicated positive market reactions to sustainability reporting.⁴

Recent research found that environmental disclosure quality and firm value have a positive relationship. Even after implementing a control for environmental performance, the most transparent companies in the study tended to have higher cash flows.⁵

2. Access to capital

A recent paper suggests that investors increasingly prefer to invest in transparent enterprises due to higher stakeholder-manager trust, more accurate analyst forecasting, and lower information asymmetry.⁶

Recent research found that reporting firms ranked highly for sustainability have Kaplan-Zingales Index scores that are 0.6 lower than the scores for low-sustainability companies.⁷ A lower score signifies fewer capital constraints.

3. Innovation, waste reduction, and efficiency

Reporting can offer firms insight into potential changes in process and business. Innovative firms can employ social and environmental initiatives as opportunities for learning.⁸ In a 2012 global survey of sustainability reporters, 88% indicated that reporting helped make their organizations' decision-making processes more efficient.⁹

4. Risk management

The links between material business impacts and environmental and social risks suggest that sustainable business management and its key metrics will become more significant in the evaluation of overall business risk.¹⁰

Reporting firms may be better able to predict and manage risks emanating from sustainability-related dimensions of business. Engaging in sustainability reporting may allow firms to:

- Anticipate and prepare for issues in communities of operation
- Increase agility in process improvement
- Anticipate and prepare for future materials scarcity



5. Reputation and consumer trust

Reporting may prove to be a powerful tool for corporations that need to build or restore trust. A recent Ernst & Young study found that social acceptance risk was one of the Top Ten Risks for Global Business and that corporations may benefit from communicating transparently to the public.¹¹

The 2013 Boston College Center for Corporate Citizenship and Ernst & Young survey revealed that more than 50% of respondents issuing sustainability reports reported that those reports helped improve firm reputation (see figure on page 1).

6. Employee loyalty and recruitment

Proactively communicating your firm's corporate responsibility commitments has a positive impact on productivity, including the number of voluntary, uncompensated hours worked. A reputation for responsibility and disclosure can help recruiting efforts.¹²

More than 30% of reporters in the 2013 Boston College Center for Corporate Citizenship and Ernst & Young survey saw increased employee loyalty as a result of issuing a report (see figure on page 1).

7. Social benefits

A study of corporate social responsibility in highly competitive markets concluded that companies engaging in sustainability initiatives can simultaneously increase firm success, reduce negative social influence and benefit society at large.¹³



The Global Reporting Initiative: The leading global standard

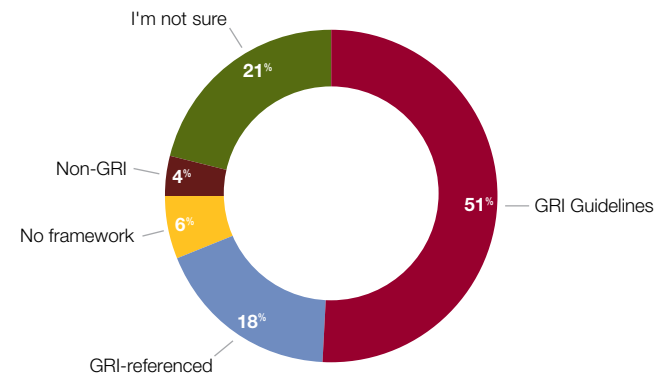
More than two-thirds of respondents indicate that their organizations employ the GRI framework in the preparation of their reports.

The Global Reporting Initiative was founded at the end of the 1990s and the first version of the GRI standards appeared in 2000.

The GRI framework is a collection of reporting guidance documents — all of which were developed through global, multi-stakeholder consultative processes — designed to assist companies in preparing sustainability reports and ESG disclosures. This framework is the most widely adopted globally, and provides a unified standard for reports to be assessed and compared.

The key benefit of using the GRI framework, in addition to standardization of reports, is guidance on material issues. The GRI emphasizes that a company consider those environmental and social aspects that are most significant to its key stakeholders and have the most significant impacts on its business —or result from it.¹⁴

Reporting framework organizations use to organize their reports



Source: Boston College Center for Corporate Citizenship and Ernst & Young 2013 survey

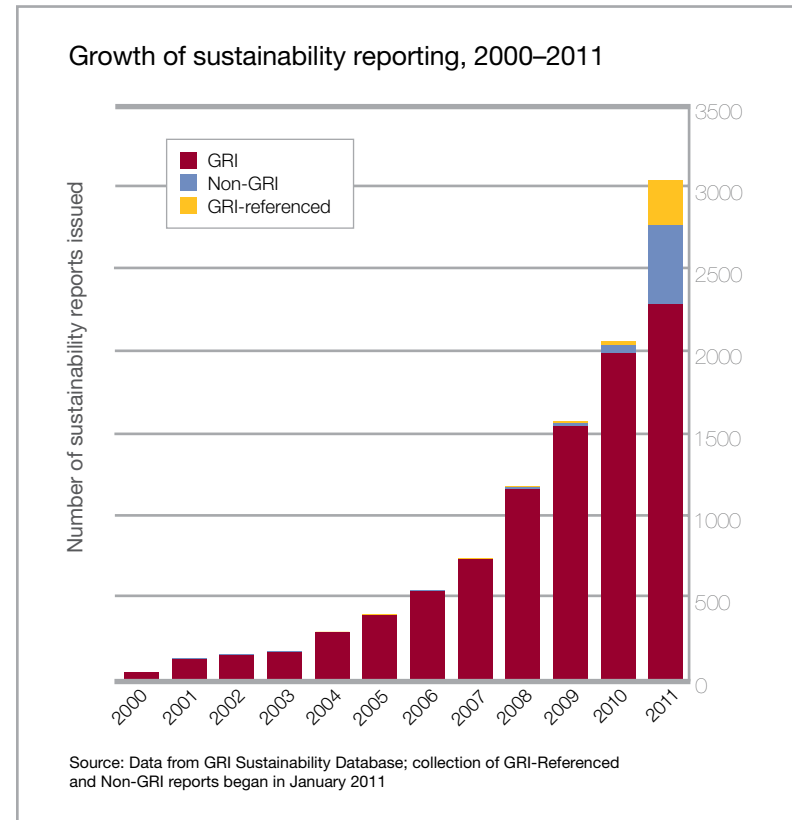


Sustainability reports: Yesterday and today

Between 2007 and 2011, the GRI Sustainability Disclosure Database, which tracks sustainability reports submitted by companies, grew, on average, more than 30% each year.

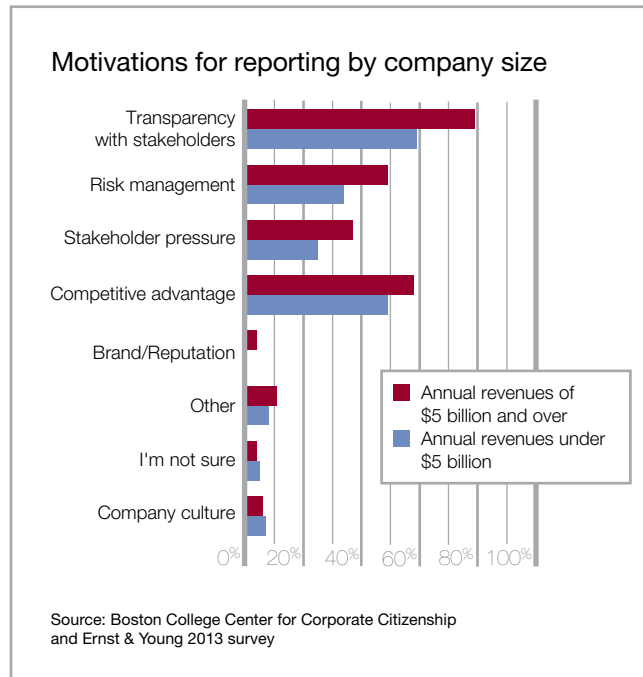
Only a few dozen companies filed reports with the GRI in its first few years, but with the environmental sustainability movement at its core, it quickly gathered momentum. By the mid-2000s, hundreds of companies were voluntarily adopting the GRI framework and producing sustainability reports. In January 2011, the GRI began collecting GRI-referenced and non-GRI-referenced reports.¹⁵

Today, thousands of companies, from all over the globe, are publishing sustainability reports. In the Boston College Center for Corporate Citizenship and Ernst & Young survey, a majority of respondents indicated that their organizations issue a sustainability report.





It's just part of business: Reasons to report



Companies are motivated to report for different reasons. Large companies are more likely to report than small companies, and they appear to be influenced more than small companies by expectations of transparency with stakeholders and competitive differentiation.



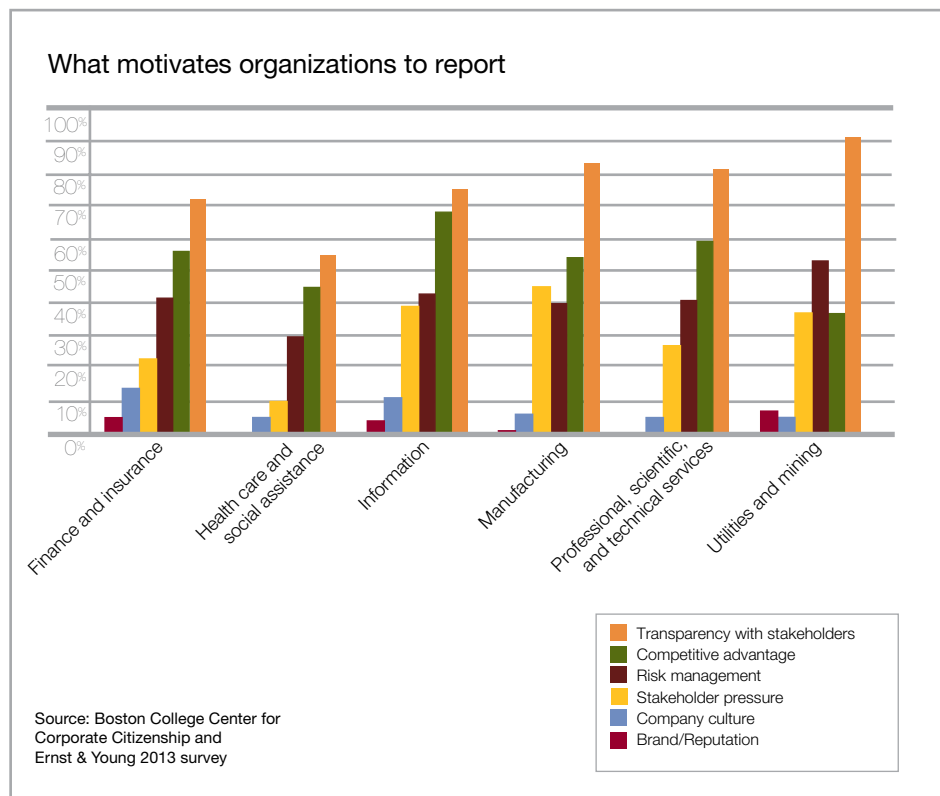
Public companies are influenced by stakeholders to a greater extent than privately held companies, suggesting increased influence of stakeholder perspectives.

Private companies are more likely than their public counterparts to see reporting as an opportunity to manage risk.



Reasons to report by industry

Across industries, transparency with stakeholders was a key motivation for organizations to issue reports.



Additional internal and external drivers for reporting

- Rating agencies factoring sustainability information into broader analysis¹⁶
- Executives, shareholders and investors seeking assurance that sustainability risks have been managed
- Communities seeking information regarding how the company is managing the environmental and social impacts of its operations
- Regulations related to environmental and social matters
- Current and potential employees seeking information about company sustainability practice¹⁷



Reporting: The law of the land?

In many countries some type of sustainability reporting is mandated, either by exchanges or by the government, and every year brings new laws and guidelines to countries throughout the world

As of 2012, the governments or stock exchanges of 33 countries have required or encouraged some level of sustainability reporting:¹⁸

Argentina	Germany	Mexico
Australia	Greece	Netherlands
Austria	Hungary	Norway
Brazil	India	Saudi Arabia
Canada	Indonesia	Singapore
China	Ireland	South Africa
Denmark	Italy	Spain
Ecuador	Japan	Sweden
Egypt	Korea	Turkey
Finland	Luxembourg	United Kingdom
France	Malaysia	United States

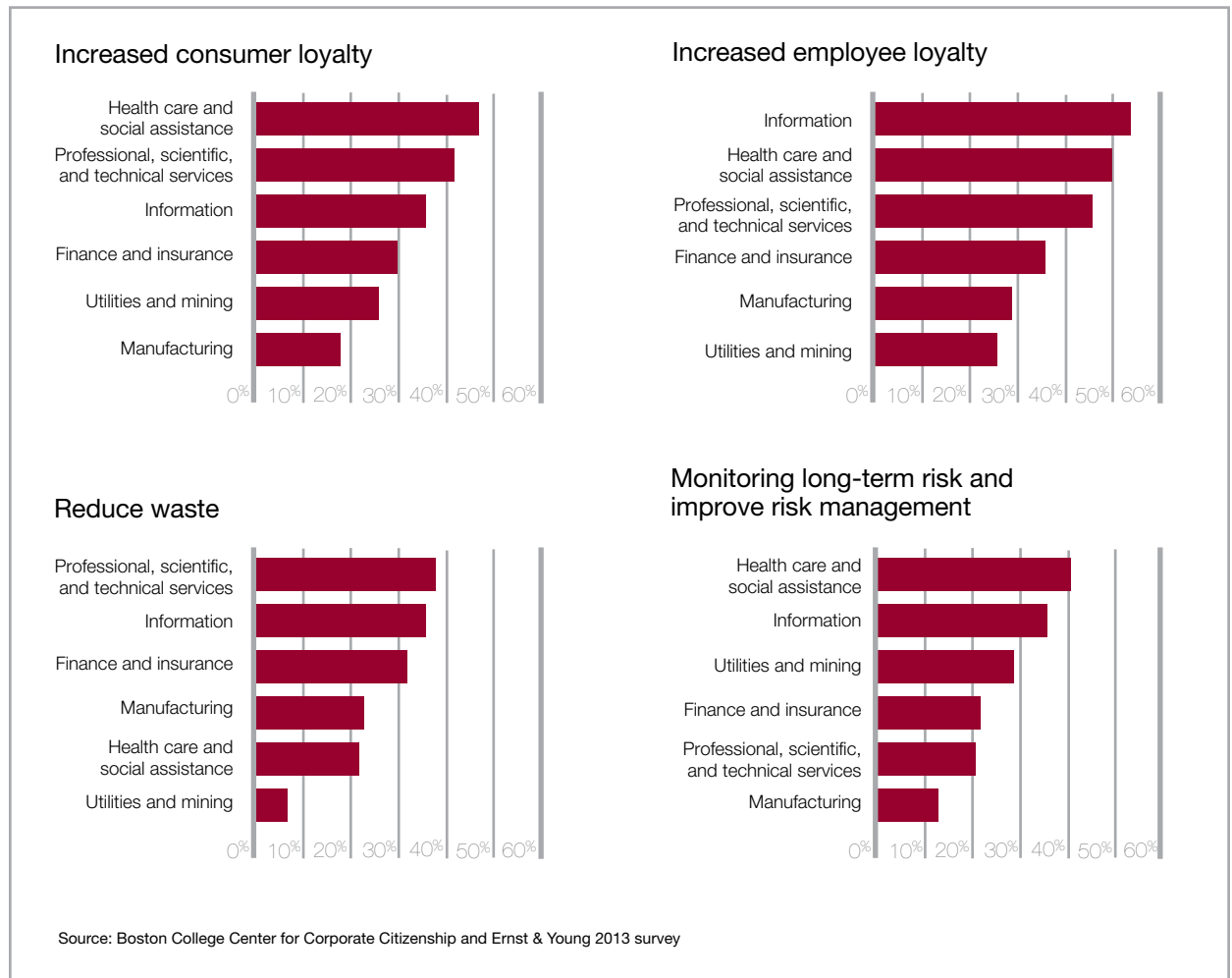
On April 16, 2013, the European Commission issued a press release that announced proposals for a directive of the European Parliament and the Council of the European Union which would require large companies to disclose information on the major economic, environmental, and social impacts of their business as part of their annual reporting cycle.

Many indicators suggest that mandatory corporate reporting will be the future in both developed and emerging economies.



Reporting contributes to important business outcomes: Industry breakdown

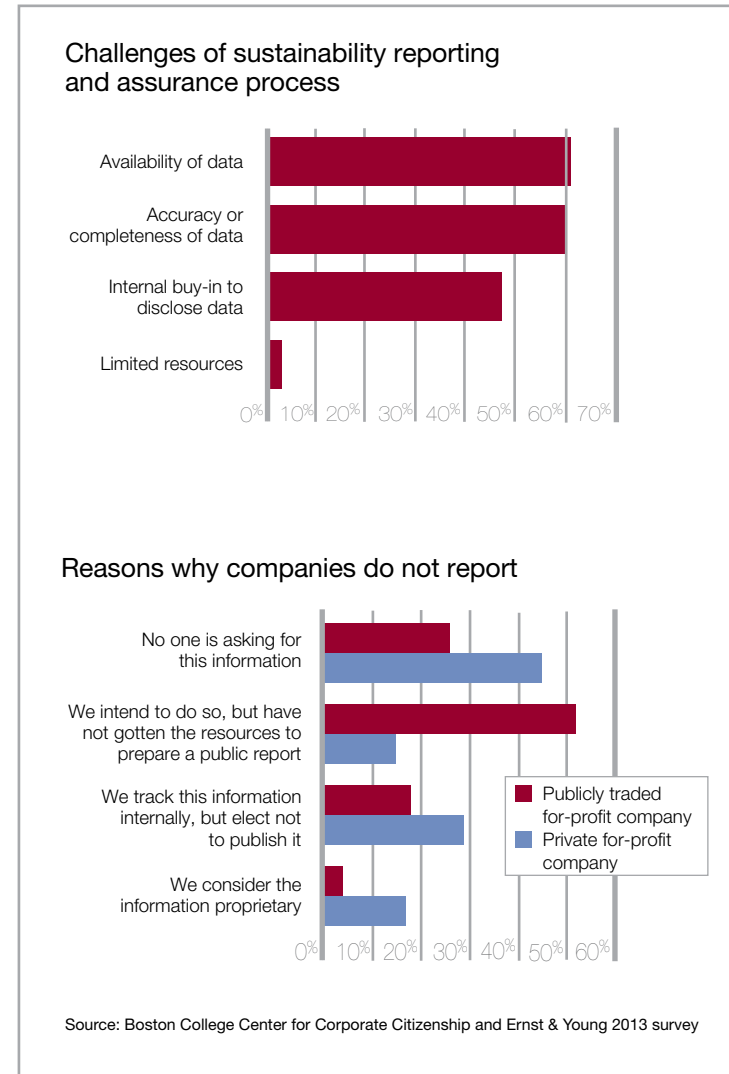
More than 40% of respondents within the information, health care, and professional services industries indicated that reporting provides major value for employee loyalty.





Why not report?

Organizations that are reporting are most challenged by data-related issues. Differences emerged among the major reasons why private and publicly traded for-profit companies are not issuing reports.





The future of sustainability reporting

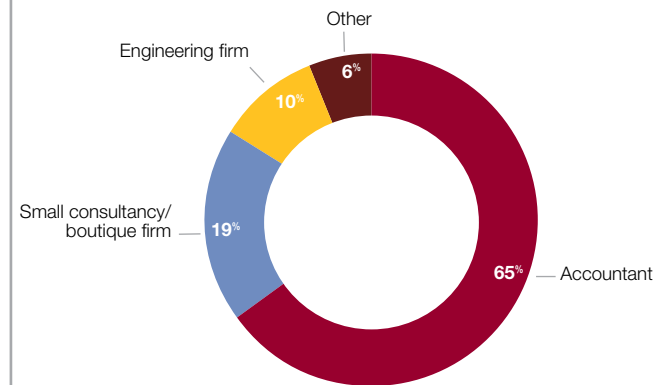
Some advocates of sustainability believe that integrated reporting is the way forward. As more companies issue sustainability reports, analysts expect that public and investor demand for external assurance of sustainability reports will grow.

One part of the move towards standardization is the push for annual reports that include and connect information on both financial and non-financial aspects of business. In 2010, the GRI cofounded the International Integrated Reporting Council (IIRC) to help promote the disclosure of sustainability performance data.¹⁹

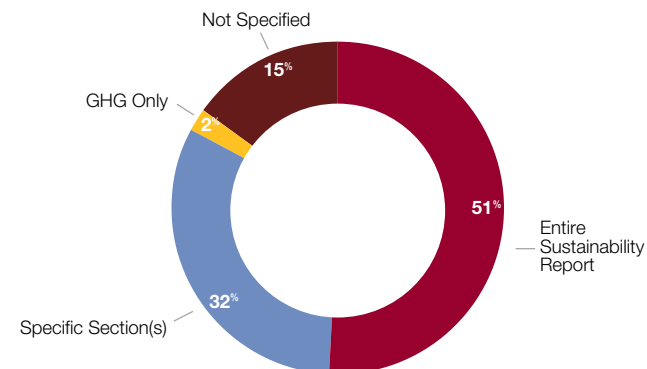
Because analysts, investors, and other stakeholders are paying attention to sustainability reporting, many firms have come to understand that the credibility offered by assurance is important. Among those report-issuing companies in the Boston College and Ernst & Young survey, 35% have some level of assurance conducted on their sustainability reports. Of those reporting assurance, 55% have their full reports assured and 45% have some indicators assured.

A recent study found that readers are more likely to believe negative disclosures than positive disclosures in reports. In order for disclosures of positive performance to have the same weight and credibility as negative disclosures, the positive disclosures had to be assured — even if the negative disclosures were not assured.²⁰

Assured reports by provider type, 2012



Scope of assurance, 2012



Source: Data from GRI Sustainability Database



Reporting frameworks

A table illustrating the alignment of reporting dimensions across frameworks can be found [here](#). This document covers nine different initiatives, descriptions of the reporting framework, tool, and/or standards they cover, the industries and regions they represent, and which core sustainability issues they address.

Sample description:

Organization initiative or tool	Global Reporting Initiative (GRI) Sustainability Reporting Guidelines
Type/description	- Reporting framework: G3.1 is the GRI's set of sustainability reporting guidelines, and G4 is planned to be released in May 2013. Performance indicators are organized into the following three dimensions: economic, environmental and social. www.globalreporting.org
Members/ regions represented	More than 4,000 organizations from across the globe have created a GRI or GRI-referenced report.
Industries	All public and private organizations
Core subjects	- Organizational governance - Human rights - Labor practices - The environment - Fair operating practices - Consumer issues - Community involvement and development
Website	- The Global Reporting Initiative www.globalreporting.org - GRI-Reports-List-1999-2013 www.globalreporting.org/reporting/report-services/sustainability-disclosure-database/Pages/Discover-the-Database.aspx - GRI Sustainability Disclosure Database database.globalreporting.org



About this study

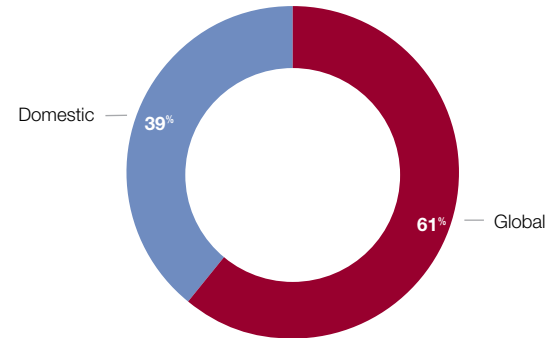
This study was produced as a joint effort between the Carroll School of Management Center for Corporate Citizenship at Boston College and Ernst & Young LLP.

The Boston College Center for Corporate Citizenship and Ernst & Young LLP conducted a survey on sustainability reporting, which was administered between February 26 and March 8, 2013. The comprehensive survey covered various aspects of an organization's ESG reporting. Topics included the cost and benefits of reporting, as well as making connections to financial performance. Respondents' companies did not have to report in order to participate in the survey.

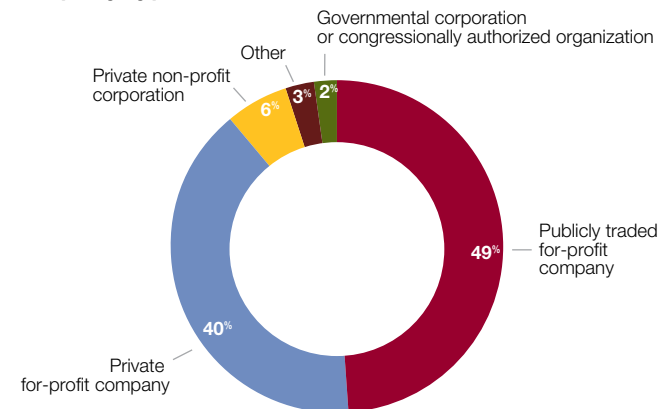
Survey information was sent by email to members of the Center for Corporate Citizenship and to other professionals. The survey was also sent to members of a Survey Sampling International (SSI) panel. Members of the SSI panel were corporate professionals and were required to be employed at management or executive levels in their companies to complete the survey. All respondents needed to be at least somewhat familiar with their organizations' sustainability disclosures (also known as corporate citizenship; environmental, social and governance; ESG; or corporate social responsibility disclosures).

There were 579 total respondents and 391 work for an organization that issues a sustainability report.

Company operations area – domestic (US only) vs. global



Company type



Source: Boston College Center for Corporate Citizenship and Ernst & Young 2013 survey



Classification of companies by industry

Industry	Percent of respondents
Manufacturing	17
Finance and insurance	15
Professional, scientific, and technical services	12
Utilities and mining	9
Information	8
Other	7
Health care and social assistance	6
Retail trade	5
Construction	4
Transportation and warehousing	4
Other services (including public administration)	3
Accommodation and food services	2
Administrative and support; and waste and facilities management	2
Arts, entertainment, and recreation	2
Educational services	2
Real estate	2

Note: Industries based on North American Industry Classification System (NAICS).



Endnotes

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About the authors

The Carroll School of Management Center for Corporate Citizenship at Boston College is a membership-based knowledge center. Founded in 1985, the Center has a history of leadership in corporate citizenship research and education.

The Center engages more than 400 member companies and more than 10,000 individuals annually to share knowledge and expertise about the practice of corporate citizenship through the Center's professional development programs, online community, regional programs, and annual conference.

The Center is a GRI-Certified Training Partner.

For more information, visit the Center's website at BCCorporateCitizenship.org.

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For information on the Center's professional development training programs including Sustainability Reporting: A GRI certified program go to
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