Reporting matters

Improving the effectiveness of reporting one year on

WBCSD 2014 Report

Executive Summary

4 November 2014

About the publication

Established in 2013, *Reporting Matters* is a resource jointly developed by the World Business Council for Sustainable Development (WBCSD) and Radley Yeldar to improve the effectiveness of non-financial reporting. The publication provides an overview of reporting trends within the WBCSD membership and, as part of the Redefining Value programme, it offers guidance on how to implement effective reporting with a focus on driving internal change for integrated performance management.

Reporting Matters 2014 is the outcome of the second review of WBCSD members' non-financial reports covering a 162 companies from more than 20 sectors and 35 countries. This second edition takes stock of effective reporting practices and improvements since last year which can be found under the key findings section of this summary. Additionally, it provides recommendations and showcases three inspirational examples of good practice under each criterion, alongside a selection of detailed case studies to encourage peer learning.

Why does reporting matter one year on?

Corporate non-financial reporting is a widespread activity among large companies and the quality of disclosure varies albeit our research shows it is improving. The development of standards and regulation certainly plays a critical role in this move towards better disclosure as is business understanding of the strategic value of non-financial data and information for continuous success.

Beyond reporting, information for decision-making

Recent events such as the United Nations Climate Summit and the World Investment Forum have again demonstrated that non-financial information is becoming increasingly important for sound investment decision-making. Supported by global institutional investors, various organizations such as the Sustainability Accounting Standards Board (SASB), the International Integrated Reporting Council (IIRC) and the Climate Disclosure Standards Board (CDSB) have all contributed to the development of standards and frameworks to help companies in their disclosures.

Developing systems to integrate management of sustainability issues into everyday business decision-making is a "must" for the transition towards better and more meaningful reporting. WBCSD has a strong track record in developing innovative business led tools but it recognizes the challenge for companies in understanding and selecting from a very busy landscape of frameworks. Through the development of mapping resources, WBCSD has been actively calling for harmonized approaches to measuring and valuing interactions with nature and society that can serve business decision-making needs.

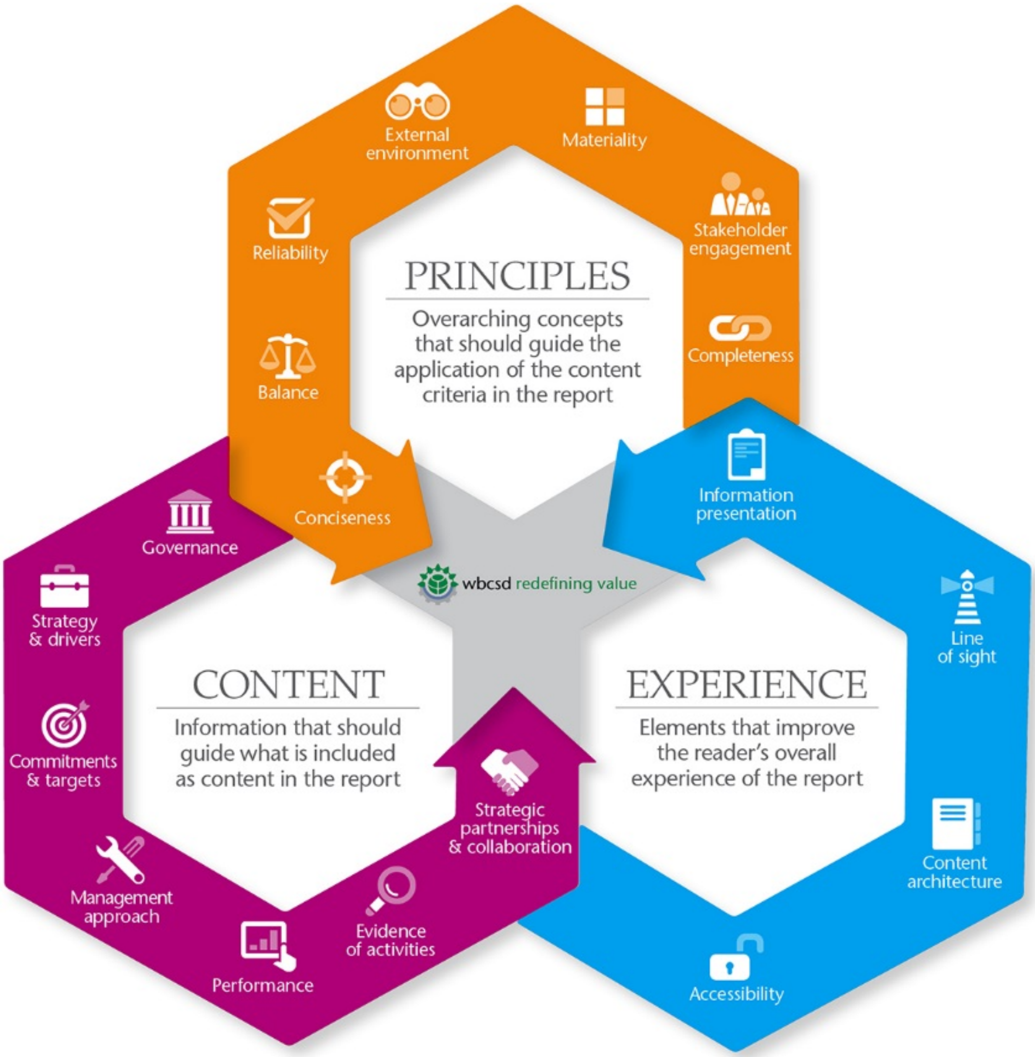
Governments are setting minimum standards

Numerous initiatives around the globe have reinstated the importance of corporate non-financial reporting. Recently, the Singapore Stock Exchange and the EU have continued to build momentum to non-financial reporting. In September, the European Council and Parliament adopted the Directive on disclosure of non-financial and diversity information by certain large companies whereas the Singapore Sustainability Stock Exchange has recently announced that it will be making it mandatory for all listed companies to publish sustainability reports.

What's next?

While progressive businesses, governments and international standard-setters acknowledge the role of corporate transparency in the transition to an inclusive and sustainability economy, the increase in regulation has clearly set the pace. However, as the regulatory landscape becomes more complex there is a risk of fragmentation that could challenge and slow down progress. A coherent overarching framework including agreed definitions of key terms and concepts would be beneficial for all without undermining flexibility. We hope to drive the agenda further with the findings and recommendations of this second edition of *Reporting Matters.*

What matters in 2014?



Last year, we defined the key ingredients of successful reporting – a mix of content and experience elements that determine not only what is reported, but how that information is communicated.

We have updated our methodology in 2014 to introduce seven overarching principles that underpin the most effective reporting, alongside with seven content criteria that relate to content and four that relate to experience. Together, we believe these criteria provide a useful framework to help companies derive value far beyond the report itself – by driving change internally so that reporting reflects true performance and impacts. In addition, we have introduced a reliability principle reflecting the increasing strategic importance of quality data, and tweaked some aspects of our criteria to better take into account the characteristics of self-declared integrated reports and combined reports.

Driving integrated performance

Effective reporting is more than communication to a range of key stakeholders. By describing why sustainability is relevant to the business and explaining how it supports value creation, effective reporting can be a powerful tool to stimulate internal changes that promote integrated decision-making and integrated performance management.

Key messages

1 25% of companies improved their materiality disclosures, indicating a sharpened focus on strategic matters that will in turn help strengthen and communicate the business case.

2 Reliability of data received more attention. Our research shows an increase in the use of reasonable assurance, although external assurance, regardless of the level of validation, is not yet used to its full potential.

3 Companies have made better progress on experience than on content in 2014. In particular, connectivity across key aspects of reported content, such as materiality, targets and performance, has improved.

4 Stand-alone sustainability reports remain the dominant form of non-financial disclosure, with the Global Reporting Initiative (GRI) being the most widely used guidelines and its fourth generation (G4) version benefitting from rapid uptake.

5 The proportion of companies that are combining their financial and non-financial reporting into either annual reports or self-declared integrated reports remain constant at around 20% with half of them referring to the International Integrated Reporting Framework.

Key findings in 2014

Report characteristics

Characteristics have been identified by looking at company reports reviewed in 2014 only – 162 reports in total.

53%
of reports are titled “sustainability report”
2013: 57%

8%
of reports are self-declared integrated reports
2013: 8%

4.5
average months between year-end and publication date report”
2013: 6

93
average page length
2013: 98

86%
of reporters use the GRI guidelines
2013: 75%

25%
of reporters use the GRI G4 guidelines
2013: N/A

73%
of companies have their report externally assured
2013: 64%

11%
of those who have external assurance are assured to a reasonable level
2013: 3%

Trends over time

Trends have been identified by looking at company reports reviewed in 2013 and 2014. Due to companies leaving or joining WBCSD or not reporting annually, this represents a sample of 146 reports.

5.8%
improvement in overall scores

5%
improvement in overall content score

7.7%
improvement in overall experience score

71%
of companies improved their overall score

25%
of companies improved their materiality disclosures

The biggest content-related improvement in terms of average score is materiality with an increase of
19%

The biggest experience-related improvement in terms of average score is line of sight with an increase of
18%