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Best Practices in Sustainability Data Management

International Benchmark

Juliette Barre | 2017

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Sustainability/CSR (Corporate Social Responsibility) reporting is a hot topic right now. Last year ReScore Group investigated the pain points of sustainability reporting, detailed here. This year, following up on last year's results, ReScore Group undertook a new study to learn about **the best practices in sustainability data management.** The study is based on survey responses received from 60 global companies from various industry sectors (manufacturing, food, chemicals, logistics, energy, aviation, finance, apparel), of different sizes (from $1M to >$90Bn in revenue) and from different countries (26 North America, 23 Europe, 11 Asia).
The sponsors of this study were invited to comment on the report and bring valuable insights to the readers.

Key Findings

We notice some significant trends, especially regarding disclosure and what drives increased communication about sustainability performance:

• A majority of companies disclose sustainability data to the public.

• Companies disclose sustainability data primarily to improve communication with stakeholders.

• Materiality analyses have become increasingly popular, but not all practitioners are satisfied by the exercise.

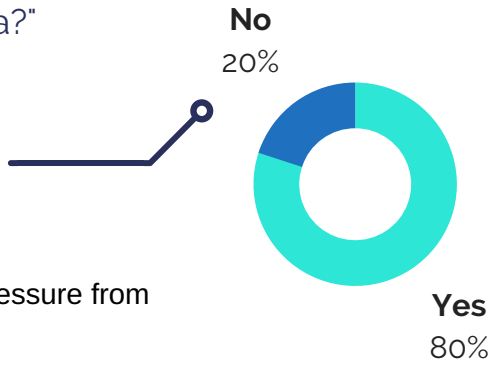
• Almost all respondents follow a sustainability standard (e.g. GRI) and/or respond to rating agencies (e.g. CDP).

• Defining the right content is the main challenge in sustainability reporting, even for experienced sustainability practitioners.

• Sustainability reporting through the supply chain is a growing subject.

Sustainability Disclosure

"Do you publicly disclose sustainability/CSR data?"



The main reasons mentioned for "No" were:

- "Not a priority for the company"
- "Too time-consuming"
- "We are a private company with no external pressure from investors"

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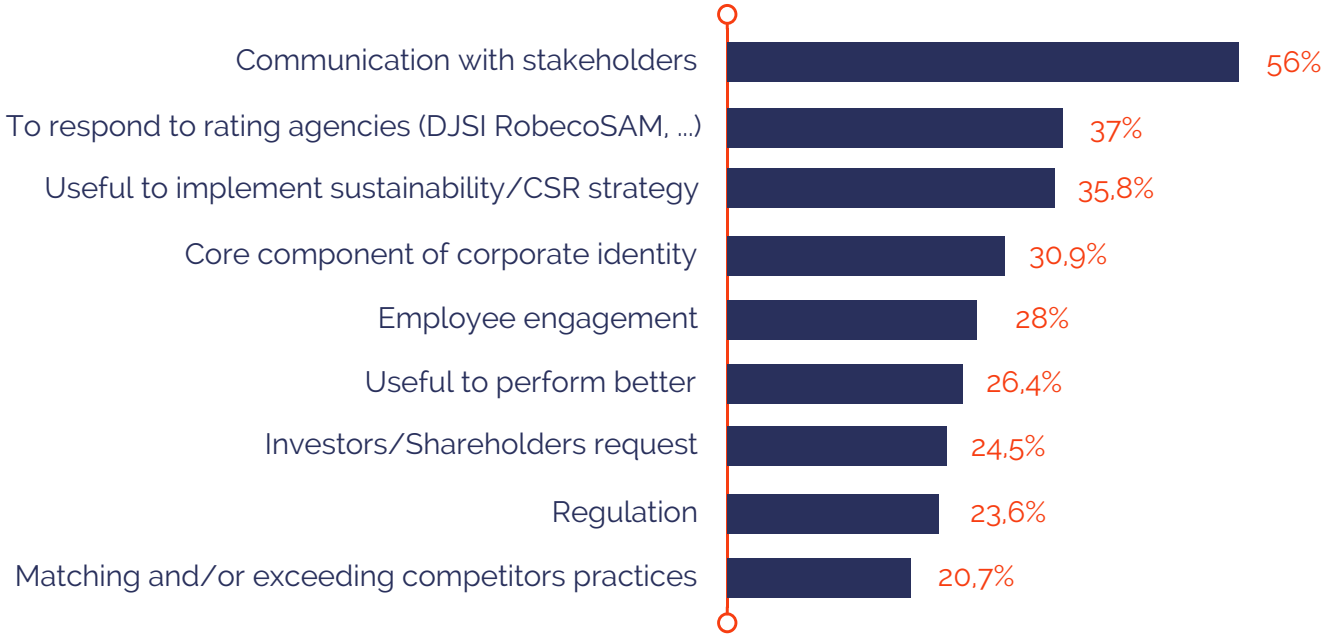
It is not surprising that a large majority of respondents publicly disclose data, as this is a growing trend which we have noticed for a couple of years. However, companies may report for different reasons. Here are the main drivers for companies to publish sustainability data, according to the survey:

What are the 5 most important reasons to disclose sustainability/CSR data in your company?



Communication with stakeholders is the main driver for sustainability disclosure.
The stakeholders targeted may vary depending on the company, but all want to ensure that the right message is communicated about their efforts and their impact.
Responding to rating agencies is also a way to communicate with stakeholders, in this case, more specifically the financial/investor type of stakeholder.

Reporting for strategic reasons comes in 3rd place at 35.8%. There is a clear trend here, indicating that the biggest push for transparency and reporting is being led by communication, and doesn't always have a strategic purpose. However, as we can see in Tennaxia's study from last year, what drives a company to report on sustainability evolves over time.

Third Partners' input: There are two broad types of disclosures: data and quantitative reporting to meet the needs of the raters and rankers, and authentic, polished communications to strengthen corporate identity and increase stakeholder engagement. The best communications strategies acknowledge the different skill sets required for each: a right-brain resource for storytelling and a left-brain resource for accuracy and data disclosure.

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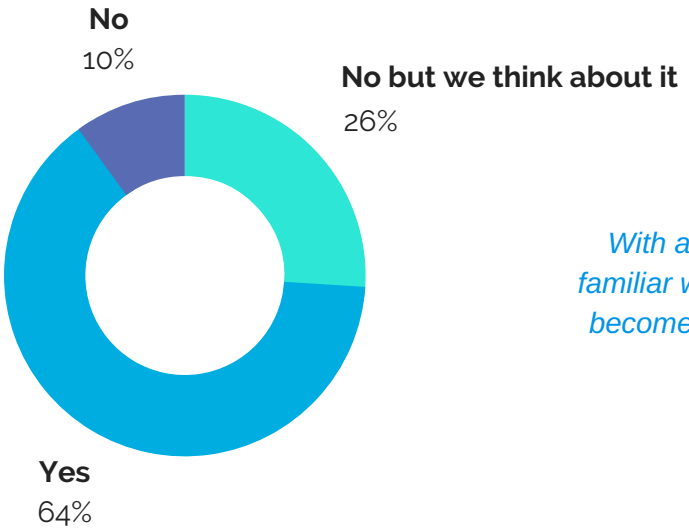
Materiality Analysis

Materiality is a term we have heard a lot these last couple of years, with sometimes different definitions and often different methodologies (see a white paper dedicated to this subject here).

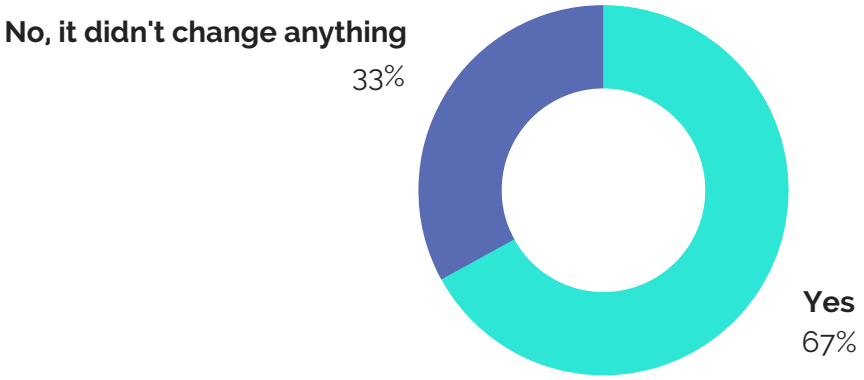
We asked questions about materiality analysis to understand how common this practice really is and whether it does or does not impact their reporting processes.

Have you performed a materiality analysis to define material issues?



With a large majority of respondents already familiar with the process, materiality analysis has become embedded as a common sustainability reporting practice.

Has the materiality analysis helped you focus on the most important topics regarding your business activity and collect relevant indicators (which is one of the goals of the process)?



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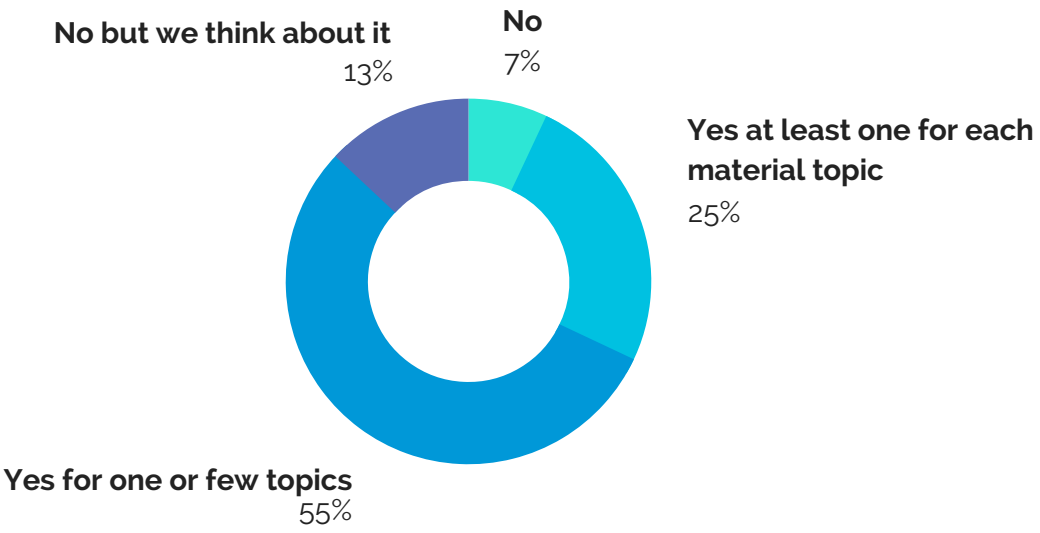
Several hypotheses can be made here; respondents might have already been focusing on the right material topic before going through a formal materiality assessment. As we mentioned previously, materiality assessment methodology can vary from one practitioner to another. A different methodology would also provide different results. Depending on which methodology a respondent used, he/she might not have succeeded in narrowing down to the most important topics regarding business activities. Additionally, choosing relevant indicators for every material topic is not an easy task.

That's why we asked our respondents about their process and if they set objectives on key performance indicators (KPIs) for their material topics.

As you can see on the graph below, having objectives on KPIs is a relatively common practice, though not ubiquitous.

Do you set objectives on key performance indicators (KPIs)?



Who requests sustainability data?

As we previously saw, communication with stakeholders, responding to rating agencies and/or external requests are the main drivers to publish a sustainability report. But who are these rating agencies, and what frameworks are companies following to communicate with their stakeholders? According to our survey, 70% of the respondents follow a standard and/or respond to rating agencies.

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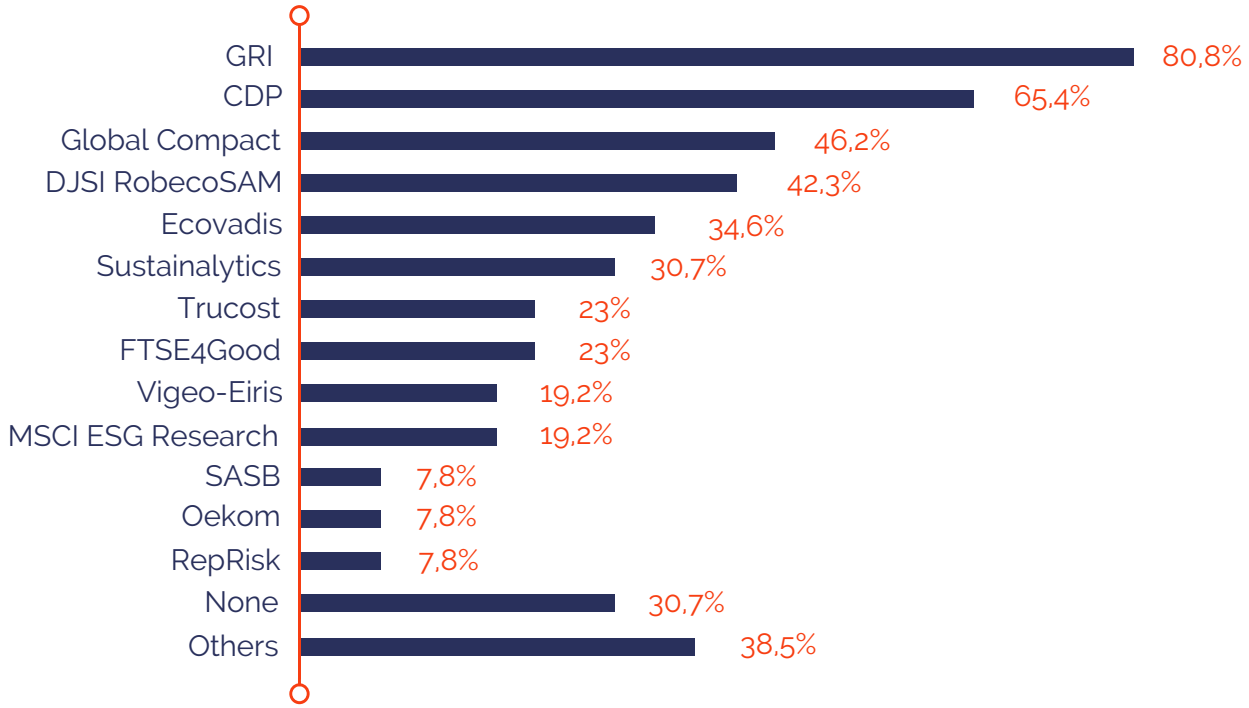
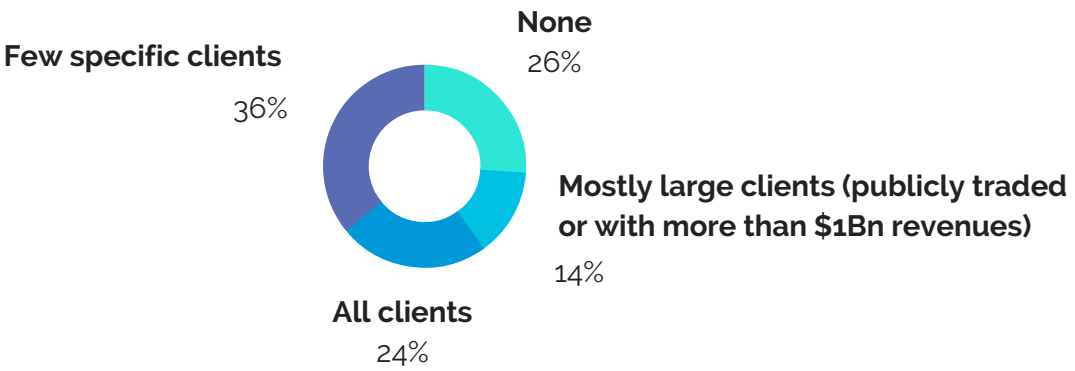
Which sustainability standard and/or framework and/or rating agencies do you report to?



As you can see, GRI is the most commonly used standard, and CDP is the rating agency that most of the companies respond to.
With so many standards and rating agencies asking for data, it makes sense that this is a key driver for companies to publish a sustainability report. This is especially true when agencies like CDP, DJSI RobecoSAM, FTSE4Good and Sustainalytics are representing a part of the financial world, and while Ecovadis is used by big groups to evaluate the sustainability performance of their supply chain.
Whether using Ecovadis, other platforms, or direct request, 74% of the respondents provide sustainability and/or CSR data to their clients. However, not all clients request this kind of information.

To how many clients do you provide sustainability/CSR data?



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Sustainability along the supply chain is a growing discussion topic. Even though not all companies request data from their suppliers, it is becoming more prevalent. This may be caused by a growing number of national and international regulations are focusing on companies' responsibility for their supply chain (Novethic 2016). At the same time, companies with a strong climate strategy are starting to calculate their scope 3 emissions (indirect emissions). Some of them use the CDP supply chain module to consolidate this information.

According to CDP, in 2016, 4,366 suppliers provided data through their platform.

One of our respondents raised a question about how clients actually use this data. If there is no real dialogue around sustainability between a client and a supplier, it can give the impression of just checking boxes off a checklist and nothing more.

"We provide sustainability data mostly to our publicly traded clients usually through a platform like Ecovadis. We receive requests now and then from other clients that have their own data collection system. I always ask myself how this data will be used. Is it really useful to the client or is it just to check a box and will never be used?"
Roy Conn, Global Sustainability Coordinator at Huntsman Corporation

Tennaxia's input: at Tennaxia we noticed that companies are replying to more and more surveys, whether it is questionnaires from rating agencies, from clients, or to be compliant with standards. Those questionnaires have real value and increase transparency, but often they also bring frustration into sustainability teams that are "victims" of survey fatigue.
While we fully support and help our clients in this process, we also guide them so they're not simply reporting to check all the boxes, but are able to manage their own sustainability performance. You can find more about this in one of our articles here.

Third Partners' input: For a material issue to be properly managed, you need a series of KPIs; without any metrics, it is difficult to know where to begin and nearly impossible to assess progress. I suspect that many respondents understand this and the reason all topics aren't managed with KPIs is due to a lack of access to data and not a lack of the strategic need for data. Additionally, the ratings industry is ever-expanding, and companies face more requests for more data every year. Until the ratings groups consolidate, this will only become more challenging for corporate reporters. The best solution is to use flexible data capture, aggregation, and reporting software that can be tailored to your organization, both on the data input and reporting output side.

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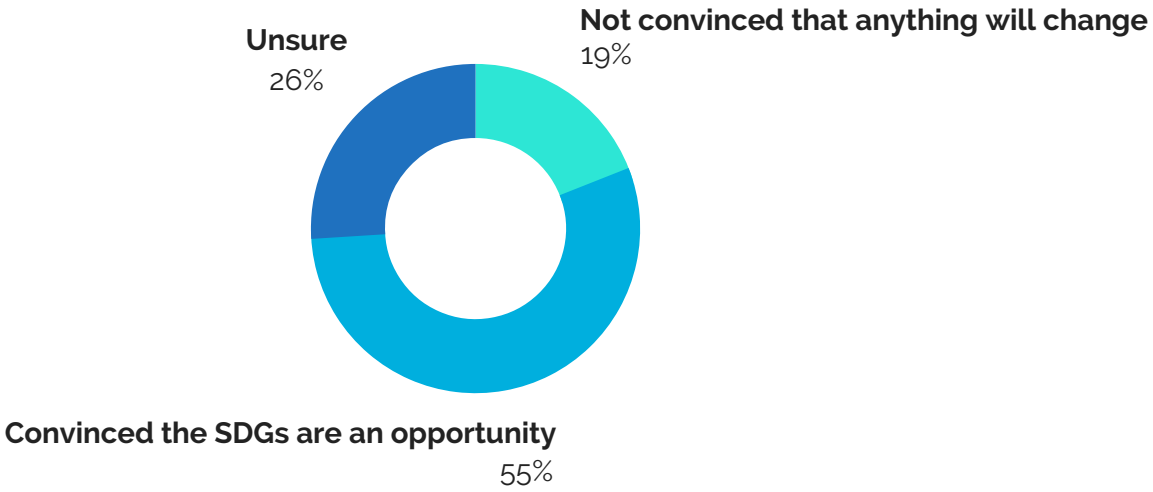
SDGs

Another framework frequently mentioned by respondents are the 17 Sustainable Development Goals (SDGs). Created by the UNDP, they came into effect in January 2016 following up the Millennium Development Goals (MDGs). They are a universal call to action to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity (UNDP 2016).

Few companies already had time to disclose their position regarding the SDGs. Even though all agree they are very important and adhere to common sense, we asked the respondents if they saw the SDGs as an opportunity to develop their sustainability strategy. The results were mixed:



Based on these results we can say that there is still a big educational need around the SDGs. Not only are they necessary for the sustainability practitioner, but also the C-suite, in order to leverage sustainability into the business as a strategic move and not just as a means for communication.

Challenges of reporting

Last year ReScore Group published a paper about the pain points of sustainability reporting that can be found here. We wanted to see if anything changed compared to last year, so we asked the participants to identify the 5 most important issues regarding their sustainability/CSR reporting.

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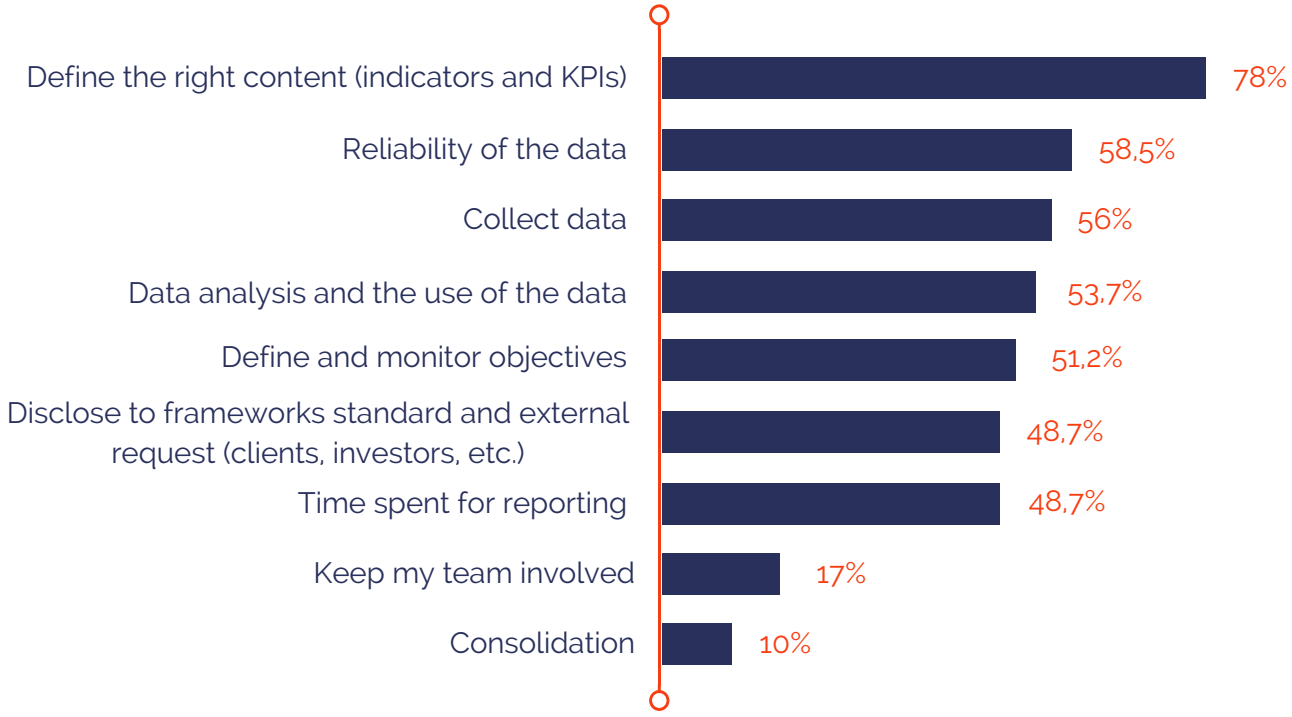
What are the 5 most important issues for you regarding your Sustainability/CSR reporting?



Defining the right content—from which data to collect, to which information to use and to publish—is the main challenge for 78% of the respondents.

**"Defining the right content is definitely the biggest challenge.
It is challenging to define what to report about and how to communicate about it in a way stakeholders understand.
For example, we report our energy consumption in terajoule which is the universal unit for energy and the unit recommended by GRI. But does it help non-environmental stakeholders understand Huntsman energy consumption and its impact?"**

Roy Conn, Global Sustainability Coordinator at Huntsman Corporation

"Reporting fits your audience. The consumer will want the data in a different format, such as number of cars off the road based on energy savings or amount of water saved in comparison to number of showers taken. These examples are more relatable to them than the terajoules of energy consumption."

John Kester, Researcher at The Sustainability Consortium

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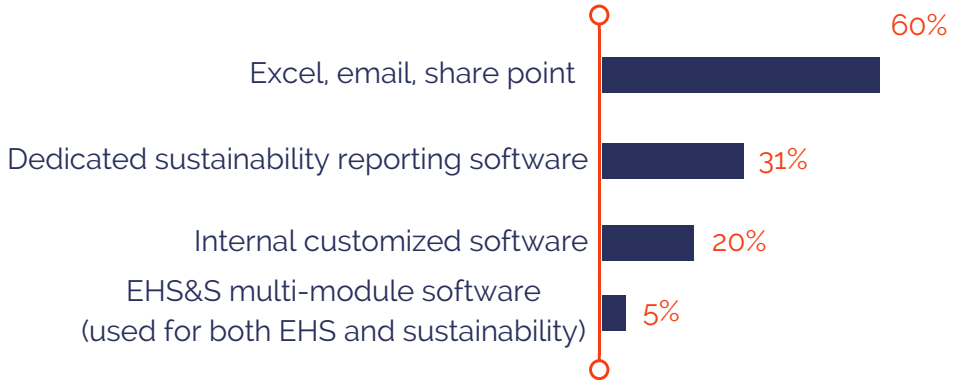
After content definition, data reliability is identified as the second major challenge by the respondents. In the world of big data, it is often challenging for practitioners to identify where a piece of data is coming from, if it's reliable, and if there is an error where and how it happened. Surprisingly, "Disclose to frameworks, standard and external request" only came in 6th place, while last year it was identified as the main pain point for sustainability practitioners. This can be explained by the fact that practitioners are becoming progressively more familiar with replying to external requests. Additionally, there is some reconciliation between different agencies' questionnaires and platforms, reducing practitioners' survey fatigue syndrome. The sample of participants is also slightly different from last year which could explain the variance in results.

Tennaxia's input: Materiality analysis is a great tool to define meaningful content. It enables companies to focus on the material topics and identifying KPIs that will best represent a company's performance and/or impact. It is also a great tool to engage with stakeholders and ensure that companies address the right topic their audience.

Type of tool(s) used

To counter these challenges, companies use different tools. According to our survey, 80% of companies use a mixture of tools to collect and report data, but a majority of them still rely on Excel, at least to some extent.

What tool do you use to collect and manage sustainability/CSR data?



"Excel is not designed to handle the nuances of corporate sustainability reporting."
John Haugen,
Co-founder and sustainability advisor at Third Partners

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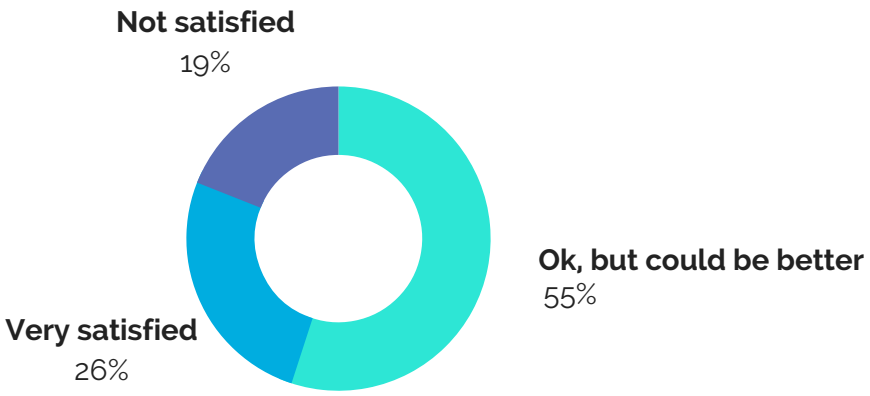
The fact that 60% of the respondents are still using Excel might explain why data reliability is the second biggest challenge for companies. Indeed, while Excel's ability to identify auditable data workflow is limited, and it requires a lot of manual input that can lead to substantial human errors.

Are you satisfied with your reporting tools?



This result shows that there is a huge potential for improvement for both tool providers and practitioners in this area.

Conclusion

Sustainability reporting has become a common practice for global companies. They are using reports mostly to communicate and engage with their stakeholders through standards such as GRI. Defining the right content is the main challenge, even for experienced sustainability practitioners. The difficulty lies in deciding which data to collect at the source, and how to transform this information into a message that will make sense to internal and external stakeholders, in an ever-changing environment. Replacing Excel with specialized software is a must, but software solutions are only part of the answer. Fully automated solutions are not the golden bullet. The best solutions combine software tools with sustainability expertise and understanding of the business in order to really leverage sustainability reporting for corporate performance.

Ampleen's input: In this report, we discover that the main driver for sustainability disclosure is communication with stakeholders. However, we believe that the best usage of reporting should be for strategic purposes. By participating in a sustainability disclosure exercise and actively engaging with key players, a company can gain a valuable insight for improving business performance and thus, deliver greater value to stakeholders. In the near future, we hope businesses start seeing the real value of sustainability disclosure.

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About the Author

Juliette Barre is part of the ReScore Group which was co-founded by Deborah Stern and a team of Columbia University Master of Science in Sustainability Management, with support from Tennaxia. Founders and a growing number of partners use their diverse backgrounds and expertise to research sustainability metrics with the goal of improving data management reporting.

Special thanks to Roy Conn, Director of Corporate Sustainability at Huntsman John Kester, Researcher at The Sustainability Consortium, John Haugen, Co-founder of Third Partners, Shoko Sekiguchi and Mike Shoemaker from Wenck for their inputs and support with this report. This report is based on a 2017 global survey. This study was sponsored by Tennaxia, Ampleen, Third Partners, 2020 Strategies, Wenck, and The Triana Group.

Tennaxia Ampleen Third Partners

2020 Strategies Triana Group Wenck