



# Corporate Responsibility Reporting: A View for the Next Cycle

Nine Key Trends

September 2010

## About BSR

A leader in corporate responsibility since 1992, BSR works with its global network of more than 250 member companies to develop sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. With six offices in Asia, Europe, and North America, BSR uses its expertise in the environment, human rights, economic development, and governance and accountability to guide global companies toward creating a just and sustainable world. Visit [www.bsr.org](http://www.bsr.org) for more information.

## Introduction

Corporate Responsibility (CR) reporting has moved from the exception to the expected - in 2008, nearly 80 percent of Fortune 250 companies globally produced CSR reports, up from about 50 percent in 2005.

Over the past decade BSR has gained considerable experience partnering with companies in the US, Europe and Asia in the creation of CR reports and related communications strategies.

This short concept paper sets out our view on nine trends that are shaping the future direction of reporting and describes how BSR can help during your next reporting cycle.

It has been BSR's experience that CR reporting processes can benefit considerably from bringing these nine trends together into a single CR reporting strategy and action plan:

1. Materiality
2. Revising the Print – Web relationship
3. Local Reports
4. Stakeholder Commentary
5. Key Performance Indicators and Narratives
6. Using 'Web 2.0'
7. Integrated Reporting
8. Robust Reporting Cycles
9. Stakeholder Advisory Panels

## 1. Materiality

### The Trend

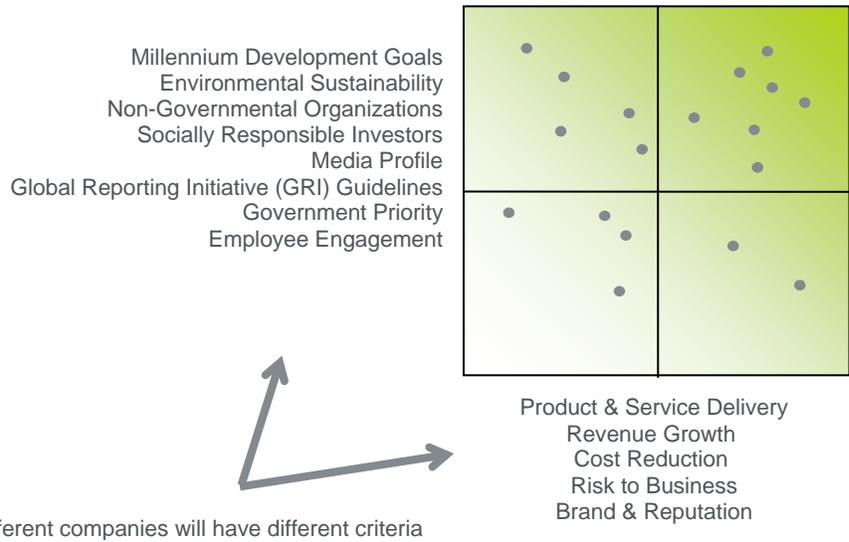
Rather than trying to address every sustainability risk and potential opportunity, leading companies focus their reports on areas that deliver the greatest value to their business and to their most important stakeholders.

This trend has been in development for a while (pioneering companies such as BT, GE, Ford and Shell have been integrating materiality into their reports for a number of years) but materiality is increasingly mainstream. According to KPMG 75% of the 250 largest global companies apply the principle of materiality when reporting. A solid grasp of the materiality principle will also underpin a company's ability to address the eight trends that follow.

**How BSR can help**

BSR has used materiality analysis to help some of the world’s leading companies prioritize sustainability risks and opportunities to ensure that reports are focused on the most significant issues for both stakeholders and business success.

BSR’s proven approach to materiality analysis evaluates sustainability issues based on your unique business strategy and stakeholder interests and can tailor sustainability reports to issues that are most ‘material’ to the relevant business and sector.



Source: BSR

**Print and Web**

Companies are increasingly thinking strategically about the coordinated use of both print and web-based mediums for their CR reports.

BSR has worked with a number of leading reporters to establish a strategic and coordinated approach web and print based reporting.

**2. Revising the Web – Print Relationship**

**The Trend**

Companies are increasingly thinking strategically about the coordinated use of both print and web-based mediums for their CR reports.

On the one hand many important target audiences (such as investors) still want a “single moment in time” annual CR report so that they don’t have to constantly check back to see whether something new has been published.

On the other hand, many important report readers now expect a depth of analysis for their topics of interest that it is not possible to contain within the restricted length of a printed report. In addition, many target audiences are increasingly interested in more interactive and innovative web-based methods of communications.

For this reason, many leadership companies are choosing to publish shorter stand-alone printed reports, trending toward a steady reduction in the number of pages in each year’s report. Some companies doing this well include HSBC, BT, Unilever and IBM.

Another trend among leading reporters is to create a printed summary of the online report. Some companies doing this well include BP, GSK, Pfizer, Intel and Vodafone.

The division of content between web and print is also beginning to follow a definite pattern. Print reports tend to focus on strategy, performance and key developments, while web sites contain depth, breadth and more interactive content.

### How BSR can help

BSR has worked with a number of leading reporters to establish a strategic and coordinated approach to web and print based reporting. We have helped companies take a consistent approach to the division of content between web and print and understand which information should be located where. For example:

Printed Report	Web Site
<ul style="list-style-type: none"> <li>• Description of CR strategy and its relationship with business strategy</li> <li>• Key CR risks/challenges and opportunities (i.e. material issues)</li> <li>• Commentary on the previous year, including key developments, events, successes, failures, etc.</li> <li>• Key Performance Indicators and a commentary on performance over recent years and future expectations</li> <li>• Main forward looking goals, priorities, objectives, and targets</li> <li>• Clear sign posts to web content</li> </ul>	<ul style="list-style-type: none"> <li>• CR information that doesn't change much year-to-year (e.g. governance, management systems, policies)</li> <li>• In depth exploration of key issues to complement the printed overview</li> <li>• In depth stakeholder commentary</li> <li>• Compendium of all CR performance activities</li> <li>• Interactive content, stories, case studies, video, etc.</li> <li>• Links to relevant company activities</li> <li>• Global Reporting Initiative Index</li> <li>• Archived reports</li> </ul>

Source: BSR

### Local Reports

An increasing number of companies are creating reports for specific countries regions or sites to complement their corporate level reports. This is especially true in countries where CR is growing in prominence or that have prominent sustainability challenges.

BSR recommends the creation of a reporting framework that ensures consistency in local country reports, while at the same time allowing local country companies the freedom to create reports that are suited to their local stakeholders and relevant to the local

## 3. Local Reports

### The Trend

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We have noted that the trend is taking hold in the ICT and energy sectors in particular - companies such as Vodafone, Telefonica, BP and HP have all published country or site level reports. We anticipate that companies in the food & beverage, pharmaceutical, and consumer goods industries may well follow.

Local reports are not just a “western” phenomenon—China Mobile has produced CR reports at the provincial level and Sinosteel was the first Chinese company to produce an Africa specific report.

### How BSR can help

The creation of country, regional or site level CR reports can raise a series of questions about a companies CR reporting philosophy and process. For example:

- » How much freedom does the local company (country, region, site etc) have to define their own content?
- » What role should the corporate level team play in defining content at the country level?

- » Are there certain key performance indicators that every country report should include?
- » Do the local country reports take sufficient account of the local sustainability context and local stakeholder concerns?
- » How much of the corporate level content should be reproduced at the local country level, and how much should be left out?

BSR recommends the creation of a reporting framework that ensures consistency in local reports, while at the same time allowing local companies the freedom to create reports that are suited to their local stakeholders and relevant to the local sustainability context. BSR has helped several leading companies achieve this balance.

#### Sample BSR Clients on Reporting

- » GE
- » Alcatel-Lucent
- » IBM
- » China Mobile
- » SAP.
- » Verizon
- » PVH
- » Cisco
- » Pfizer
- » AT&T
- » Xerox
- » Exxon Mobil
- » Shell
- » American Express
- » Chevron
- » Dean Foods Company
- » Anheuser-Busch

## 4. Stakeholder Commentary

### The Trend

The best CR reports are increasingly including longer and more analytical commentary from stakeholders. When done well this serves as an additional level of assurance. This commentary includes both external stakeholders (usually key opinion formers) and internal stakeholders (usually senior executives).

It is BSR's opinion that this stakeholder commentary is at its most successful when it provides an insight into the broad context of an issue and then considers the company's approach or performance within that broader context. GE, Shell, Novo Nordisk, and Nestle are examples of companies which have done this well. Stakeholder commentary is at its least effective in short quotes (which tend not to mean anything in isolation) or as one-sided positive testimonials.

The trend towards this commentary is even more pronounced with the companies that have shorter printed reports and have migrated more of the traditional report content to the web.

### How BSR can help

BSR can help companies in key aspects of stakeholder commentary, such as advising which stakeholders to approach, what issues to focus on, the best length for commentary and how to set an appropriate 'terms of reference' for the stakeholder. BSR also has experience establishing and facilitating stakeholder panels (see section 9 below).

## 5. Key Performance Indicators and Narratives

### The Trend

Leading companies are identifying a small number of 'Key Performance Indicators' (KPIs) to provide an at-a-glance view of the company's CR performance. These KPIs tend to be focused on the most material issues and small in number (7-15) yet cover a balanced range of social, economic and environmental issues. KPIs are also usually constant from year-to-year, with some added or removed according to changing circumstances or as improved indicators are developed.

However, to be fully understood by the reader it's important that quantitative KPIs do not stand alone but instead are accompanied by a qualitative analysis and interpretation. In particular, leading CR reporters are recognizing that readers appreciate a company's point of view on why the indicator is going in the direction that it is (i.e. up or down) and what performance can be expected in

future years. BSR is increasingly seeing this text described as 'Key Performance Narratives' (KPNs).

### **How BSR can help**

BSR can help companies decide which of their many performance indicators are important enough to be considered 'key performance indicators'. BSR can also help companies present these KPIs to the reader in a user-friendly manner consistent with the need for an 'at-a-glance' overview of performance, while at the same time providing the necessary narrative (KPN) on performance and future expectations.

## **6. Using 'Web 2.0'**

### **The Trend**

While reports will remain a critical method for communicating with stakeholders, companies are increasingly asking the question, "How do we put our reports to better use?" Leading companies are beginning to use their reports to go beyond one-way communication of their strategies and performance and are using new web technologies to broaden their reach, improve the accessibility of reports and enable two-way or even multi-way conversations.

In the past year, leading companies have begun experimenting with more interactive methods of engaging with stakeholders:

- » The Coca-Cola Company created an interactive web site at LivePositively.com where users can explore, through video, text and interactive environments, different aspects of the company's citizenship activities.
- » SAP AG invites online report readers to rank the company's material issues, with results displayed in real time and the report linked to an online discussion board focused on the company's sustainability performance. SAP also displays the company's greenhouse gas emissions data and targets in an interactive format that is intended to drive discussion around the company's options for reducing emissions.
- » Timberland hosts and contributes to an "Earthkeepers" blog to inspire and engage the company's consumer base and publishes a quarterly update on performance against sustainability goals to the Justmeans.com website.

### **How BSR can help**

Reports should be the starting point, not the end point, for outreach and discussion with stakeholders. BSR helps companies innovate and put their reports to better use by shaping stakeholder engagement strategies. Although Web 2.0 technologies come with a new set of risks and opportunities, BSR helps companies navigate the new technology terrain to ensure that innovative reporting and interactive stakeholder conversations create shared value.

## **7. Integrated Reporting**

### **The Trend**

Integrated reporting – the inclusion of social, ethical and environmental performance information in a single company report alongside business and financial data – has become a hot topic over the past year. This interest reached a crescendo in August 2010 when the International Integrated Reporting Committee announced a radical review of reporting. Significantly, the review has the backing of the International Accounting Standards Board and the US Financial Accounting Standards Board, which set the rules for financial reporting,

### **Integrated Reporting**

The International Integrated Reporting Committee review has the backing of the International Accounting Standards Board and the US Financial Accounting Standards Board, which set the rules for financial reporting, and the International Organization of Securities Commissions, which develops and promotes international standards of regulation across financial markets. With this announcement as the backdrop, BSR expects to see a growing number of companies experiment with new forms of integrated reporting.

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While examples of integrated reporting remain thin – UTC, Novo Nordisk and Syngenta stand out – a number of key questions are emerging. A clear opportunity exists to demonstrate the real strategic relevance that CR brings for business success, but on the risk side lies the danger that CR information becomes “dumbed down” or diminished given the reduced real estate available and the more risk-averse nature of financial reporting. This is where the idea of integrated print/web reporting can also help as a strategy to overcome potential dumbing down.

### **How BSR can help**

BSR’s approach to materiality (see section 1) can be used to help companies define which issues merit inclusion in an integrated report and how they intersect with business strategy. BSR can help companies think through the relationship between content contained in an integrated report and that provided through alternative communications channels. BSR is also excited by the prospect of applying its experience of CR strategy and reporting in collaboration with companies seeking to take new and innovative approaches to integrated reporting.

### **Reporting Cycles**

It is the vision of the Global Reporting Initiative that disclosure on economic, environmental, and social performance is as commonplace and comparable as financial reporting. This should mean, for example, that CR reports are created using a similar type of predictable, regular and robust reporting cycle – in their approval and sign-off processes, for instance – as a typical annual report.

BSR can help companies define a regular reporting cycle and sign off process where timelines, roles and responsibilities are clear for all.

## **8. Robust Reporting Cycles**

### **The Trend**

It is the vision of the Global Reporting Initiative that disclosure on economic, environmental, and social performance is as commonplace and comparable as financial reporting. This should mean, for example, that CR reports are created using a similar type of predictable, regular and robust reporting cycle – in their approval and sign-off processes, for instance – as a typical annual report.

However, while many companies are getting better at publishing reports at a similar moment in the calendar each year, it is BSR’s experience that few companies have mastered a successful and smooth sign off process for CR reports. Too often sign off processes:

- » Lead to significant (and often detrimental) last minute changes or unnecessarily delay publication
- » Lack coordinated timelines, or pack too many reviews into too short a period of time
- » Have insufficient board level involvement

By contrast, the review cycles and sign-off processes for Annual Financial Reports are well planned, systematic and orderly. The leading CR reporters are putting in place similar processes for their CR reports.

### **How BSR can help**

BSR can help companies define a regular reporting cycle and sign off process where timelines, roles and responsibilities are clear for all. This could include, for example, a regular timeline that incorporates the following distinct roles:

- » Data Owners, who provide the quantitative information that is included in the report

- » Content Owners, who provide the content for a 'section' in the report and who may sometimes be the same person as the data owner.
- » Senior Executives, who provide overall sign-off, based in part on assurance from the data and content owners about the quality and accuracy of content

## 9. Stakeholder Advisory Panels

### The Trend

A growing number of companies are making use of external stakeholder advisory panels to provide an external review of their reports and help increase assurance. Companies such as Shell, SAP, Vodafone, GE, BT and Nike have all made significant use of external stakeholder advisory panels over recent years.

It is BSR's opinion that – managed well and with the right level of investment – these panels bring important transparency to the reporting process and result in more compelling CR reports. By challenging, questioning, and making creative suggestions, these panels can have a significant influence over the reporting process and provide improved insights into external perspectives on a company's sustainability performance and reporting.

### How BSR can help

BSR has significant experience establishing, designing, facilitating, running and/or participating on external stakeholder advisory panels. We are well placed to advise and act on key success factors for external panels, including:

- » Diversity and Seniority – ensuring that panels are made up of diverse participants with sufficient experience and seniority
- » Participation – making sure that senior company executives and management are actively engaged in the work of the panel and receive the maximum benefit from it
- » Roles and Responsibilities – establishing mutually understood expectations, such as through agreed scope and clear terms of reference
- » Strategy and Performance – ensuring that the meeting schedule is aligned with the company's own planning cycle and that suggestions are acted upon and revisited