

The rise of

sustainability reporting



From emissions scandals to the presence of industry at global climate change summits, there is now heavy emphasis on the need for businesses to actively report on and promote their sustainability credentials

Post-financial crisis, we've seen a huge development in companies needing to be more open and transparent with the market about how their businesses are run. For the corporate digital space, this has resulted in an emphasis on integrated reporting and clearly structured investment propositions. Businesses have been waking up to the fact that in the modern world, their reputation is inherently tied to their digital presence; this doesn't just mean having a few social media accounts (though it is helpful), but by developing a truly digital - first approach to communicating with a wide variety of audiences.

It's great to see that companies are now frequently using digital as a platform for transparency when it comes to IR and B2C communications. In a sense, we can start viewing digital development as having an oversight effect; potential investors will be looking at corporate websites wondering why the strategy section lacks clarity, or why important information is hidden in PDFs.

Over the next 12 months, we'll start seeing a similar effect with regards to sustainability reporting. As recently as last year it was reported that 97% of globally listed companies fail to provide data on the full set of "first generation" sustainability indicators – employee turnover, energy, greenhouse gas emissions, injury rate, pay equity, waste and water.¹

Of course, it's not our job to tell companies what their policies should be, but company reputations (and therefore value) are increasingly being affected by public and investor perception of their sustainability credentials. Here are some things to consider from a report on corporate reputation from The Conference Board (an independent business membership and research association working in the public interest).



¹ Measuring Sustainability Disclosure: Ranking the World's Stock Exchanges (Oct 2014), Corporate Knights.

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Reputation is everything.

As more people connect to and surf the internet, links between products and parent companies are easier to find. In a survey of 1,375 consumers and 575 senior executives of companies with revenues of over \$500 million in China, Brazil, the United States, and the United Kingdom, 78% of respondents indicated they do not buy a product if they do not like the parent company.

Neglecting sustainability disclosure can be costly.

According to Samsung, a 1% decrease in brand value of the company due to unfavourable evaluations from investment organizations and/or NGOs, caused by insufficient climate change response is equivalent to losing about \$200 million.

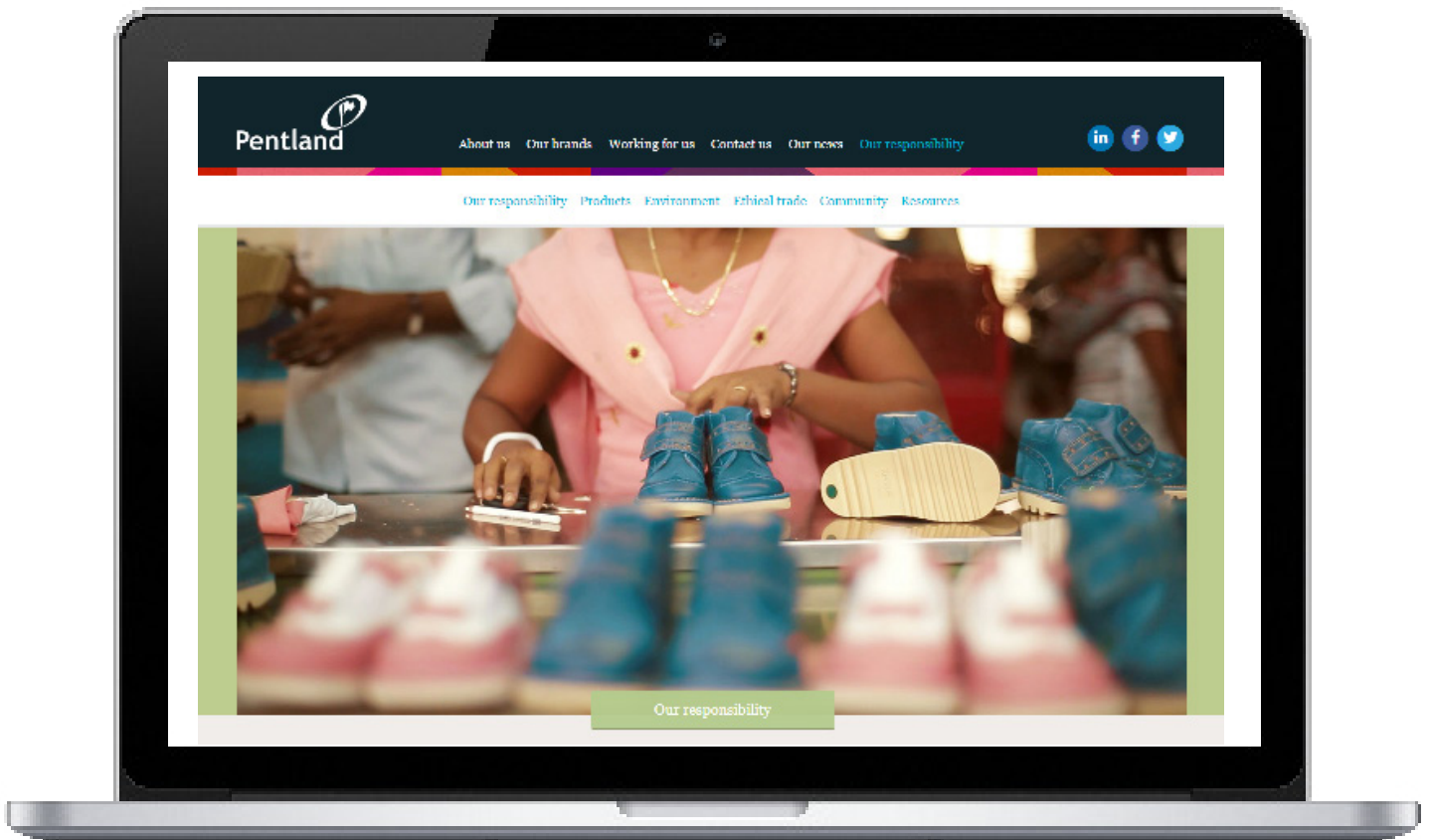
A report from Carbon Disclosure Project (CDP), an organisation dedicated to transforming the way the world does business to prevent dangerous climate change on the S&P 500 also indicated that corporations that actively integrate sustainability into their core business strategy outperform those that don't. Specifically, those that are managing and planning for the effects of climate change secure on

average an 18% higher return on investment than those that don't, and 67% higher than companies that refuse to disclose their emissions data.

Just as scrutiny over financial reporting and oversight increased after 2008, producing sustainability reports and integrating these into corporate websites will be a necessary factor in corporate reputation and brand strength over the coming years. As consumers and investors increasingly focus on what businesses are doing to mitigate the effects of climate change, I think we'll start seeing a lot more 'Sustainability Case' sections to complement existing investment propositions. Some companies are already taking steps to communicate their awareness of these issues, and how sustainability has been integrated into their core business model:

Pentland

Pentland Brands have created a fantastically visual 'Our responsibility' page. Scrolling down you're shown exactly what sustainable initiatives they have in place and how the staff are getting involved.



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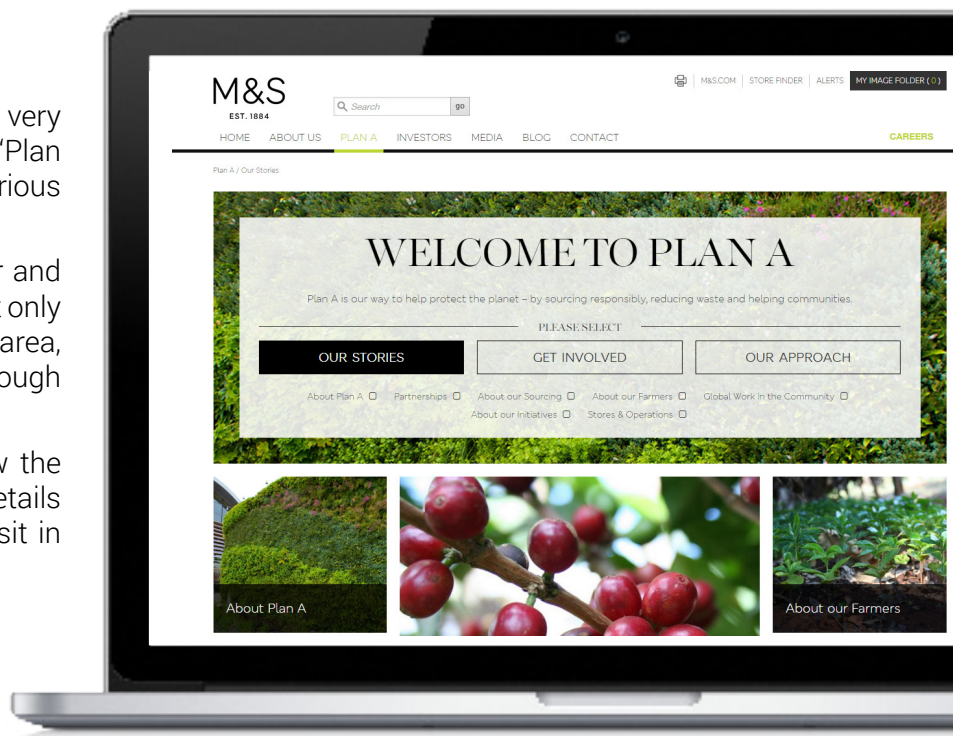
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M&S Plan A

Marks and Spencer have developed a very detailed sustainability section, entitled 'Plan A', which outlines their commitment to various ethical and environmental goals.

Sitting prominently alongside the investor and media sections of their website, it aims not only to communicate M&S's credentials in this area, but also to inspire those who navigate through it.

Content ranges from information on how the company sources its raw materials to details of community projects run by M&S that sit in line with its Plan A 2020 commitments. .



Biogen

Chosen as the most sustainable company in the world in Corporate Knight's 2015 Global 100 list, Biogen's website has a detailed Responsibility page that lists the many ways in which it promotes sustainability. The site contains detailed subsections on their work on Corporate Citizenship, Environmental Sustainability, Patient Support, Humanitarian Aid and Community & Foundation, along with a number of videos highlighting the companies work on these projects. The site also has a table demonstrating the improvements made to environmental performance since 2006, that doesn't flinch in showing both successes and failures.

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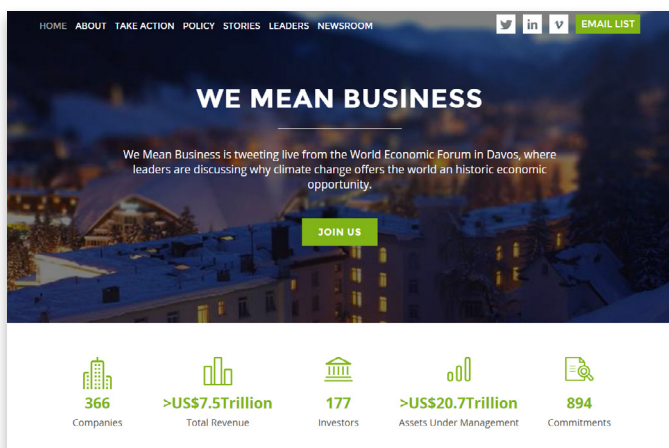
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Five ways your company

can get involved with climate action in the light of COP21

1. We Mean Business Coalition

We Mean Business is a coalition of organisations working with thousands of the world's most influential businesses and investors. These businesses recognise that the transition to a low carbon economy is the only way to secure sustainable economic growth and prosperity. To accelerate this transition, they have formed a common platform to amplify the business voice, catalyse bold climate action by all, and promote smart policy frameworks.



2. Paris Pledge For Action

Sign yourself or your company up to the Paris Pledge for Action; an initiative endorsed by the French presidency of COP21 which is inviting all organisations, businesses, regions, cities and investors to add their name to the pledge.



3. Lima Paris Action Agenda

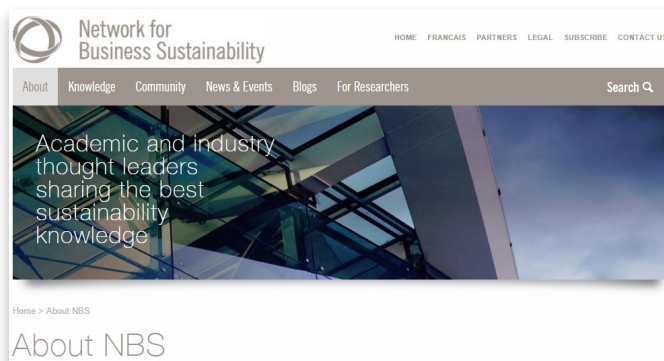
Similar to NAZCA, the LPAA (Lima-Paris Action Agenda) aims to promote and inspire collaborative efforts to tackle climate change among state and non-state actors.

It contextualises and provides practical guidelines on how to support international sustainability action.



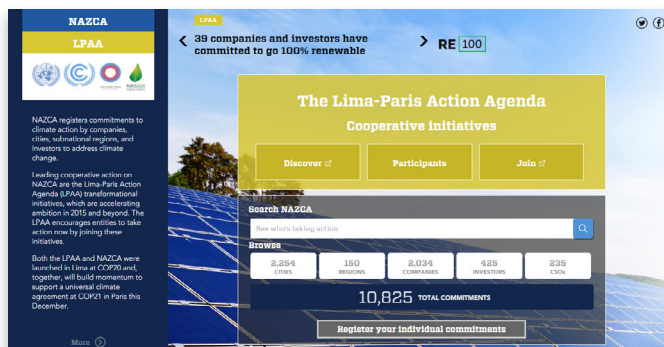
4. Network for Business Sustainability

The Network for Business Sustainability is a growing network of international academic experts and business leaders. NBS produces authoritative resources on important sustainability issues – with the goal of shaping management practice and research.



5. NAZCA

NAZCA registers commitments to climate action by companies, cities, subnational regions and investors to address climate change. So far over 4,000 of these have committed to adopting some form of emission reduction goals.



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