



# Introduction to sustainability reporting

Meeting the needs of multiple stakeholders





# Introduction

To be effective, sustainability management must be a part of every aspect of a business including innovation, business strategy, operations, product and risk. It includes grappling with challenges such as supply chain complexity, innovation safety, full production life cycle visibility and brand management. Gone are the days of a siloed sustainability team acting separate to core business functions. In today's world, sustainability is front and center in value creation.






As the definition of companies' role in society has changed, moving from maximizing shareholder value to more holistic definitions of multistakeholder value. A range of new partners, suppliers, consumers and other collaborators increase complexity.

A good example of this is in the supply chain. Gaining visibility into the environmental impact of a product from conception through end-use and disposal can be a daunting task involving dozens of players. In a survey from UL, Unpacking Supply Chain Complexity<sup>1</sup>, 68% of respondents classified their supply chain as "somewhat to very complex." Only 40% of companies with highly complex supply chains indicate they have high visibility into their supply chain.

The good news is that companies are more aware of these challenges and are taking steps to address them.

In this guide, we will define and discuss various forms of sustainability reporting, their significance for organizations and important points to consider.



ONLY **40%**  of companies with **highly complex supply chains** indicate they have **HIGH VISIBILITY**  into their supply chain.

— Unpacking Supply Chain Complexity Research Study, UL



## Data and insights support the rise of the sustainability function

Data is fundamental to successful sustainability performance and advances companies' abilities to measure, manage and report on goals and accomplishments. Where previously the sustainability function's primary role was to collect and report on historic nonfinancial data for external communications, today that role has been transformed. With digital sustainability platforms, companies can automate a great deal of the manual work required to collect, validate, analyze and report sustainability data. This means sustainability professionals can focus their attention on tasks such as sustainable business strategy, product innovation, cross-industry partnerships and other strategic areas.

The increase in the range, complexity, frequency and availability of sustainability data coming from digital sustainability platforms also empowers colleagues outside of sustainability to embed that data in their work, for example finance. This supports pushing sustainability to the top of the C-suite agenda, by for example estimating the financial costs and benefits of selected sustainability programmes.

Outside of the business, increasing data availability from platforms also enables businesses to link their activities with external reporting standards and frameworks, such as the United Nations' (UN) Sustainable Development Goals. Many companies link their sustainability performance metrics, e.g., greenhouse gas (GHG) emissions, with multiple of the 17 goals.

### United Nations' Sustainable Development Goals



[See an interactive guide to the goals and take our readiness assessment](#)





## Environment, social and governance reporting

Investors are increasingly recognizing that corporate non-financial data can be used to assess the expected financial returns of a company and are requesting more sustainability disclosure from companies. Companies who can effectively demonstrate their strong sustainability performance can therefore attract more investment.





The acronym ESG refers to environmental, social and governance. Investors typically use ESG to evaluate a company's sustainability impact and contributions across a range of dimensions. Investors often consider the following:



#### Environmental

How business operations contribute to — or mitigate — pollution, waste, wildlife habitat destruction and greenhouse gases



#### Social

How a company's operations affect society, such as diversity and inclusion, human rights, consumer protection, and animal welfare



#### Governance

Sometimes called “corporate governance,” including executive compensation, management structure and employee relations

ESG reporting is important to companies both private and public because investors use this data in combination with company financial data to assess whether a company is a good investment.





In a letter to clients, the world's largest asset manager BlackRock stated that "sustainability will drive the way we manage risk, construct portfolios, design products and engage with companies."<sup>2</sup> Primarily, investors need ESG or sustainability data for four purposes:

- To increase financial return, e.g., avoiding companies who may be subject to fines due to poor environmental performance
- To screen out companies involved in controversial/undesirable activities, e.g., firearms, tobacco
- To identify companies aligned to sustainability-specific growth trends, e.g., meat alternatives
- To identify companies who are making progress on specific sustainability topics, e.g., reducing their carbon footprint

Recognizing this demand for increased sustainability reporting, business executives are responding with renewed commitments and improved disclosure of nonfinancial issues.

To effectively analyze thousands of companies, investors need data that is comparable between companies, consistent over time, high quality and decision-useful. This has led to the development of international ESG reporting standards and frameworks which aim to harmonize company reporting.

## ESG reporting frameworks and standards

Frameworks provide a principles-based approach for companies to explain their approach and progress for complex sustainability topics, e.g., describe the climate-related risks and opportunities the organization has identified. Frameworks provide guidance on what elements should be discussed but are not generally prescriptive.

*Example: Taskforce for climate-related financial disclosures (TCFD)*

Standards provide more tightly defined and specific quantitative and qualitative disclosures, e.g., Scope 1 emissions, which must be reported. They are often industry-specific to account for the differences in which sustainability topics are material in different industries.

*Example: Sustainability Accounting Standards Board (SASB)*



Mounting evidence suggests companies have been right to respond positively. Research by MSCI, an index provider, has found empirical evidence that strong ESG performance translates to greater financial returns and lower risks.<sup>3</sup> The result is that companies are going beyond compliance with ESG reporting. For examples, there is limited mandatory ESG reporting in the United States, but 90% of the Standard and Poor's (S&P) 500 — the 500 largest stocks listed in the U.S. — release a specific annual sustainability report.<sup>4</sup>

On top of the annual reporting cycle, over 8,400 companies reported to the CDP (formerly the Carbon Disclosure Project) on climate change, water security and forests providing investors and other stakeholders with further information on these specific areas.<sup>5</sup>

In addition to this international organizations including the Sustainability Accounting Standards Board (SASB), Global Reporting Initiative (GRI), CDP, International Integrated Reporting Council and (IIRC) and the Climate Disclosure Standards Board (CDSB) are working to align their requirements to make it easier for companies and investors to report.<sup>6</sup>

With the mainstreaming of sustainability reporting, it is now more important than ever for sustainability teams to prioritize reporting disclosures, find efficiencies in gathering quality data, and combine data with a captivating narrative that shares the organization's sustainability journey and purpose.



Nearly all CEOs  
**(97%)**

surveyed believe that  
sustainability is important to the  
future success of their business.

*Accenture, "The 2016 United National Global Company-  
Accenture Strategy CEO Study"*

**Why do companies need to  
report ESG information?**

[Learn more](#)





## ESG reporting increasingly becoming mainstream

Showing your commitment to corporate sustainability is a smart strategy as business partners, regulators, governments, investors and consumers increasingly look for businesses that are making a positive impact internally, within their communities and on the wider world.

As previously discussed digital sustainability platforms can automate data collection, in the ESG reporting they can also add additional value. This is because as companies reach out to investors and other stakeholders through ESG standards and frameworks these platforms centralise the data required to report to these and host them natively on the platform. This reduces manual work through automatic linking of data, improves completeness and data accuracy, and enables the data to be integrated with financial reporting systems.

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*“Reporting ESG information alongside your financial results or ‘integrated reporting’ can benefit your company by presenting a sustainability story that is aligned to business strategy and financial performance.”*

*—Chris Cattermole, ESG advisory and solutions lead, UL*

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# Carbon reporting

Carbon emissions driven primarily by human activity are causing the planet to 'heat up' and are placing our entire civilization at risk. Effective reporting is the first step in the solution, but it is a complex problem, with data cutting across companies and countries.







Local and multinational governments, for example the EU, California and China, are setting ambitious carbon reduction targets and holding the companies they oversee to account. This is happening in a range of ways:

- Mandatory reporting schemes
- Government procurement requirements
- Climate change investment criteria
- Carbon taxes

In tandem, investors are steering their portfolios away from polluting assets and demanding the companies they finance measure and manage their carbon footprint.

In the supply chain, brands are setting contract-critical targets for their suppliers to decarbonize globally, for example using CDP scores as evaluation criteria, and consumers are willing to desert or remain loyal to a brand based on how effectively they progress toward those targets.

We are now in a world where carbon emissions reporting is increasingly a requirement for many businesses. This requirement, however, also offers pronounced business benefits: driving efficiency, boosting innovation and increasing awareness of other sustainability topics to reduce risk.



According to the World Business Council for Sustainable Development (WBCSD) Reporting Exchange, there are more than 90 mandatory reporting schemes globally, such as the United Kingdom's Streamlined Energy and Carbon Reporting (SECR). These schemes require businesses of various sizes to report their carbon emissions. By reporting carbon emissions, businesses will avoid penalties for nonreporting and be better prepared for increasing legislation.



While not all governments have implemented mandatory carbon reporting, the world's largest companies are setting goals around their carbon emissions, with the Science Based Targets initiative (SBTi) having registered their 1,000th company.<sup>7</sup>

By working closely with their suppliers, companies can lessen their environmental impact and position themselves for strong growth.<sup>8</sup> Many are requesting carbon data from their vendors. According to the CDP, more than 115 organizations are already requesting carbon data from more than 11,500 suppliers.<sup>9</sup> Companies of all sizes benefit from understanding and reporting their carbon data to prepare for future requests.

You can't manage your carbon if you don't measure it. Through measurement, you can identify your biggest source of emissions and implement plans to reduce your carbon output, which can result in cost savings, the ability to meet current and future regulations, and customer requests. Carbon reporting translates these achievements into real business results with the added benefit of building goodwill in the marketplace.



## Get a better picture of overall carbon emissions

Whether your company is complying with mandatory reporting requirements from governments or companies you work with, or beginning to set your own carbon goals, reporting provides many benefits for your business.

[Learn more](#)





## Carbon reporting case study: GPA Global

GPA Global, a company that specializes in custom product presentation centered on bespoke packaging and displays, has been committed to sustainability since its formation but wanted to take their efforts to the next level. Together with UL, GPA launched an initiative to measure the carbon footprint of their manufacturing sites and provide recommendations on how the footprint can be reduced.

In the pilot program focused on a single factory, UL's team provided support in activity coordination, data collection and carbon footprint calculation. The outcome of the pilot was a robust carbon footprint report and capability development across all participants.

Using the learnings from the pilot, GPA significantly expanded the carbon footprint program to include 10 manufacturing sites across China. GPA now works with UL to equip teams at each manufacturing site with

an understanding of, and processes for carbon management, through a purpose-built online tool that enables efficient capability development, data collection and emissions calculation. GPA and UL have taken this more holistic approach to support the adoption of carbon management as part of business-as-usual, rather than as a one-off annual task.

*"Simply asking our manufacturing sites to report their carbon footprint would have generated uncertain results. From day one, we have taken the approach of empowering our manufacturers to accurately measure and effectively manage their footprint. This way the teams involved internalize the benefits of carbon management."*

*— Robin Argyrou, operations director at GPA Global*

UL's purpose-built online carbon reporting tool handles the entire carbon management journey. From initial e-learning about carbon management through guided data collection, to the generation of a PDF carbon footprint report that is verification ready, UL's intuitive software makes the entire process simple, fast and accessible.

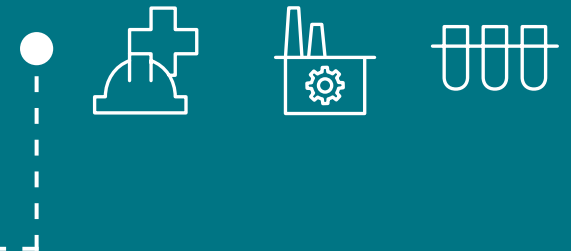
**Read more.**





## Environment, health and safety reporting

Environment, health and safety (EHS) data comprises information from multiple fields, such as environment and waste management; occupational health and medical; safety and industrial hygiene. EHS processes and regulations are developed to help protect the environment, the public and employees from harm. These include reducing and preventing health issues, emergencies and accidents at work, as well as any potential environmental damage.







Companies face a steep challenge in keeping up with the growth of regulatory change, successfully managing risk and addressing enforcement issues. Lack of time and resources, language barriers and the difficulty of standardizing global programs can also slow the path to ongoing compliance.

According to independent research firm Verdantix, “Organizations are under increasing pressure from regulators, customers, investors, and nongovernment organizations to deeply embed sustainability strategies into their business plans. Recognized industry frameworks, such as SDGs, GHG, CDP and GRI, need to be managed and reported on. Software now plays a critical role in helping businesses collate and process a huge spectrum of data and metrics.”<sup>10</sup>





## Making EHS reporting more efficient starts at the plant level

Gathering required EHS data and managing its reporting can be a complex and time intensive process. An integrated digital sustainability platform that centralizes the process will make it more efficient.

There is significant crossover between EHS data collection requirements and external ESG reporting, given investor interest in how companies manage their operations and treat their staff. However, effective management of EHS starts at the plant level rather than at the enterprise level. Asset-level risk remediation plans and employee level incident tracking occur and must be managed at the plant level to achieve results rather than just reporting. That's why the digital sustainability platform you choose must have deep plant-level EHS management capabilities, which are often industry-specific, to track the effectiveness of EHS initiatives.

In their assessment of EHS software applications for their capabilities in sustainability reporting management, Verdantix identified nine critical criteria:<sup>11</sup>

- Sustainability metrics management
- Sustainability program management
- Sustainability performance forecasting
- Sustainability reporting frameworks and standards
- Stakeholder management
- Materiality analysis
- CSR initiatives and community outreach
- Sustainability partnerships and services
- Named customers specific to sustainability management

[Request Verdantix report](#)



# Supply chain management

In addition to your core operational performance, the next major source of sustainability risk and opportunity is in your supply chain. You need to know where your materials, product and services are coming from and be confident that third parties involved in sourcing and production understand and adhere to your principles.





The challenge is that supply chains are large, dynamic and complex. Suppliers drop in and out, and each supplier will in turn have its own suppliers. Managing a program to collect data from your supply chain can place a huge burden on your internal resources.

Once again, a digital sustainability platform can help manage the data collection process, performance management and reporting. Solutions range from supply chain mapping and supplier evaluation tools to connected technologies such as blockchain that enable the efficient collection of data across the supply chain. Look for a platform that allows you to gather necessary information from suppliers, such as:

- Compliance (code of conduct)
- External auditing
- Performance data (carbon footprint, water, waste, etc.)
- Performance improvement (corrective action management)
- Communication (email blasts)
- Product-based compliance through the supply chain to source

The platform you use should employ rigorous data protection and privacy safeguards given the data is collected from many of your business partners and may be commercially sensitive.



## Charting a path to supply chain transparency

Explore the latest trends, learn how to mitigate risk and build a future-focused brand. Discover the challenges and complexities of supply chain transparency, along with some of the key drivers in our infographic.

[Learn more](#)





## UL's 360 sustainability reporting software solutions

We provide you with the resources you need to make lasting sustainability improvements throughout your business, easing the burden with simple, comprehensive tools that consider your business needs for data collection, validation, performance management and ESG reporting.



For more information, visit [UL.com/360](https://UL.com/360).

## UL's software solutions

Online carbon reporting solution that is simple, fast and affordable.

Pre-set key performance indicator (KPI) library and online training

Fast set up

SECR and CDP framework

Multi language

Report scope 1, 2 and 3 carbon emissions

Suitable for small to medium business starting their carbon journey, ideal for your supply chain

**TURBO CARBON™**

Sustainability management and ESG reporting software

Flexibility and growth in your sustainability program

Bring together complex data in a robust system

Highly configurable to your requirements

Enterprise solution

**360**

Sustainability and ESG Reporting Software

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SASB GRI

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GRESB integration portal

Learn more: [www.ul.com/turbobuildings](http://www.ul.com/turbobuildings)

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Enterprise solutions

**SUPPLY CHAIN**

Introduction to sustainability

Environment, social and governance reporting

Carbon reporting

Environment, health and safety reporting

Supply chain management

UL sustainability software solutions





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