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Sustainability Reporting: Opportunities and Challenges

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Motive for Environmental, Social, and Governance (ESG)

- Value relevance of ESG
  - Long-term value drivers
  - Intangible assets
- ESG performance metrics

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Global Reporting Initiative (GRI) sustainability reporting

- KPMG Survey of Corporate Responsibility Reporting (2020)
  - 73% of the largest 250 companies in the world
  - 67% of the largest 100 companies in 52 countries
- Effective date of 1 January 2023 for the GRI Universal Standards

Reporting on Sustainable Development Goals (SDGs)

- PwC SDG Challenge 2019 ”Creating a strategy for a better world” (2019)
  - 72% of companies publicly mentioned SDGs in their published reports
  - 34% of those companies mentioned SDGs when discussing business strategy
  - 21% mentioned SDGs in the statement from senior decision-makers
  - 65% analysed mentioned specific goals

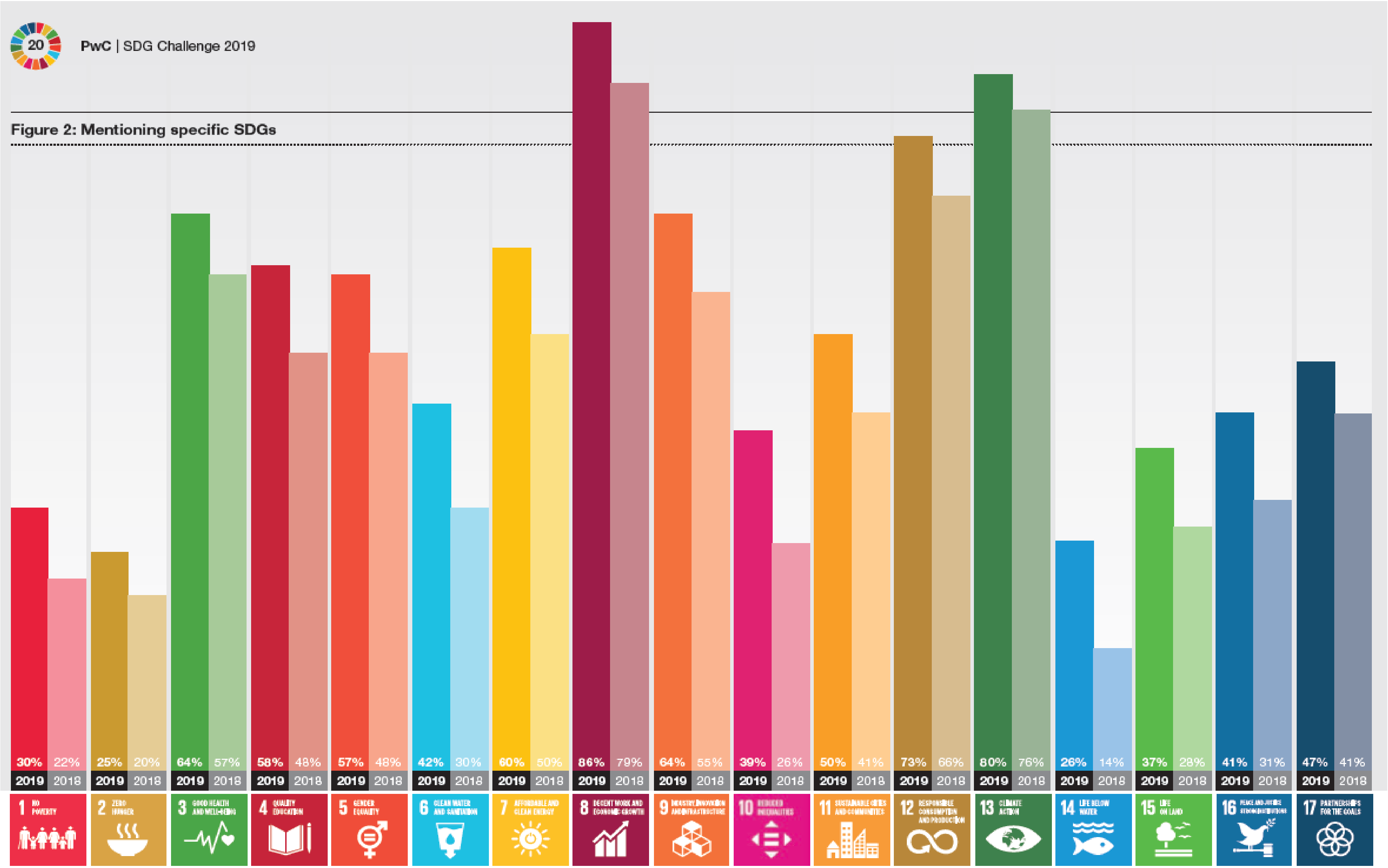

Figure 2: Mentioning specific SDGs

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Reporting on SDGs

- PwC SDG Challenge 2019 ”Creating a strategy for a better world”
  - 14% of companies mentioned specific SDGs targets
  - 39% set qualitative ambition to achieve targets
  - 20% set quantitative ambitions
  - 8% reported quantitative measures

Benefits of sustainability reporting

- Internal benefits
  - Vision and strategy
  - Performance
  - Risk
  - Employees
- External benefits
  - Reputation
  - Capital
  - Engagement
  - Compliance

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Sustainability reporting landscape: challenges

- Value reporting foundation. Sustainability Accounting Standard Board (SASB) standards
- Carbon Disclosure Project (CDP)
- International Financial Reporting Standards (IFRS)
- European Commission

Sustainability reporting landscape: challenges

VALUE REPORTING FOUNDATION

SASB STANDARDS

Sustainability reporting landscape: challenges

Sustainability reporting landscape: challenges

IFRS

International Financial Reporting Standards

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Sustainability reporting landscape: challenges

European Commission

EU 2014 directive: sustainable award criteria

Ongoing research project Brigitte Pircher (Associate professor, Linnaeus University); Natalia Berg (Associate professor, Linnaeus University)

Sustainable public procurement in the value chains of companies

Challenges in reporting on the SDGs

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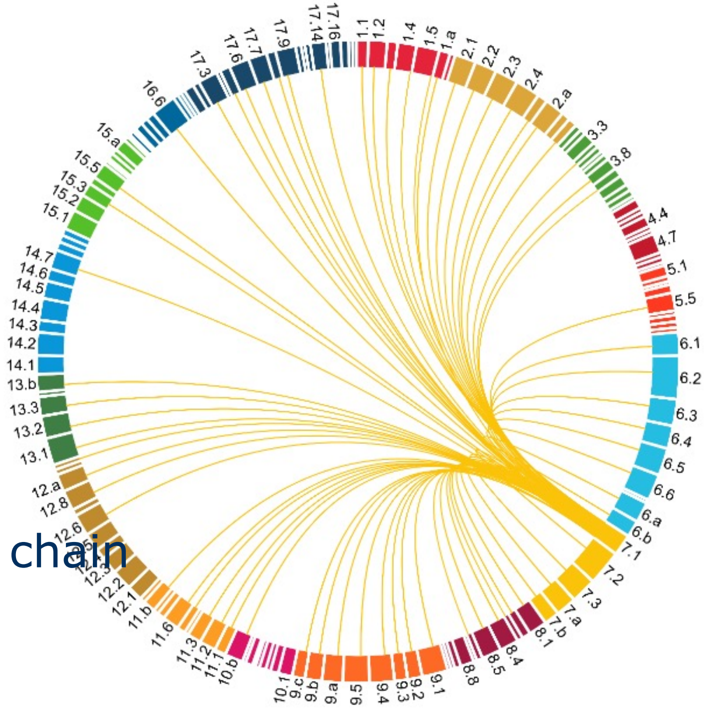
- 17 goals and 169 detailed targets
- Interlinkages of the SDGs and their targets
- Synergies, trade-offs between positive and negative impacts
- Negative interactions
- Intended and unintended impacts throughout the entire value chain
- Example – SDG 7 Affordable and Clean Energy
  - Synergies: SDG1 on no Poverty; SDG 4 on Quality Education, SDG 9 on Industry, Innovation and infrastructure; SDG 11 on sustainable cities and communities; SDG 12 on responsible consumption and production; SDG 13 on Climate Action and SDG 14 on Life below water



Challenges in reporting on the SDGs

- Lack of connection between corporate SDG priorities and priorities at the governmental level where companies operate
- Lack of connections between reported ESG activities and the SDG goals and targets
- Challenge in identifying impacts in direct operations and upstream and downstream in the value chain

Prioritization of impacts

- Actual negative impacts: severity (significance)
- Potential negative impacts: severity and likelihood
- Severity: scale, scope and irremediable character
- Actual positive impacts: scale and scope
- Potential positive impacts: scale, scope and likelihood

Conclusions

- Companies create long-term value for all stakeholders
- ESG is long-term value drivers
- Sustainability reporting can help companies work toward maximizing their positive impacts and minimizing their actual or potential negative impacts
- Sustainability reporting should be used as a basis for driving actions, driving informed decisions and integrating the SDGs into company strategy

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Tack!

Frågor och kommentarer?

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