Why Sustainability reporting matters

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Since the end of the 1990s, sustainability reporting has become an increasingly relevant topic in business and academia. There is constant talk of sustainability and climate change by consultants, executives, and Non-Governmental Organisations (NGO) who have promoted a theory outlining how businesses can prosper while pursuing a greener and more socially responsible agenda. An important channel through which organizations try to meet these demands is sustainability reporting.

The question that one may have in their head is what does sustainability reporting entail? When one talks about sustainability reporting, it is mostly perceived as a subject that speaks to activities relating to environmental activities only, however that is not the case. Sustainability reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organisational performance while working towards the goal of sustainable development. It gives a holistic view that has a long-term focus on how the company will sustain value and improve performance analysis in a manner that is not limited to financial reporting. It can simply be used as a tool for the publication of a company's performance on topics pertaining to sustainability. As companies across the world increasingly embrace sustainability reporting, several standards have emerged that enable a wide range of stakeholders to assess and compare sustainability reports that include Environmental, Social and Corporate Governance (ESG) Reporting framework, Global Reporting Initiative Standards (GRI Standards) and Sustainable Development Goals (SDGs) to mention a few.

The ESG Reporting framework has 3 pillars that include the Environment, Social and Governance aspects. When one looks at the pillar that pertains to the environment the question raised is what is an organization doing to be a steward of the environment? The company's responsibility to the environment and how the environment impacts the company's value as well e.g., climate, resource scarcity and pollution. Below are some of the items covered under the three ESG pillars.

<u>Environment</u>

The environmental pillar covers:

- How a company is combatting climate change
- What a company is doing to reduce carbon emissions
- How the company is preserving biodiversity
- Improving air and water quality
- Combatting deforestation
- Responsibly managing waste.
- how the company is responsibly using resources

<u>Social</u>

In terms of the social aspect what one needs to focus on is:

- What is an organization doing to improve lives?
- Managing relationships with stakeholders to enhance company value
- Human capital management looking at labour skills
- Corporate social responsibility
- How a company nurtures its people and manages the workplace.

Governance

The governance pillar covers issues such as:

- The structures of the company's leadership and management
- What is an organization doing to stay ahead of corruption and ensure its investments remain sustainable in the future?
- Shareholder rights
- Whistle blower programs.

There are various benefits that can be derived from sustainability reporting that an organisation may enjoy if implemented correctly that include:

Keep an overview so you know what to focus on

One benefit of sustainability reporting is that it helps entities maintain an overview amongst all the chaos. The process of creating the sustainability report allows for reflection on the past reporting period. It gives a reflection on areas where an entity has done well or is lagging. Armed with real data and insights, managers are better equipped to reach company goals and set up stronger plans going forward.

Ensure regulation compliance

Governments everywhere are under increasing pressure to pass laws to mitigate the effects of climate change. Non-compliance can result in fines and penalties, not to mention damage to a company's reputation among consumers. The best way to ensure that entities are staying compliant with the ever-shifting pool of rules and regulations is through sustainability reporting. Entities can set goals based on whether you want to meet minimum compliance requirements or shoot for more ambitious targets and become a sustainability leader.

Build employee pride and loyalty

Sustainability-reporting may also give current employees an extra reason to be proud of where they work. Entities often rally their employees behind the cause and boost morale and engagement.

Become more attractive to investors

Investors are stepping up and requiring the companies they invest in to do the same. For instance, Delta is running a Make A Difference (MAD) Campaign combating post-consumer waste as a way of assisting in the National Clean-Up Campaign. Delta is committed to doing business in a way that improves livelihoods and helps build communities.

Sustainability reporting can help win stakeholders' trust, and this is particularly true of investors. Investing in sustainability shows that an entity is looking to manage long term risks to the company, which makes it a more attractive company for investors – more so now in Zimbabwe where financials are based on hyperinflation adjusted accounts, legal compliance, and social goodwill.

As Training and Advisory Services Chartered Accountants, we support entities with financial reporting and sustainability reporting. If you have any questions on sustainability reporting and any other financial reporting queries kindly contact Training and Advisory Services Chartered Accountants (TAS) at marketing@tas.co.zw or +263 8688 007098.