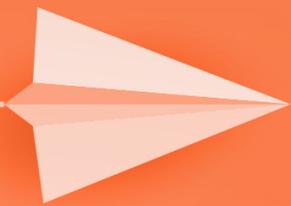


CSR Reporting in the New Normal



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It's already become a cliché to comment on how 2020 has brought unexpected change, shifting expectations and a general sense of disorientation. COVID-19—the unprecedented crisis, our new normal—has overtaken almost all other business initiatives. For almost a year now, companies have been working to recalibrate their sustainability strategies and seek to understand how to communicate their responses to COVID-19 alongside other sustainability goals and targets.

We believe that 2020 is actually the beginning for companies to start doing a lot of things differently, and that includes sustainability reporting. The past year has laid bare the economic inequality that is the very foundation of many societies around the world, but especially in the U.S. Companies cannot avoid this knowledge or shirk their roles in addressing it, especially in light of uncertain leadership from national governments.

Here's how our Purpose team is thinking about reporting through the lens of 2020 and the year ahead—and setting up for a rapidly changing “new normal.”

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Reporting on 2020 is about capturing not only how a company managed its material topics in an uncertain year, but how a company will adjust its CSR strategy for the long term to adapt to our current uncertainties—and future ones.”

Amelia Brandt Eller

How Reporting Shifted in 2020

1. REASSESS MATERIAL TOPICS

Ideally, materiality sets the structure of a corporate sustainability strategy in place. In 2020, companies had to rapidly adjust sustainability strategies to respond to unprecedented challenges. Nearly simultaneously, companies needed to answer to stakeholders about actions taken and policies implemented. We recommend that clients conduct an abbreviated materiality assessment “refresh” to identify changes to the prioritization and breadth of material topics as well as any potential new topics, specifically as it relates to external pressures from COVID-19.

Although existing CSR goals like climate action or carbon reduction efforts remain relevant, understanding how or what to report can be hazy in our rapidly changing environment. Dredging through what are the most important efforts and initiatives to report on can be aided by a materiality “refresh” for any company, even those who hadn’t planned to conduct a full materiality assessment this year.

Engagement with a select group of key function leaders and relevant stakeholder groups (such as nonprofits, professional organizations, consumer groups and employees) through interviews or surveys can capture points of view on material topics, trends, challenges/risks and opportunities. From the refresh, it is anticipated that material topics are likely to be altered in prioritization and breadth. These adjustments and reweighting can be integrated into the materiality matrix and leveraged to inform both reporting and long-term sustainability strategy.

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Companies responded swiftly to the needs of both their employees and their communities (near and far) during the pandemic (new benefits, flexible work arrangements, emergency funds, community grants, etc.).”

Emily Wolfsohn

How Reporting Shifted in 2020

2. STAKEHOLDER-FIRST APPROACH

In September 2019, more than 180 CEOs joined together to issue a statement that revolutionized corporate America. These executives shared a new definition for the purpose of a corporation: one that prioritized the needs of all stakeholders, not just shareholders. We believe that reporting needs to follow through on this commitment. Stakeholders, from investors to customers, are looking for information on social and environmental impacts. Engaging with stakeholders around their priorities will help uncover areas of opportunity and risk—create a better understanding of” rather than “and understand they really want to know.

3. FOCUS ON SOCIAL FACTORS

2020 more deeply exposed the flaws in our systems, values and social constructs—and it’s created even greater urgency to address these social ills. The global pandemic and racial injustice—especially the unique facets that are present in the United States—have created an increased focus and scrutiny on social criteria.



of executives say companies must address social justice issues by making changes internally

How Reporting Shifted in 2020

4. DATA-DRIVEN STORYTELLING

Storytelling is as important as ever, but the data behind the stories are equally important. Striving for greater transparency via disclosure of environmental, DEI and supply chain data is key. From worker safety to labor protections throughout the supply chain, transparency and disclosures on social programs will be a particular focus in the coming years. With ever-evolving expectations for how corporations should address the climate crisis, stories are simply no longer sufficient on their own; they must be grounded in concrete data that show true action based on science.



of executives feel there are too many stakeholders who want different things in regard to taking a stand on social justice issues

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Companies are accelerating efforts to understand how emerging topics such as JEDI, intersectional environmentalism and supply-chain resilience can be measured to understand business risk and opportunity more completely.”

Camille Fordy

Planning for Reporting in the Future

1. ROBUST GOALS AND TARGETS

UN Secretary-General António Guterres recently called for “ambition and solidarity” to achieve the Sustainable Development Goals in the next 10 years—the Decade of Action. As companies begin to announce long-term goals for 2025 and 2030, true alignment to the Sustainable Development Goals—wherein companies create programs to align with specific SDG targets, rather than aligning existing programs to broad goals—will help to propel the type of action that is sorely needed. Goals should no longer be based on what’s achievable, but what society truly needs companies to accomplish for people and for the planet.

2. CLOSER INTEGRATION OF SUSTAINABILITY AND FINANCIAL REPORTING

This past summer, Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) announced a collaborative effort to create a more universal, complementary standard. GRI has long been the most widely used standard for helping companies convey impact on the environment, society and the economy. Additionally, to help inform investors on its decision-making, SASB has published a set of industry-specific standards to push companies to disclose relevant financial information tied to sustainability metrics. This evolution is a step in the right direction toward developing a singular standard that drives more efficiency and value from the reporting process.

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According to a recent analysis from the Climate Action Tracker, if President Joe Biden follows through with his climate plan, it could put the world “within striking distance,” of meeting the Paris Agreement goal of limiting global warming to 1.5 degrees Celsius above industrial levels. I’ll be interested to see whether we’ll see a shift in perspectives on climate change and how that will impact the role companies play in addressing it.”

Amanda Peterson

Planning for Reporting in the Future

3. STRATEGIC STORYTELLING THROUGHOUT THE YEAR OUTSIDE THE ANNUAL REPORTING CYCLE

As was experienced in 2020, a major limitation to annual reporting is the ability to share ongoing content updates throughout the year in a dynamic and compelling way. As a result of pandemic-related impacts to business, in spring 2020 sustainability reporters found themselves in the position of finalizing reports that felt outdated before they even published. As financial reporting has evolved to include quarterly reporting summarized in an annual report, periodic reporting of ESG-related topics may serve a business’ ability to communicate initiatives and progress in a responsive way to meet stakeholders’ changing information needs. External-facing platforms like websites and social media can also be valuable tools to amplify updates and deliver timely material information to stakeholders.

Over the past decade, corporate sustainability reporting has grown from less than 20 percent of S&P 500 companies publishing sustainability reports to 90 percent in 2019. At the start of this new decade, the pandemic has put into sharper focus the many areas in which non-financial performance are facing increased scrutiny from stakeholders—including shareholders. Issues once relegated to ESG-focused investors and activist stakeholders are now of interest to the general public, from occupational safety to racial injustice and corporate risk related to climate to supply chain resilience.

As we move into 2021, one thing is certain: the pressure to share information about a company’s social, environmental and economic impacts as they relate to real people will only increase.

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