Sustainability Reporting and Auditing

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§1 Introduction

In order to know whether or not the CSR initiative and its related commitments are actually improving the company's performance it is necessary to have in place procedures for reporting and verification, each of which are important tools for measuring change and communicating those changes to the company's stakeholders. Hohnen and Potts described reporting as "communicating with stakeholders about a firm's economic, environmental and social management and performance" and verification, which is often referred to as "assurance", as a form of measurement that involves on-site inspections and review of management systems to determine levels of conformity to particular criteria set out in codes and standards to which the company may have agreed to adhere.[1] Verification procedures should be tailored to the company's organizational culture and the specific elements of the company's CSR strategy and commitments; however, it is common for companies to rely on internal audits, industry (i.e., peer) and stakeholder reviews and professional third-party audits. Verification procedures should be established before a specific CSR initiative is undertaken and should be included in the business case for the initiative.[2]

One basic reason for reporting and verification is to make sure that the CSR initiative is properly managed and that persons involved understand they will be accountable for their actions. Other good reasons for reporting and verification include giving interested parties the information they need in order to make decisions about purchasing the company's products and/or investing in the company (the level of funding from investors focusing their interest on ethical businesses is continuously increasing) or otherwise supporting the company's community activities; collecting information that can be used to make changes and improvements to the company's CSR strategy and commitments; improving internal operations; managing and reducing risks; and strengthening relationships with stakeholders. Libit and Freier argued that CSR reporting provides companies with an opportunity to communicate their CSR efforts to the company's stakeholders, discuss certain successes and challenges with respect to the company on a wide array of CSR issues, demonstrate transparency which can ultimately help to improve the company's reputation with certain stakeholders, provide existing and potential investors with CSR information to assist in analyzing investment decisions and improve the effectiveness of ongoing shareholder relations campaigns such that activist

[1] P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 67.
[2] Companies using the Future-Fit business goals recommended by the Future-Fit Business Network can adopt the "fitness criteria" associated with each of the goals. See the discussion of the Future-Fit business goals elsewhere in this Guide and Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 25, FutureFitBusiness.org.

shareholders are deterred from submitting CSR-related shareholder proposals or pursuing or threatening litigation.[3] However, in order to achieve the greatest benefits from reporting and verification companies need to carry out those activities in a rigorous and professional manner using tools and standards that are widely recognized and accepted among those interested in the results.

While CSR-related reporting is not yet specifically required for companies with shares listed on US exchanges, by 2013 more than half of the companies in the S&P 500 had voluntarily decided to report and disclose CSR information[4] and so-called sustainability reporting is well on its way to becoming an expected standard practice that must be added to oversight agenda of the entire board and the disclosure and reporting committee. The committee will need to not only understand emerging voluntary reporting standards, such as those developed by the Global Reporting Initiative ("GRI"), but must also monitor developments in other jurisdictions, such as the European Union and countries in Asia, where regulators have been much quicker to implement formal requirements relating to CSR reporting that may ultimately become the foundation for expanded regulations in the US.[5] For example, the listing rules for the Singapore Exchange require every listed company to prepare an annual sustainability report on its sustainability practices, with reference to five primary components (i.e., material environmental, social and

[3] B. Libit and T. Freier, The Corporate Social Responsibility Report and Effective Stakeholder Engagement (Chapman and Cutler LLP, 2013), available at https://corpgov.law.harvard.edu/2013/12/28/the-corporate-social-responsibility-report-and-effective-stakeholder-engagement/

[4] Libit and Freier reported a dramatic increase in CSR-related reporting among S&P 500 companies from 2010, when approximately 20% of the companies provided such reporting, to 2012 when 53% of the companies reported on their CSR activities. See 2012 Corporate ESG/Sustainability/Responsibility Reporting: Does It Matter? Analysis of S&P 500 Companies' ESG Reporting Trends & Capital Markets Response, and Possible Association with Desired Rankings & Ratings, Governance & Accountability Institute, Inc. (2012). The KPMG Survey of Corporate Responsibility Reporting 2013 surveyed an even bigger group consisting of over 4,100 companies and found that 71% of them were reporting on CSR. KMPG also reported that among the world's largest 250 companies, the reporting rate was 93%. Interestingly, however, only 5% of the companies were reporting on how environmental and social risks could impact their financial results and only 10% reported on linkages between CSR and executive compensation. As cited in H. Gregory, Corporate Social Responsibility, practicallaw.com (April 2014).

[5] As a practical matter, it may not matter whether US regulators actually mandate a specific CSR-related disclosure because if non-US companies are providing such disclosures due to regulations in their home jurisdictions global institutional investors, who are comparing opportunities across borders, will effectively demand comparable disclosures by US companies seeking their capital. A powerful and useful resource for monitoring actions regarding sustainability reporting among stock exchanges around the world is the United Nations' Sustainable Stock Exchanges ("SSE") initiative (http://www.sseinitiative.org/), which is a peer-to-peer learning platform for exploring how exchanges, in collaboration with investors, regulators, and companies, can enhance corporate transparency–and ultimately performance–on ESG (environmental, social and corporate governance) issues and encourage sustainable investment. Among other things, the SSE has compiled a summary table of the sustainability reporting measures in place within G20 Members and by board members of the International Organization of Securities Commissions. Areas evaluated include the source of sustainability reporting initiatives, the scope of the reporting application, the scope of the subject matter, and the disclosure model.

governance ("ES&G") factors; policies, practices and performance; targets; sustainability reporting framework; and board statement) on a "comply or explain" basis.[6]

The scope of the company's reporting and verification efforts will depend on various factors including the size of the company, the focus of its CSR commitments and the financial and human resources available for investment in those activities. Ceres, a non-profit organization advocating for sustainability leadership (www.ceres.org), has developed and disseminated its Ceres Roadmap as a resource to help companies re-engineer themselves to confront and overcome environmental and social challenges and as a guide toward corporate sustainability leadership.[7] In the area of disclosure and reporting, Ceres stated that the overall vision was that companies would report regularly on their sustainability strategy and performance, and that disclosure would include credible, standardized, independently verified metrics encompassing all material stakeholder concerns, and details of goals and plans for future action. Specific expectations regarding disclosure were as follows:

- D1 – Standards for Disclosure: Companies will disclose all relevant sustainability information using the Global Reporting Initiative ("GRI") Guidelines as well as additional sector-relevant indicators.
- D2 – Disclosure in Financial Filings: Companies will disclose material sustainability risks and opportunities, as well as performance data, in financial filings.
- D3 – Scope and Content: Companies will regularly disclose trended performance data and targets relating to global direct operations, subsidiaries, joint ventures, products and supply chains. Companies will demonstrate integration of sustainability into business systems and decision making, and disclosure will be balanced, covering challenges as well as positive impacts.
- D4 – Vehicles for Disclosure: Companies will release sustainability information through a range of disclosure vehicles including sustainability reports, annual reports, financial filings, corporate websites, investor communications and social media.
- D5 – Verification and Assurance: Companies will verify key sustainability performance data to ensure valid results and will have their disclosures reviewed by an independent, credible third party.

When establishing plans for reporting and verification it is useful to obtain and review copies of reports that have been done and published by comparable companies. Reports of larger companies are generally available on their corporate websites and extensive archives of past CSR-focused reports can be accessed through various online platforms such as CorporateRegister.com, a widely recognized global online directory of corporate

[6] "SGX Sustainability Reporting Guide" in Sustainability Guide for Boards: At a Glance (Singapore Institute of Directors, KPMG and SGX, September 2017). The listing rules provide that the board is collectively responsible for the long-term success of the issuer and in exercising such responsibility the board has duties to provide strategic direction and specifically consider sustainability issues as part of its strategic formulation and to determine the environmental, social and governance factors that are material to the business and see to it that they are monitored, managed and reported upon.

[7] Ceres, The Ceres Roadmap for Sustainability (www.ceres.org/ceresroadmap)

responsibility reports. It is also important to have a good working understanding of well-known reporting and verification initiatives such as the GRI Standards; the AccountAbility AA1000 series; the United Nations Global Compact; and the International Auditing and Assurance Standards Board ISAE 3000 standard. Country-specific information is also available through professional organizations such as the Canadian Chartered Professional Accountants, which has published an extensive report on sustainability reporting in Canada.

The scope and sophistication of CSR reporting has come a long way since the idea first came up in the mid-1990s, when only a handful of companies reported on social responsibility issues and activities in addition to their regular financial reports. Today almost all of the largest global companies produce reports on their environmental policies and activities, often providing interested parties with a whole range of documents that can be accessed in a separate yet highly visible section of the company website. Companies participating in the United Nations Global Compact are required to make an annual "Communication on Progress" that outlines the actions they have taken with respect to integrating the Compact's ten principles and to make the communication publicly available to stakeholders through annual financial, sustainability or other prominent public reports in print or on the company's website. The Compact recommends that companies follow the GRI Standards when preparing their reports.

§2 Global Reporting Initiative ("GRI") Standards

The Global Reporting Initiative ("GRI") (www.globalreporting.org) is a multi-stakeholder developed international independent organization that helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others. The Global Sustainability Standards Board ("GSSB") issues and maintains the GRI Standards for organizations to use in their "sustainability reporting", described by the GSSB as "an organization's practice of reporting publicly on its economic, environmental, and/or social impacts, and hence its contributions–positive or negative–towards the goal of sustainable development".[8] The GSSB went on to explain:

> "Through this process, an organization identifies its significant impacts on the economy, the environment, and/or society and discloses them in accordance with a globally-accepted standard. The GRI Standards create a common language for organizations and stakeholders, with which the economic, environmental, and social impacts of organizations can be communicated and understood. The Standards are designed to enhance the global comparability and quality of information on these impacts, thereby enabling greater transparency and accountability of organizations."[9]

[8] GRI 101: Foundation 2016 (Amsterdam: Stichting Global Reporting Initiative, 2016), 3.
[9] Id.

GRI has pioneered sustainability reporting since the late 1990s, transforming it from a niche practice to one now adopted by a growing majority of organizations. The GRI Standards are the world's most widely used standards on sustainability reporting and disclosure and available for use by public agencies, firms and other organizations wishing to understand and communicate aspects of their economic, environmental and social performance. The GRI Standards described in this Guide are the latest version of the GRI's sustainability reporting framework that were published, following extensive consultation, in October 2016 and formally went into effect for reports and other materials published on or after July 1, 2018.[10]

Each of the GRI Standards includes requirements (i.e., mandatory instructions presented in bold font and indicated with the word "shall"); recommendations (i.e., a particular course of action which is encouraged, but not required, and indicated with the word "should") and guidance (i.e., background information, explanations and examples). The GRI Standards are divided into four Series[11]:

100 Series: The 100 Series includes three universal Standards:

- GRI 101: Foundation is the starting point for using the set of GRI Standards. GRI 101 sets out the Reporting Principles for defining report content and quality. It includes the requirements for preparing a sustainability report in accordance with the GRI Standards, and describes how the GRI Standards can be used and referenced. GRI 101 also includes the specific claims that are required for organizations preparing a sustainability report in accordance with the Standards, and for those using selected GRI Standards to report specific information.
- GRI 102: General Disclosures provide guidance on reporting contextual information about an organization and its sustainability reporting practices. This includes information about an organization's profile, strategy, ethics and integrity, governance, stakeholder engagement practices, and reporting process.
- GRI 103: Management Approach is used to report information about how an organization manages a material topic. It is designed to be used for each material topic in a sustainability report, including those covered by the topic-specific GRI Standards (Series 200, 300, and 400) and other material topics.

Topic-specific Standards: The GRI Standards include three series of topic-specific standards: the 200 series for economic topics; the 300 series for environmental topics and the 400 series for social topics. These topic-specific standards can be used by organizations to report information on their impacts relating to a wide range of economic,

[10] The GRI Standards replaced the "G4 Guidelines"; however, the GRI explained that the transition for organizations that had previously used the G4 Guidelines should be smooth since the main content, concepts and requirements did not change and the most significant changes occurred with respect to structure and format. For more information, see the "Transition to Standards" page on the GRI website and "From Guidelines to Standards: Implication of the GRI Transition" (BSR Sustainability Matters Webinar, December 2016).
[11] GRI 101: Foundation 2016 (Amsterdam: Stichting Global Reporting Initiative, 2016), 4.

environmental, and social topics (e.g., indirect economic impacts, water or employment).[12]

When organizations set out to prepare a sustainability report in accordance with the GRI Standards, they begin by applying the reporting principles for defining report content from GRI 101: Foundation to identify its material economic, environmental, and/or social topics. These material topics determine which topic-specific Standards the organization uses to prepare its sustainability report.

§3 --GRI 101 ("Foundation")

GRI 101, referred to as the "Foundation", is intended to be the starting point for an organization to use the GRI Standards to report about its economic, environmental, and/or social impacts.[13] There are three sections to GRI 101:

- Section 1 presents the "reporting principles" for defining report content and report quality and must be used by organizations to help them decide what information to include in a sustainability report and how to ensure the quality of the information.
- Section 2 explains the basic process for using the GRI Standards for sustainability reporting and includes fundamental requirements for applying the reporting principles, and for identifying and reporting on material topics.
- Section 3 sets out ways that the GRI Standards can be used and the specific claims, or statements of use, which are required for organizations using the GRI Standards.

The reporting principles are considered to be fundamental to achieving high quality sustainability reporting and are required to be applied by any organization seeking to claim that its sustainability report has been prepared in accordance with the GRI Standards. The reporting principles, which are presented with guidance that includes tests that organizations can reference to gauge compliance with a particular principle, are divided into two groups, the first one of which includes the following principles for defining report content following consideration of the organization's activities, impacts and the substantive expectations and interests of its stakeholders:

- Stakeholder Inclusiveness: The reporting organization shall identify its stakeholders, and explain how it has responded to their reasonable expectations and interests.

[12] Each topic-specific Standard follows a standardized format that begins with an overview of the disclosures in the Standard, continues with the specific management approach disclosures for the Standard and then moves to the reporting requirements, recommendations and/or guidance associated with each of the topic-specific disclosures for the Standard. For example, GRI 401 (Employment) provides that reporting organizations must report its management approach for employment using GRI 103 (Management Approach) and then includes three topic-specific disclosures based on the Standard number: 401-1 New employee hires and employee turnover; 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees; and 401-3 Parental leave.

[13] The information in this section on GRI 101 is adapted from GRI 101: Foundation 2016 (Amsterdam: Stichting Global Reporting Initiative, 2016), which is available for download at www.globalreporting.org..

- Sustainability Context: The report shall present the reporting organization's performance in the wider context of sustainability.
- Materiality: The report shall cover topics that reflect the reporting organization's significant economic, environmental, and social impacts; or substantively influence the assessments and decisions of stakeholders.
- Completeness: The report shall include coverage of material topics and their boundaries[14], sufficient to reflect significant economic, environmental, and social impacts, and to enable stakeholders to assess the reporting organization's performance in the reporting period.[15]

GRI Standards Principles for Determining Content of Sustainability Reports

Organizations that base their sustainability reporting on the Standards promulgated by the Global Reporting Initiative ("GRI Standards") should begin the process by understanding and implement certain fundamental reporting principles for defining report content in a way that takes into account the organization's activities, impacts and the substantive expectations and interests of its stakeholders. In a publication focusing on how small businesses can utilize the GRI Standards, the GRI and the International Organization of Employers laid out the following recommendations for each of the four principles to be applied when determining the scope and content of the sustainability report:

Sustainability Context: The report shall present the reporting organization's performance in the wider context of sustainability.

- Present your understanding of sustainable development and draw on objective and available information and measures of sustainable development for the topics covered in the report.
- Present your performance with reference to broader sustainable development conditions and goals, and attempt to communicate the magnitude of your contribution to (un)sustainability.
- Describe how sustainability topics relate to long-term organizational strategy, risks and opportunities, including supply chain topics.

Stakeholder Inclusiveness: The reporting organization shall identify its stakeholders, and explain how it has responded to their reasonable expectations and interests.

- Describe and map the stakeholders to whom you consider yourself accountable.
- The content of your sustainability report should ideally draw upon the outcomes of your stakeholder engagement processes.
- Your report should show that you have responded to stakeholder concerns, policies and relevant standards.

Materiality: The report shall cover topics that reflect the reporting organization's significant economic, environmental, and social impacts; or substantively influence the assessments and decisions of

[14] A topic "boundary" is a description of where the impacts occur for a material topic, and the organization's involvement with those impacts. Organizations might be involved with impacts either through their own activities or as a result of their business relationships with other entities. GRI 101: Foundation 2016 (Amsterdam: Stichting Global Reporting Initiative, 2016), 12.

[15] Many organizations simply organize their sustainability reports by reference to the particular Standards that are materially applicable to their operations and thus necessary in order to provide readers with a picture of the organization's significant economic, environmental and/or social impacts. In some cases, however, organizations will combine reporting on several different Standards into a broader material topic (e.g., several of the Standards in Series 400 may be grouped together and reported as "Human Rights" or indirect impacts of the organization's activities, which are covered in Series 200, and impacts of those activities on local communities, which are covered in Series 400, may be reported together as "Community Impact and Development").

stakeholders.

- Take into account current topics and issues that represent significant risks for your organization and area of operation.
- Take into account the main sustainability interests, topics and indicators raised by stakeholders.
- Take into account the main topics and future challenges for the sector or your region that are reported by peers, competitors or expert bodies with recognized credentials in the field.
- Consider relevant laws, regulations, international agreements or voluntary agreements with strategic significance to your organization and your stakeholders.

Completeness: The report shall include coverage of material topics and their boundaries, sufficient to reflect significant economic, environmental, and social impacts, and to enable stakeholders to assess the reporting organization's performance in the reporting period.

- Take into account impacts within and outside your organization, and cover and prioritize all relevant information on the basis of the principle of materiality.
- Avoid omitting relevant information that influences or informs stakeholder assessments or decisions, or that reflects significant economic, environmental or social impacts.

Source: Small Business Big Impact: SME Sustainability Reporting from Vision to Action (Amsterdam and Geneva: Stichting Global Reporting Initiative and the International Organization of Employers, 2016), 8-10. The publication is available for download at www.globalreporting.org.

The second group of reporting principles includes the following principles for defining and ensuring report quality, including the proper presentation of information:

- Accuracy: The reported information shall be sufficiently accurate and detailed for stakeholders to assess the reporting organization's performance.
- Balance: The reported information shall reflect positive and negative aspects of the reporting organization's performance to enable a reasoned assessment of overall performance.
- Clarity: The reporting organization shall make information available in a manner that is understandable and accessible to stakeholders using that information.
- Comparability: The reporting organization shall select, compile, and report information consistently. The reported information shall be presented in a manner that enables stakeholders to analyze changes in the organization's performance over time, and that could support analysis relative to other organizations.
- Reliability: The reporting organization shall gather, record, compile, analyze, and report information and processes used in the preparation of the report in a way that they can be subject to examination, and that establishes the quality and materiality of the information.
- Timeliness: The reporting organization shall report on a regular schedule so that information is available in time for stakeholders to make informed decisions.

Section 2 of GRI 101 sets out the following basic requirements for organizations wishing to use the GRI Standards for their sustainability reporting[16]:

[16] GRI 101: Foundation 2016 (Amsterdam: Global Reporting Initiative, 2016), 17-20.

- Applying the Reporting Principles: The reporting organization shall apply all reporting principles from Section 1 to define report content and quality.
- Reporting General Disclosures: The reporting organization shall report the required disclosures from GRI 102: General Disclosures (see below).
- Identifying Material Topics and their Boundaries: The reporting organization shall identify its material topics using the reporting principles for defining report content. The reporting organization should consult the GRI Sector Disclosures that relate to its sector, if available, to assist with identifying its material topics. In addition, the reporting organization shall identify the boundary for each material topic.
- Reporting on Material Topics: For each material topic, the reporting organization shall report the management approach disclosures for that topic, using GRI 103: Management Approach (see below); and either (1) shall report the topic-specific disclosures in the corresponding GRI Standard, if the material topic is covered by an existing GRI Standard (i.e., Series 200, 300, and 400), or (2) should report other appropriate disclosures, if the material topic is not covered by an existing GRI Standard.
- Presenting Information: If the reporting organization reports a required disclosure using a reference to another source where the information is located, the organization shall ensure that the reference includes the specific location of the required disclosure and that the referenced information is publicly available and readily accessible.
- Compiling and Presenting Information in the Report: When preparing a sustainability report, the reporting organization should: present information for the current reporting period and at least two previous periods, as well as future short and medium-term targets if they have been established; compile and report information using generally accepted international metrics (such as kilograms or liters) and standard conversion factors, and explain the basis of measurement/calculation where not otherwise apparent; provide absolute data and explanatory notes when using ratios or normalized data; and define a consistent reporting period for issuing a report.

Section 3 of GRI 101 sets out the conditions that must be satisfied by an organization in order for it to properly claim its sustainability report has been prepared in accordance with the GRI Standards.[17] Organizations can choose between two options for preparing a sustainability report in accordance with the GRI Standards. The first option, referred to as "Core", indicates that a report contains the minimum information needed to understand the nature of the organization, its material topics and related impacts and how they are managed. The second option, referred to as "Comprehensive", builds on the Core option by requiring additional disclosures on the organization's strategy, ethics and integrity, and governance. In addition, an organization using the Comprehensive option must report more extensively on its impacts by reporting all of the topic-specific disclosures for each material topic covered by the GRI Standards (i.e., Series 200, 300 and 400).[18] Specific guidelines in Section 3 include the following[19]:

[17] GRI 101: Foundation 2016 (Amsterdam: Stichting Global Reporting Initiative, 2016), 21-26.
[18] Id. at 21.
[19] Id. at 22-26.

- To claim that a sustainability report has been prepared in accordance with the GRI Standards, the reporting organization must meet all criteria for the respective option (Core or Comprehensive) from Table 1 in GRI 101.[20]
- If, in exceptional cases, an organization preparing a sustainability report in accordance with the GRI Standards cannot report a required disclosure, the organization must provide in the report a reason for omission that describes the specific information that has been omitted; and specifies one of several reasons for omission recognized in GRI 101, including the required explanation for that reason.[21]
- If the reporting organization uses selected GRI Standards, or parts of their content, to report specific information, but has not met the above-referenced criteria to prepare a report in accordance with the GRI Standards, the organization: shall include in any published material with disclosures based on the GRI Standards a statement that (i) contains the following text: 'This material references [title and publication year of the Standard]', for each Standard used; and (ii) indicates which specific content from the Standard has been applied, if the Standard has not been used in full; shall comply with all reporting requirements that correspond to the disclosures reported; shall notify GRI of the use of the Standards; should apply the Reporting Principles for defining report quality from Section 1 of GRI 101 (see above); and should report its management approach by applying GRI 103: Management Approach (see below) together with any topic-specific Standard (i.e., Series 200, 300, or 400) used.
- The reporting organization shall notify GRI of its use of the GRI Standards, and the claim it has made in the report or published material, by either sending a copy to GRI at standards@globalreporting.org; or registering the report or published material at www.globalreporting.org/standards.

§4 --GRI 102 ("General Disclosures")

GRI 102 includes the "general disclosures" that organizations are expected to use to report contextual information about their activities and operations and their sustainability reporting practices.[22] This includes information about an organization's profile, strategy, ethics and integrity, governance, stakeholder engagement practices, and reporting process. Contextual information regarding an organization (e.g., its size, geographic location and activities) is important to assist stakeholders in understanding the nature of the organization and its economic, environmental and social impacts. Specific topics within the overall framework for these general disclosures include the following:

Organizational Profile

- Name of the organization

[20] Table 1 of GRI 101 lists the criteria to claim a report has been prepared in accordance with either the Core or Comprehensive option. Id. at 23.
[21] Table 2 of GRI 101 lists four acceptable reasons for omission (i.e., "not applicable", "confidentiality constraints", "specific legal prohibitions" and "information unavailable") and described the required explanation that must be included in the sustainability report for each type of omission. Id. at 24.
[22] GRI 102: General Disclosures 2016 (Amsterdam: Stichting Global Reporting Initiative, 2016). GRI 102 is available for download at www.globalreporting.org.

- Activities, brands, products, and services
- Location of headquarters
- Location of operations
- Ownership and legal form
- Markets served
- Scale of the organization
- Information on employees and other workers
- Supply chain
- Significant changes to the organization and its supply chain
- Precautionary Principle or approach
- External initiatives
- Membership of associations

Strategy

- Statement from senior decision-maker
- Key impacts, risks, and opportunities

Ethics and Integrity

- Values, principles, standards, and norms of behavior
- Mechanisms for advice and concerns about ethics

Governance

- Governance structure
- Delegating authority
- Executive-level responsibility for economic, environmental, and social topics
- Consulting stakeholders on economic, environmental, and social topics
- Composition of the highest governance body and its committees
- Chair of the highest governance body
- Nominating and selecting the highest governance body
- Conflicts of interest
- Role of highest governance body in setting purpose, values, and strategy
- Collective knowledge of highest governance body
- Evaluating the highest governance body's performance
- Identifying and managing economic, environmental, and social impacts
- Effectiveness of risk management processes
- Review of economic, environmental, and social topics
- Highest governance body's role in sustainability reporting
- Communicating critical concerns
- Nature and total number of critical concerns
- Remuneration policies
- Process for determining remuneration

- Stakeholders' involvement in remuneration
- Annual total compensation ratio
- Percentage increase in annual total compensation ratio

Stakeholder Engagement

- List of stakeholder groups
- Collective bargaining agreements
- Identifying and selecting stakeholders
- Approach to stakeholder engagement
- Key topics and concerns raised

Reporting Practice

- Entities included in the consolidated financial statements
- Defining report content and topic
- Boundaries
- List of material topics
- Restatements of information
- Changes in reporting
- Reporting period
- Date of most recent report
- Reporting cycle
- Contact point for questions regarding the report
- Claims of reporting in accordance with the GRI Standards
- GRI content index
- External assurance

§5 --GRI 103 ("Management Approach")

GRI 103, referred to as the "Management Approach", sets out reporting requirements about the approach an organization uses to manage a material topic.[23] Disclosures relating to the management approach enable organizations to explain how they manage the economic, environmental and social impacts related to their specific material topics by providing readers with narrative information about how the organization identifies, analyzes, and responds to its actual and potential impacts. Importantly, the disclosures about the organization's management approach provide context for the information reported using topic-specific Standards in Series 200, 300 and 400.

An organization preparing a report in accordance with the GRI Standards is required to report its management approach for each material topic using GRI 103 and this requires an explanation of the material topic and its boundary, the management approach used for

[23] GRI 103: Management Approach 2016 (Amsterdam: Stichting Global Reporting Initiative, 2016). GRI 103 is available for download at www.globalreporting.org.

the topic and its components and an evaluation of the management approach. Topic-specific Standards can also contain additional reporting requirements, reporting recommendations and/or guidance for reporting management approach information about the topic in question. Reporting requirements come in the form of "disclosures" for each topic-specific Standard. For example, the Disclosure 401-1 in GRI 401 ("Employment") relates to "new employee hires and employee turnover" and requires reporting organizations to report both the total number and rate of new employee hires during the reporting period by age group, gender and region and the total number and rate of employee turnover during the reporting period by age group, gender and region. The purpose and context of these quantitative measures is to assess the organization's strategy and ability to attract diverse, qualified employees and the degree to which there may be uncertainty and dissatisfaction among employees.[24]

§6 --GRI 200 Series ("Economic Topics")

The 200 series of the GRI Standards include topic-specific Standards used to report information on an organization's material impacts related to the following economic topics[25]:

- 201: Economic Performance
- 202: Market Presence
- 203: Indirect Economic Impacts
- 204: Procurement Practices
- 205: Anti-Corruption
- 206: Anti-Competitive Behavior

§7 --GRI 300 Series ("Environmental Topics")

[24] When complying with the specific GRI disclosure and reporting requirements, organizations can also include other performance measures such as the "fitness metrics" recommended in the Future-Fit Business Benchmark. The Benchmark calls for organizations to apply a variety of fitness measures with respect to their own employees and employees working for core suppliers including the proportion of employees who are covered by well-functioning health programs that seek to safeguard both physical and mental wellbeing; the proportion of employees who are paid at least a living wage; the proportion of employees who have formal employment contracts that protect their rights to collective bargaining, fair working hours and parental leave; the proportion of employees who are covered by non-discrimination policies and well-functioning programs that monitor, identify and eliminate discriminatory practices; and the proportion of employees who have ready access to well-functioning concerns mechanisms capable of addressing any issues quickly, fairly and transparently. For further information on the fitness measures used in Future-Fit Business Benchmark, see "Future-Fit Business Benchmark: Key Fitness Indicators (KFIs) Calculations and Aggregation Methodologies" available at FutureFitBusiness.org. See also the discussion of the Future-Fit Business Benchmark in "Developing and Implementing CSR Strategy and Commitments" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distribution by the Sustainable Entrepreneurship Project (www.seproject.org).

[25] Each of the Standards in the GRI 200 Series is available for download at www.globalreporting.org.

The 300 series of the GRI Standards include topic-specific Standards used to report information on an organization's material impacts related to the following environmental topics[26]:

- 301: Materials
- 302: Energy
- 303: Water
- 304: Biodiversity
- 305: Emissions
- 306: Effluents and Waste
- 307: Environmental Compliance
- 308: Supplier Environmental Assessment

§8 --GRI 400 Series ("Social Topics")

The 400 series of the GRI Standards include topic-specific Standards used to report information on an organization's material impacts related to the following social topics[27]:

- 401: Employment
- 402: Labor/Management Relations
- 403: Occupational Health and Safety
- 404: Training and Education
- 405: Diversity and Equal Opportunity
- 406: Non-Discrimination
- 407: Freedom of Association and Collective Bargaining
- 408: Child Labor
- 409: Forced or Compulsory Labor
- 410: Security Practices
- 411: Rights of Indigenous Peoples
- 412: Human Rights Assessment
- 413: Local Communities
- 414: Supplier Social Assessment
- 415: Public Policy
- 416: Customer Health and Safety
- 417: Marketing and Labeling
- 418: Customer Privacy
- 419: Socioeconomic Compliance

§9 International Integrated Reporting Framework

[26] Each of the Standards in the GRI 300 Series is available for download at www.globalreporting.org.
[27] Each of the Standards in the GRI 400 Series is available for download at www.globalreporting.org.

The International Integrated Reporting Council, or "IIRC" (integratedreporting.org), which was founded in August 2010, released its International Integrated Reporting Framework in December 2013 as a guide that companies could use to describe how their governance structure creates value in the short, medium and long term; supports decision making that takes into account risks and includes mechanisms for addressing ethical issues; exceeds legal requirements; and ensures that the culture, ethics and values of the company are reflected in its use of and effects on the company's "capitals" (described to include financial, manufactured, intellectual, human, social and relationship, and natural (i.e., the environment and natural resources) forms of value) and stakeholder relationships.[28] Guiding principles for preparation of integrated reports include strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness and consistency and comparability, and integrated reports prepared using the Framework are expected to include the following common elements[29]:

- Organizational overview and external environment: What does the organization do and what are the circumstances under which it operates?
- Governance: How does the organization's governance structure support its ability to create value in the short, medium and long term?
- Business model: What is the organization's business model?
- Risks and opportunities: What are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them?
- Strategy and resource allocation: Where does the organization want to go and how does it intend to get there?
- Performance: To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?
- Outlook: What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?
- Basis of presentation: How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?

§10 Sustainability Accounting Standards Board

The Sustainability Accounting Standards Board, or "SASB" (www.sasb.org), publishes the SASB Implementation Guide for Companies that provides the structure and the key considerations for companies seeking to implement sustainability accounting standards within their existing business functions and processes. The Guide helps companies to select sustainability topics; assess the current state of disclosure and management; embed SASB standards into financial reporting and management processes; support disclosure

[28] P. DeSimone, Board Oversight of Sustainability Issues: A Study of the S&P 500 (IRRC Institute, March 2014), 7.
[29] The International <IR> Framework (London: The International Integrated Reporting Council, December 2013), 5.

and management with internal control; and present information for disclosure. The SASB's online resource library also includes annual reports on the state of disclosure, industry briefs and standards and guidance on stakeholder engagement. Companies should monitor CSR disclosures by their peers and the SASB library has examples of disclosures made by companies in annual reports filed with the SEC on Form 10-K. Companies can also follow the reporting practices of competitors by reviewing sustainability reported registered with the GRI.

§11 Report formatting and presentation

While the format of financial reporting has become somewhat standardized due to regulatory requirements and long-standing expectations of consumers of such information, there is no particular template in terms of format, length and details that applies to sustainability reports and one can find a wide array of creative approaches to presenting CSR-related information. Members of the disclosure and reporting committee should seek out and review sustainability reports prepared by peer companies in order to get a sense of how information might be presented and, not unimportantly, the CSR issues that peers have chosen to focus on and how they are describing and measuring progress on those issues. As noted below, a good sustainability report also shares information on the stakeholder engagement process and can provide the members of the committee with ideas that can be implemented as part of their company's sustainability framework including direct participation by committee members in communications with particular stakeholder groups.

While international standards like the GRI Standards provide a useful framework for comprehensive CSR verification and reporting, companies should remember that it is important to tailor the information in their reports to the needs and expectations of their specific primary audiences. It has become more and more common among larger companies to generate large reports with glossy pictures, charts and graphs and detailed breakdowns of data; however,, many interested parties prefer to a short executive summary that highlights the most relevant information and provides links to detailed reports, case studies and other materials. Information should be presented in a manner that reflects the company's overall organizational culture and provides recipients with a sense of what social responsibility means to the company's leaders and employees on a day-to-day basis. Finally, while reporting is certainly a positive public relations tool and companies will be eager to showcase their CSR successes, credibility demands that reports also include transparent assessments of areas in which the company may have failed to achieved its previously announced objectives and disclosures on the reasons for those failures and the steps the company is taking to improve its performance and the metrics that will be used to evaluate how well the remediation is proceeding.

Organizing the Presentation of GRI Standards Topics in Sustainability Reports

GRI 102-55, which is one of the disclosure requirements in GRI 102 ("General Disclosures"), calls for reporting organizations to prepare and make available a complete and accurate GRI Content Index to serve as the main navigation tool for their sustainability reports and the first point of reference for report users.

Many organizations simply list each of the GRI Standards addressed in their reporting in numerical order (i.e., GRI 102, GRI 103 and applicable topics from each the GRI 200, 300 and 400 Series) and provide information as to where the applicable content is located. However, organizations may supplement this approach by including "material topics" in the subject headings for their GRI Content Index, thus providing readers with an easy way to identify the salient sustainability programs and initiatives selected by organizational leaders. The following is an example of how this might be done:

1 - Context (from GRI 102 requirements)

- Sustainability and Strategy
- Sustainability and Governance
- Stakeholder Engagement
- Reporting Practices

2 - Economics

- 201: Economic Performance
- 202: Market Presence

3 - Environment

- 301: Materials
- 302: Energy
- 303: Water
- 304: Biodiversity
- 305: Emissions
- 306: Effluents and Waste

4 - Labor Practices and Working Conditions

- 401: Employment
- 402: Labor/Management Relations
- 403: Occupational Health and Safety
- 404: Training and Education
- 405: Diversity and Equal Opportunity
- 406: Non-Discrimination
- 407: Freedom of Association and Collective Bargaining
- 408: Child Labor

5 - Product Responsibility and Customer Care

- 416: Customer Health and Safety
- 417: Marketing and Labeling
- 418: Customer Privacy

6 - Community Impact and Development

- 203: Indirect Economic Impacts
- 413: Local Communities

7 - Human Rights

- 409: Forced or Compulsory Labor

- 410: Security Practices
- 411: Rights of Indigenous Peoples
- 412: Human Rights Assessment

8 - Ethics, Integrity and Compliance

- 205: Anti-Corruption
- 206: Anti-Competitive Behavior
- 307: Environmental Compliance
- 415: Public Policy
- 419: Socioeconomic Compliance

9 - Procurement and Supplier Management

- 204: Procurement Practices
- 308: Supplier Environmental Assessment
- 414: Supplier Social Assessment

A review of sustainability reports confirms the impressions of Libit and Freier and other commentators regarding the consistent appearance of the following elements and disclosures in such reports[30]:

- An opening letter or executive summary from the company's chief executive officer and/or chief CSR/sustainability executive noting the company's commitment to CSR and sustainability-related issues and its willingness to discuss challenges and promote successes relating thereto
- The company's CSR or sustainability policy or mission statement and a statement by the board of directors to the effect that it has considered sustainability issues as part of its formulation of the company's strategy; determined the material sustainability factors (as discussed below); and overseen management, monitoring and reporting on such factors
- A description of the material sustainability factors identified by the company including an explanation of the reasons for, and process of, selection of such factors taking into account the business, strategy, business models and key stakeholders
- A presentation of the company's targets for the upcoming reporting period in relation each material sustainability factor identified
- A description of the company's policies, practices and performance in relation to each of the identified material sustainability factors including quantitative information on each factor for the reporting period and a comparison of performance during the period to previously disclosed targets

[30] Adapted from B. Libit and T. Freier, The Corporate Social Responsibility Report and Effective Stakeholder Engagement (Chapman and Cutler LLP, 2013), available at https://corpgov.law.harvard.edu/2013/12/28/the-corporate-social-responsibility-report-and-effective-stakeholder-engagement/; and "SGX Sustainability Reporting Guide" in Sustainability Guide for Boards: At a Glance (Singapore Institute of Directors, KPMG and SGX, September 2017)

- Identification and description of the sustainability reporting framework selected by the company including the reasons for the selection and demonstration of its applicability to the company's industry, operations and business model
- Assuming, for purposes of illustration, that the company selected the GRI sustainability reporting framework, which has been adopted by a substantial percentage of the S&P 500 companies that prepare and distribute sustainability reports, a series of sections incorporating disclosures recommended in the GRI reporting framework,:
  - **Economic Considerations:** Disclosing the company's impacts on the economic conditions of its stakeholders and on economic systems at local, national and global levels
  - **Environmental Issues:** Disclosing the company's impacts on living and non-living natural systems (i.e., land, air, water and ecosystems), including impacts related to inputs (e.g., energy and water), outputs (e.g., emissions, effluents and waste) as well as environmental compliance and expenditures
  - **Ethics and Integrity:** Disclosing the company's values, principles and standards, and its internal and external mechanisms for seeking advice on ethical and lawful behavior and reporting concerns about unethical or unlawful behavior and matters of integrity
  - **Social Impact:** Disclosing the company's impacts on the social systems within which it operates, including those relating to human rights, society and product responsibility
  - **Stakeholder Engagement:** Disclosing the company's stakeholder engagement during the reporting period and not limiting it solely to engagement conducted for purposes of preparing the sustainability report
- A series of sections that include disclosures on the issues that the company has determined to be of most importance to each of its key stakeholders:
  - **Shareholders:** Addressing the company's business model and corporate governance, including disclosing the role of the board in risk management, in sustainability reporting and in evaluating CSR performance.
  - **Employees:** Addressing diversity, health and safety, training and mentoring, employee relations, and wages and benefits.
  - **Customers:** Addressing customer service and privacy
  - **Suppliers:** Addressing labor standards and whether suppliers are required to implement their own CSR programs
  - **Communities:** Addressing corporate philanthropy and charitable contributions, community investment and partnerships, volunteerism and the environmental impact of operations
  - **Governments and Regulators:** Addressing lobbying, public policy and the effects of and compliance with environmental regulations

The sustainability report should also include any specific disclosures that may be required by regulators and/or listing authorities in the case of companies with shares listed on securities exchanges.[31] In cases where disclosures on sustainability-related issues are already required in traditional financial reports those disclosures may be repeated in the sustainability report to ensure consistency among the disclosures in the company's various public documents. Sustainability reports should be carefully reviewed in advance of release to ensure that they do not include material information that should have been previously disclosed in satisfaction of the company's periodic reporting obligations and/or to comply with the requirements of Regulation FD. Since sustainability is, almost by definition, a long-term initiative the plans and projections for future performance on matters such as energy savings and reduction of adverse environmental impacts of operations should be tempered by disclaimers on "forward looking statements" similar to those already common used in financial reporting. Setting boundaries for the report is difficult given the lack of formal requirements; however, the time and resources of the committee members and management is limited and the subject matter of the report should be tightly focused on the issues that have the greatest impact on the company's operations and finances and its relationships with key stakeholders.

Practical Recommendations for Preparing Effective Sustainability Reports

Recommendations for preparing sustainability reports and effectively presenting the information in those reports compiled from various sources include the following:

- Emphasizing board responsibility for, and proactive commitment to, oversight of the company's sustainability reporting process and sustainability report
- Understanding who the key stakeholders are and aligning the sustainability report to meet their expectations
- Establishing a clear roadmap on reporting goals and defining standard methods and templates for data collection
- Focusing on material issues most important to the company and its stakeholders (not all sustainability issues that a company monitors need be included)
- Detailing the company's sustainability practices as well as policies
- Describing how the company has used current and potential stakeholders to help identify material sustainability issues and solutions to those issues
- Demonstrating adoption and use of globally-recognized sustainability reporting frameworks and best practices to guide reporting
- Describing the company's performance measure systems and their ability to facilitate benchmarking and comparisons against time and entities
- Identifying and explaining both sustainability risks and opportunities
- Writing in plain English and balancing detail versus brevity
- Following GRI reporting principles for defining report quality: accuracy, balance, clarity, comparability, reliability and timeliness
- Incorporating, as often as possible, easy-to-read charts, tables and graphs, exposés and interviews, facts and figures, survey results, and graphics to highlight and summarize sustainability information
- Discussing the company's past sustainability successes and future sustainability goals, yet also

[31] For example, even though the major US securities exchanges have yet to adopt comprehensive sustainability-related disclosure requirements, companies listed on the main market of the London Stock Exchange are required to publish full details of their greenhouse gas emissions and under the listing requirements of the Singapore Exchange companies are required to prepare and publish sustainability reports that discuss the environmental, social and governance factors that the board is required to determine as being material and thus subject to monitoring and management.

following a balanced approach that incorporate failures to meet previously stated sustainability targets

- Highlighting sustainability awards and recognitions received by the company
- Adding third-party evaluations, which may verify the reliability of and provide further credibility to the company's sustainability reporting processes and the accuracy and completeness of sustainability information
- Holding awareness sessions and knowledge sharing to help senior management understand the importance of balanced reporting

Sources: B. Libit and T. Freier, The Corporate Social Responsibility Report and Effective Stakeholder Engagement (Chapman and Cutler LLP, 2013), available at https://corpgov.law.harvard.edu/2013/12/28/the-corporate-social-responsibility-report-and-effective-stakeholder-engagement/; and "SGX Sustainability Reporting Guide" in Sustainability Guide for Boards: At a Glance (Singapore Institute of Directors, KPMG and SGX, September 2017)

While CSR reporting has already evolved significantly there will no doubt be important and interesting changes in the future as the appetite of the various stakeholder groups, particularly investors, for information on CSR management and corporate governance generally grows.[32] There is already intense discussion about non-financial reporting, sometimes referred to as "extra-financial reporting" or "intangibles" reporting, that would cover operational activities that are not yet formally regulated but are already embedded in global social responsibility standards and best practices regarding ethical business conduct. In fact, a number of companies already include both financial and non-financial information in their reports to the investors and other stakeholders and it is expected that disclosure requirements in investor reports will continue to be changed to incorporate more analysis of the impact of environmental and social responsibility initiatives on economic performance and the overall well-being of the communities that are served by the company. A popular format for integrating financial and non-financial reporting is the "triple bottom line" which facilitates incorporation of economic, environmental and social considerations into performance measurement and disclosures; however, others have argued that additional dimensions should be included such as culture and ethics.[33]

Five Dimensions for Integrating Financial and Non-Financial Reporting

As discussed in the text, commentators have argued for the recognition and use of multiple dimensions for integrating traditional financial reporting with reporting on activities and performance with respect to non-financial issues that are core to sustainability. In explaining the role that lawyers and the legal profession have with respect to corporate social responsibility, the Council of Bars and Law Societies of Europe explained that the "triple bottom line" framework was designed to provide a roadmap for companies to understand how they should be contributing to sustainability in their relationships with human beings, or "people" (i.e., employees, suppliers, customers, local communities and other stakeholders); the external environment, or the "planet" (e.g., biodiversity and animal welfare); and the economy, referred to as "profit" and including the economy of the communities in which they operated. Others have attempted to

[32] The discussion in this section is adapted from P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 70.

[33] For further discussion of the "triple bottom line" and other dimensions of sustainability, see "Entrepreneurship: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

solve the puzzle of how to balance the domains by maintaining that equal priority should be given to each of the domains in a model that includes the three dimensions of the "triple bottom line" plus two more: cultural responsibility and ethical duties and responsibilities. Combining a list of the illustrative areas under each of the categories of the "triple bottom line" compiled by the Council with the work of commentators and researchers on the cultural and ethical dimensions produces the following compilation that can be used as a reference point when planning for integrated reporting:

Social Responsibility (People)

- Labor rights: Slave, forced or compulsory labor; child labor; freedom of association/collective bargaining; non-discrimination/equal opportunities; rest, leisure and holidays; minimum wages; health and safety
- Right to work: Protection against unjustified dismissals and technical/vocational guidance and training
- Right to life
- Development rights: Right to education; to health; to adequate food and fair distribution of food; to clothing; to housing; to social security; to enjoy technological development
- Right to hold opinions and freedom of expression, thought, conscience and religion
- Right to a family life
- Right to privacy (e.g. surveillance, personal information, drug testing)
- Minority rights to culture, religious practice and language and cultural rights (indigenous peoples)
- Right to peaceful assembly
- Right to take part in political life
- Informed consent to medical/biological trials
- Moral and material interests from inventions

Environmental Responsibility (Planet)

- UN Convention on Bio-Diversity: in-situ and ex-situ conservation, impact on diversity, use of genetic material, technology transfer
- The Precautionary Principle (if in doubt about negative environmental impact of a given action – abstain)
- Use and handling of GMOs (Genetically Modified Organisms)
- Air emissions and impact on global warming (greenhouse gases)
- Impact on the ozone layer (Montreal Protocol Annexes)
- Prohibition of use of certain materials and substances, hereunder safe handling/transport of dangerous substances
- Distance to residential neighborhoods for production sites
- Soil, ground water and surface water contamination
- Treatment and reduction of waste water
- Water consumption and leakage
- "Eco-efficiency", consumption of raw materials, and consumption of energy
- Export of waste and re-use of material
- Subsidizing environmental projects (e. g., protection of the rainforest)
- Animal welfare

Economic Responsibility (Profit)

- Financial profit, economic growth and asset creation
- Business ethics, corruption and bribery, conflict of interest
- Direct and indirect economic impact on communities through spending power (suppliers, consumers, investors, tax payments and investments), and geographic economic impact
- Economic impact through business process: outsourcing, knowledge, innovation, social investments in employees and consumers

- Monetary support for political parties, lobbying, and other 'political' activities
- External economic impact from pollution, internalization of externalities, value of consuming products
- Stock exchange behavior, including insider trading
- Economic regulation, tax incentives, redistribution
- State contracts and State Subsidies
- Intellectual property rights, hereunder patents, pricing and the impact on economic and societal development potential
- Antitrust and competition, including market impact and "alliances"
- Board and executive remuneration and role of accountants
- Donations
- Taxes, including "transfer pricing"

Cultural Responsibility

- Preservation of the community and cultural values
- Avoidance of damage to traditional or indigenous knowledge or culture
- Avoidance of over-dependence on Western culture arising from economic progress and development as defined by Western standards

Ethical Duties and Responsibilities

- Right of community members to be treated with dignity and respect and in a manner that is mindful of maltreatment, indifference, justice, care and development
- Duty to contribute to a harmonious way of living together in just, peaceful, and friendly conditions
- Avoidance of corruption, especially in the supply and customer chains
- Awareness of and resistance to financial and operational pressures which heighten the incentives for entrepreneurs to engage in expedient behavior (including dishonesty)
- Refraining from exerting underhanded influence on people to gain benefit or power by way of lies, deceit, or the creation of false expectations

Sources: Corporate Social Responsibility and the Role of the Legal Profession: A Guide for European Lawyers (Council of Bars and Law Societies of Europe, June 2008); I. Majid and W-L. Koe, "Sustainable Entrepreneurship (SE): A Revised Model Based on Triple Bottom Line (TBL)", International Journal of Academic Research in Business and Social Sciences, 2(6) (June 2012), 293; K. Nurse, "Culture as the Fourth Pillar of Sustainable Development", Small States: Economic Review and Basic Statistics, 11 (2006), 28; and A. Racelis, "Sustainable Entrepreneurship in Asia: A Proposed Theoretical Framework Based on Literature Review", Journal of Management for Global Sustainability, 2 (2014), 16..

§12 Stakeholder engagement and development of material issues

Organizations that base their sustainability reporting on the GRI standards should begin the process by understanding and implement certain fundamental reporting principles for defining report content in a way that takes into account the organization's activities, impacts and the substantive expectations and interests of its stakeholders. In a publication focusing on how small businesses can utilize the GRI standards, the GRI and the International Organization of Employers laid out recommendations on stakeholder engagement and the development of a list of material issues that can be used to guide decisions regarding the scope and content of the sustainability report.[34]

The sustainability report should ultimately identify its stakeholders and explain how the company has responded to their reasonable expectations and interests. This should be done by describing and mapping the stakeholders to whom the company considers itself accountable and discussing the process and outcomes of the company's stakeholder engagement processes. The sustainability report should identify and describe the key interests of the various stakeholder groups and show how the company has responded to stakeholder concerns, policies and relevant standards. The following list illustrates engagement mechanisms and examples of key interests for various stakeholder groups:

- ***Customers*** may be engaged through meetings and customer visits/audit and their key interests may include quality of products, reliability of supply and product pricing
- ***Employees*** may be engaged through periodic performance reviews, management committees, surveys, Intranet/newsletters, site meeting and community and wellness meetings and their interests may include workplace health and safety and career development
- ***Governmental officials and regulators*** may be engaged through meetings, reports, site visits and submissions and their key interests may include safety of products and compliance
- ***Shareholders and investment community*** members may be engaged through periodic reports filed in compliance with regulatory requirements (including financial results performance), annual shareholders' meetings, corporate website and investor briefings and forums and their key interests may include financial performance, governance and innovation
- ***Local communities*** may be engaged through industry bodies, educational institutions, charities and staff engagement in local events and their key interests may include community impacts, education, product access, infrastructure and support for services
- ***Suppliers*** may be engaged through site visits/audits and meetings and their key interests may include business ethics, compliance and quality/reliability

Emerging standards, including the GRI, also attempt to ensure that companies remain focused in their sustainability reporting by emphasizing "materiality", which means that reporting should be confined to coverage of topics that reflect the company's significant economic, environmental, and social impacts; or substantively influence the assessments and decisions of its stakeholders. The authors of the GRI publication urged companies to take into account current topics and issues that represent significant risks for the company and its areas of operation; the main sustainability interests, topics and indicators raised by stakeholders; the main topics and future challenges for the company's sector or region as reported by peers, competitors or expert bodies with recognized credentials in the field; and relevant laws, regulations, international agreements or voluntary agreements with

[34] Small Business Big Impact: SME Sustainability Reporting from Vision to Action (Amsterdam and Geneva: Stichting Global Reporting Initiative and the International Organization of Employers, 2016), 8-10. The publication is available for download at www.globalreporting.org.

strategic significance to the company and its stakeholders. The engagement process and the identification of key interests of each of the company's stakeholders provides the basis for the disclosure and reporting committee to identify and recommend to the entire board for approval a list of the issues that are most material to the company for strategic development and sustainability reporting. These issues become the centerpiece of the organization of the company's sustainability report. Examples of materials issues that might be selected include the following[35]:

- ***Employee health and safety:*** Ensuring our employees work in a safe environment, which meets or exceeds relevant regulatory expectations, addresses health and safety concerns as they arise and mitigates opportunities for reoccurrence of incidents
- ***Product quality and safety to customers****:* Choosing materials from quality sources, complying with current "good manufacturing practice", and delivering fit-for-purpose, safe products to customers that adhere to, or exceed strict regulatory standards in all jurisdictions served by the company
- ***Corruption and bribery****:* Business must be conducted with transparency, and free from unethical persuasion in every aspect of the company's business from identifying product sources, through development of new products, transactions with regulatory bodies and sale to customers
- ***Ethical purchasing and human rights in the supply chain****:* Responsibility to partners to ensure our product line is free from human rights concerns such as forced labor and trafficking, unsafe labor standards and unfair treatment
- ***Compliance:*** Responsibility to drive compliance with legal and regulatory requirements applicable to our global business including training programs, continuous improvement and striving for best-practice
- ***Resource use and waste management:*** Includes energy usage during manufacture and logistics, water usage and waste as a by-product of manufacture

§13 Verification and independent external assurance

Verification procedures should be tailored to the company's organizational culture and the specific elements of the company's CSR strategy and commitments; however, it is common for companies to rely on internal audits, industry (i.e., peer) and stakeholder reviews and professional third-party audits. Verification procedures should be established before a specific CSR initiative is undertaken and should be included in the business case for the initiative. While auditing of financial statements by independent outside auditors has long been the norm for listed companies in the US and elsewhere, independent external assurance of sustainability information and reports is still largely voluntary; however, regulators and exchanges generally encourage assurance and including a discussion of steps taken with respect to assurance in the sustainability report itself. In its guidance to listed companies (SGX Guide 3.8), the Singapore Exchange described "independent assurance" as follows:

[35] Based on Mayne Pharma Group Limited Sustainability Report 2016, 12, https://www.maynepharma.com/media/1896/myx_2016_sustainability_report.pdf

"Increases stakeholder confidence in the accuracy and completeness of the sustainability information disclosed. An issuer whose sustainability reporting has already matured after several annual exercises would want to undertake external assurance by independent professional bodies to add credibility to the information disclosed and analysis undertaken. An issuer new to sustainability reporting may wish to start with internal assurance before progressing to external assurance for its benefits. The issuer should also consider whether it would be worthwhile to undertake independent external assurance on selected important aspects of its report even in its initial years, expanding coverage in succeeding years."

In general, the financial aspects of any sustainability report will be based on the same externally audited financial statements included in the company's traditional annual report. With respect to environmental, health and safety matters, companies may engage private quality assurance firms to conduct limited assurances on data relating to, for example, air and water emissions, carbon dioxide generation, recycling/reuse and lost time injury rates. The leading international standard for assuring sustainability reports is ISAE 3000 (Assurance Engagement Other than Audits or Reviews of Historical Financial Information) developed by the International Auditing and Assurance Board, an independent standard-setting board of the International Federation of Accountants. When external assurance is not available or feasible, companies may conduct assurance through internal groups that are organizationally independent of the business units they are reviewing and are specialists in the area with skills necessary to validate and certify operations to various quality, environmental, six sigma and safety standards (e.g., ISO 9000, ISO 14001 and OHSAS 18001).[36]

§14 Sustainability reporting for small businesses

Smaller businesses generally do not have the resources to engage a professional auditor or prepare elaborate reports on their CSR activities; however, this does not mean that small businesses should avoid attempting to implement some basic and relatively simple steps for reporting the results of their sustainability efforts. The GRI has argued that transparent reporting and communicating about sustainability initiatives and programs creates valuable internal and external benefits for new and small businesses.[37] Among the internal benefits that were noted were the following:

[36] Frameworks that have been developed to assist companies with developing and implementing their sustainability-related strategies and initiatives often include recommendations for tracking progress that can be integrated into the business case for the strategies from the very beginning. For example, companies using the Future-Fit business goals recommended by the Future-Fit Business Network can adopt the "fitness criteria" associated with each of the goals. See the discussion of the Future-Fit business goals in "Developing and Implementing CSR Strategy" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org) and Future-Fit Business Framework, Part 1: Concepts, Principals and Goals (Future-Fit Foundation, Release 1, May 2016), 25, FutureFitBusiness.org.

[37] Small Business Big Impact: SME Sustainability Reporting from Vision to Action (Amsterdam and Geneva: Stichting Global Reporting Initiative and the International Organization of Employers, 2016), 3. The publication is available for download at www.globalreporting.org.

- ***Forging and Describing Vision and Strategy:*** By placing their purpose, vision and strategy into the context of global sustainability during the course of the sustainability reporting new and small businesses can establish a direction for their activities and make that direction clear and explicit for their stakeholders.
- ***Developing Effective Management Systems:*** In order for sustainability management and reporting to be effective new and small businesses must invest in the development of management systems that can track and analyze data and use the results to identify and exploit opportunities for improvement, efficiency and cost savings.
- ***Identifying Strengths and Weaknesses:*** Committing to reporting and communicating drives managers of new and small businesses to seek out early warning signs of emerging issues that provide a chance to grasp opportunities and address potentially damaging developments before they grow into problems that threaten the survival of the organization.
- ***Recruiting and Motivating Employees:*** Communication, including reporting, is essential for recruiting and motivating employees through engagement in sustainability, leading to a workforce that is loyal and committed to the organization and its mission.

Important external benefits to new and small businesses from sustainability reporting and communication include building goodwill and reducing reputational risk; improving product image and branding; signaling quality and good management that leads to new sources of capital and reduced costs of financing; building or restoring trust among stakeholders through increased and improved stakeholder engagement; and increased customer satisfaction and loyalty, leading to more opportunities to collaborate with business partners as members of their trusted supply chain network.

Hohnen and Potts suggested that small companies could take several modest steps to report and verify their CSR initiatives[38]:

- While it is probably impractical to appoint a full-time CSR executive, small companies should at least designate one senior employee to monitor CSR activities and collect information that can be used to develop new CSR initiatives and report activities to stakeholders (the designated employee's existing duties and performance metrics should be rearranged to accommodate the CSR-related activities).
- A modest budget should be set up to cover anticipated CSR activities and key people in other departments (e.g., human resources, customer service, marketing and public relations, manufacturing etc.) should be asked to submit ideas for CSR projects and informed that they will be expected to work with the designated CSR employee on projects from time-to-time.
- Even if the company has not yet adopted one of the international CSR instruments, information regarding its CSR activities should be posted on the company's website and should include both successes and areas that have been targeted for improvement.

[38] P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 72.

- Information on CSR activities can also be communicated to customers, suppliers and other business partners and community members by adding new sections to the company's brochures and pamphlets and posting pictures of activities that can be viewed by visitors to the company's facilities.
- Information about the company's CSR activities can be placed into local newspapers, a relatively easy and low cost public relations effort that has high impact among current and prospective employees, local customers and community members.
- Staff briefings on CSR activities should be held on a regular basis and small businesses should also invite business partners and community members to events at the company's facilities which showcase some of the things that the company is doing with respect to CSR.
- CSR should be placed on the agenda for all discussions with key customers, suppliers and other business partners in order to gather their input and ideas on things that the company can do in the CSR area and get feedback on current initiatives.
- Small businesses should begin with self-assessment of CSR commitments using well-accepted global guidelines as a reference point and use the self-assessment process as a means for preparing for more rigorous verification and reporting in the future.

Questions for New and Small Businesses Launching Sustainability Reporting

Sustainability reporting is often seen as a daunting and challenging project for new and small businesses and sustainable entrepreneurs often complain that they do not know where to start. However, the Global Reporting Initiative ("GRI"), the developer of the GRI Standards used by thousands of organizations around the world to describe and report the progress of their sustainability initiatives and programs, and the International Organization of Employers have partnered to generate the following list of questions that new organizations can use the develop a process for launching their reporting process:

- **Scope and Strategy:** ***How does your organization communicate what it is and what it does, including showing your commitment to being environmentally, socially and economically responsible?*** Provide a clear picture of how your organization creates value, and of your operations and activities. Explain how your business strategy incorporates sustainability into programs, priorities and executive level decision making. When describing value, consider value created for the company, the employees, local communities and the wider economy.
- **Governance and Accountability:** ***How is your sustainability strategy led, and what policies and structures are in place to ensure organizational accountability when it comes to meeting sustainability objectives?*** Show how your senior executives are involved in leading sustainability programs and key initiatives.
- **Stakeholder Inclusiveness:** ***How does your organization identify the stakeholder groups that will have the greatest impact on your long-term viability? How do you engage with these stakeholders? How do you use their feedback to better understand and anticipate future risks and opportunities?*** Identify your key stakeholders and show how they are being engaged. Explain how you have addressed–or will address–their highest priority topics and how this is reflected in your sustainability initiatives.
- **Material Topics:** ***How does your organization present topics that are particularly important to you and your key stakeholders?*** Indicate your material topics while explaining how these topics were identified and addressed both in your current strategy and programs and your strategic planning.
- **Key Performance Indicators, Performance and Impact:** ***How does your organization measure sustainability performance? How do you know whether your sustainability performance is advancing, and how it is impacting society, the environment and your bottom line?*** Use key performance indicators (KPIs) corresponding to high-priority topics to show how your performance is

improving and whether you are meeting expectations/targets.

- **Data Quality:** ***How clearly do you communicate your sustainability priorities, plans and performance? Do you provide a well-rounded picture of your successes, challenges, risks and opportunities? Are you open about improvement points? How do you prove the accuracy of your performance data and the credibility of your claims? Is the information presented in a way that is sufficiently accurate and detailed for stakeholders to assess your performance?*** Sustainability reports should be credible. This means reports should be balanced and the data reported should be comparable, accurate, timely, clear and reliable. Show your stakeholders how a focused and effective sustainability program will improve your overall future direction (i.e., improving bottom line, reducing risks, increasing competitiveness), so that there is a strong link between sustainability and corporate strategy. Describe how your company addresses potential concerns about the reliability of data and claims through a combination of consistently applied internal auditing practices, independent quality assurance and feedback from stakeholders on the overall structure, topics and tone of the report.

Taken together, the above questions should prod the leaders of the organization to address several of the key elements for success in exercising social responsibility and pursuing sustainability in the course of the organization's activities. First of all, the organization needs to identify is core mission and purpose and the way in which it intends to provide value to each of its stakeholders. In order to achieve clarity regarding the expectations of stakeholders relating to the organization's value proposition, organizational leaders need to establish relationships with each of the stakeholder groups through engagement. Stakeholder engagement will ultimately lead to the identification of the organization's major sustainability goals and objectives, each of which will eventually become a "major topic" in the sustainability reporting process and will need to be supported by a strategy that can also be explained to stakeholders in the sustainability report. Once the goals and strategies associated with the organization's sustainability initiative and programs have been selected, the governance framework of the organization (i.e., policies and procedures) should be aligned with the strategy. This begins with the proper "tone at the top" and continues downward throughout the organization with clarity for everyone regarding their roles and responsibilities. In addition, in order for the organization to report on the progress of its sustainability initiatives and the success of its strategies, there must be performance indicators embedded in the strategy and investment in the systems necessary to generate and analyze the data required to track performance and report on it to stakeholders.

Source: Small Business Big Impact: SME Sustainability Reporting from Vision to Action (Amsterdam and Geneva: Stichting Global Reporting Initiative and the International Organization of Employers, 2016), 11-12. The publication is available for download at www.globalreporting.org.

§15 Evaluating and improving CSR initiatives

Verification and reporting, both important in their own right, should also be seen as the catalyst for careful evaluation of the effectiveness and scope of the company's CSR initiatives and generation of ideas for modifying and improving those initiatives. Hohnen and Potts admonished companies to use the results from the verification process, including information gathered from engaging stakeholders, to determine what is working well, why and how to ensure that it continues to do so; investigate what is not working well and why not, to explore the barriers to success and what can be changed to overcome the barriers; assess what competitors and others in the sector are doing and have achieved; and revisit original goals and make new ones as necessary.[39] While some might ask why this is necessary when a detailed report has been prepared at great expense

[39] The discussion in this section is adapted from P. Hohnen (Author) and J. Potts (Editor), Corporate Social Responsibility: An Implementation Guide for Business (Winnipeg CAN: International Institute for Sustainable Development, 2007), 73-74.

it is important to distinguish the data and other information in the report from the process of thinking deeply about what the data and information really mean in practice. Questions that Hohnen and Potts suggested should be used in order to drive the evaluation process included the following:

- What worked well? In what areas did the company meet or exceed targets? Has the company celebrated its successes, an important way to continue motivating employees?
- Why did it work well? Were there factors within or outside the company that helped it meet its targets?
- What did not work well? In what areas did the company not meet its targets?
- Why were these areas problematic? Were there factors within or outside the company that made the process more difficult or created obstacles?
- What did the company learn from this experience? What should continue and what should be done differently?
- Is the company using the right reporting indicators? Are they aligned with the company's overall mission and CSR commitments?
- Is the company engaging with the right stakeholders?
- Have the right persons for advancing CSR initiatives inside the company been identified and have they been given adequate support?
- Drawing on this knowledge, and information concerning new trends, what are the CSR priorities for the company in the coming year?
- Are there new CSR objectives?

Evaluations need to be done regularly, no less frequently than annually, and procedures should be established for tracking the results from evaluations year-over-year in order to gauge progress and identify any relevant patterns or trends. When conducting evaluations input should be obtained from people throughout the organization as line-level employees may have very different impressions of CSR initiatives than managers higher up in the organizational structure. When small businesses conduct an evaluation it need not be time consuming. In fact a good deal can be learned from having everyone in the company get together for a working meeting and planning session to go through the questions laid out above.

Another way that sustainable entrepreneurs can measure and demonstrate the commitment of their organizations to social and environmental responsibility is through participation in ratings agencies and ratings systems that have been created in order to give external stakeholders a means by which they can assess the social and environmental impact of the organization's activities. In order to participate in these systems, some of which actually offer opportunities for certification, organizations must be prepared to adjust their internal structures in order to comply with the requirements of the system and ensure that the information necessary for measurement can be collected, analyzed and properly reported. While there are similarities among the most popular systems, there is still no universal standard and many of the systems operate without extensive efforts to verify or audit the information provided by organizations, although organizations should expect that they will be required to submit to site visits and renew their certifications on a regular basis.[40]

Perhaps the most well-known certification program is overseen by B Lab Company ("B Lab"), a Pennsylvania non-profit corporation that administers certification as a Certified B Corp., which offers access to the Certified B Corporation logo often seen as being a "Good Housekeeping Seal of Approval" for sustainable businesses. B Lab has explained that certified B corporations are purpose-driven and create benefits for all stakeholders, not just shareholders.[41] Adoption and adherence to the GRI standards is itself often considered to be a form of verification of sustainability-related processes; however, the GRI is not a rating agency, does not monitor whether a particular organization has correctly applied its guidelines, and does not provide any certifications. Various product, safety and environmental certifications are available depending on the industry and activities of the organization. For example, UL (www.ul.com) helps companies demonstrate safety, confirm compliance, enhance sustainability, manage transparency, deliver quality and performance, strengthen security, protect brand reputation, build workplace excellence, and advance societal wellbeing through a range of services including inspection, advisory services, education and training, testing, auditing and analytics, certification software solutions, and marketing claim verification.[42]

Costs to organizations for attempting to comply with certification programs and standards will vary and consideration should be given to fees that must be paid to the agency and the investments that must be made in order to fulfill the agency's requirements. Organizations must also consider the potential impact of participating in a particular rating or certification program, or complying with a formal reporting regime, on the organization's governance or regulatory obligations depends on the program. However, the costs and disruptions to traditional operating procedures must be balanced against the benefits of being able to provide potential investors and stakeholders with reliable information to accurately assess the social impact such companies make, thus making it easier for organizations to raise capital from investors seeking to support socially responsible ventures and attract employees and customers want to do business with companies that are having a positive social and environmental impact.[43]

§16 Role of audit and disclosure and reporting committees

[40] While Legal Structure is Right for My Social Enterprise?: A Guide to Establishing a Social Enterprise in the United States (Thomson Reuters Foundation and Morrison & Foerster, September 2016), 111-112.

[41] For complete information about becoming a Certified B Corp., see the B Lab website at http://www.bcorporation.net/ (which is the primary source of the summary description in this section) and R. Honeyman, The B Corp Handbook: How to Use Business as a Force for Good (Oakland, CA: Berrett-Koehler Publishers, 2014).

[42] For detailed discussion of sustainability-related certifications and rating systems, see "Sustainability Governance and Management" in "Corporate Social Responsibility: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

[43] While Legal Structure is Right for My Social Enterprise?: A Guide to Establishing a Social Enterprise in the United States (Thomson Reuters Foundation and Morrison & Foerster, September 2016), 114-115.

The Securities and Exchange Commission ("SEC") has granted public company audit committees substantial authority and responsibility with respect to compliance with the disclosure and reporting process. Accordingly, the audit committee should always be a central player in the preparation and review of reports and other disclosure documents, as well as the certifications that must be given by the senior managers (i.e., the CEO and CFO). In most instances, boards do not create separate disclosure and reporting committees and provide for all disclosure and reporting matters to be overseen by the audit committee alone. In those situations, the audit committee itself may create a subcommittee that focuses on disclosure controls and preparation of required and voluntary reports. For the sake of separating out disclosure and reporting from all the other issues that an audit committee must handle, the discussion below pertains to any board-level body specializing in disclosure and reporting (referred to generally as the "disclosure and reporting committee"), be it a subcommittee of the audit committee or a standalone board committee.[44]

As part of their efforts to demonstrate compliance with corporate governance principles to their investors, disclosure and reporting committees should adopt and publish various policies and procedures relating to their disclosure processes and internal controls. For example, a policy statement on disclosure processes and procedures may describe the disclosure process used by the company, including the creation of an internal disclosure committee and appointment of a disclosure controls monitor, and a detailed description taken to insure that disclosure documents are complete and accurate. A statement of policies and procedures regarding internal controls and risk management may be used to describe the principal activities of the company's internal controls or audit function including risk assessment, development of control strategies, implementation of monitoring procedures, and communication of information to senior management, the disclosure and reporting committee and the entire board of directors.

The board-level group responsible for disclosure and reporting matters, be it the audit committee, a subcommittee of the audit committee or a standalone disclosure and reporting committee, should have a set of procedures and formal duties and responsibilities as terms of reference for its activities, generally in the form of a charter. Models for a charter for a board-level committee are relatively scarce and preparing such a charter requires referring to charters of internal disclosure committees and board-level audit committees and trying to strike the appropriate balance in allocating responsibilities between board members and management. Further complicating the process is the need to integrate sustainability reporting into the duties and responsibilities of the disclosure and reporting committee.[45]

[44] For discussion of the duties and responsibilities of the audit and disclosure and reporting committees, see "Audit Committee" and "Disclosure and Reporting Committee" in "Governance: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

[45] For examples of internal disclosure committee charters and additional commentary on preparation of such charters, see "Board Committee Charters: Disclosure and Reporting Committee" in the management tools available as part of "Governance: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org). The discussion in this

The purpose statement in the charter for a disclosure and reporting committee should include a reference to oversight of management activities in preparing regulatory filings and communications to stakeholders and implementing disclosure controls and procedures which will be effect to collect, analyze and disseminate the information necessary for the company to meet its financial and sustainability reporting obligations and commitments. The charter should explain how the disclosure and reporting committee fits within the organizational structure of the other board committees, particularly the audit, compensation and corporate social responsibility committees, and the allocation of duties and responsibilities between the board-level committee and any internal disclosure committee created by the CEO and CFO. Issues with respect to boundaries can easily be addressed by ensuring the disclosure and reporting committee includes members of the audit, compensation and corporate social responsibility committees and having representatives of all four committees meet as a single group at regular intervals.

Other factors to consider when creating a board-level disclosure and reporting committee are the size of the committee and the diversity of the membership. Studies have shown that companies that are willing and able to implement broader, more objective and more comparable information practices are able to generate added value and an enhanced social and environmental impact.[46] One way to ensure that information processes are robust, integrated and sufficient to generate the information necessary to prepare reports that meet the needs of all stakeholders of the company, not just financial-based disclosures to shareholders, is populating the disclosure and reporting committee with members who bring a diverse set of perspectives to the process and truly understand what is material to current and prospective employees, customers, regulators and members of the communities in which the company operates.[47] As alluded to above, stakeholder engagement is foundational to sustainability reporting and committee members should

chapter assumes that the corporation has not opted for "benefit corporation" status, a decision that creates substantial additional duties and responsibilities for the board of directors with respect to, among other things, reporting and transparency that would need to be integrated into the charter for any disclosure and reporting committee. For further discussion, see "Benefit Corporations" in "Governance: A Library of Resources for Sustainable Entrepreneurs" prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).

[46] See, e.g., L. Rodríguez-Ariza, I. García-Sánchez and J. Frías-Aceituno, The Role of the Board in Achieving Integrated Financial and Sustainability Reporting (examined 568 non-financial firms from 15 countries, including firms from Anglo-Saxon, Germanic and Latin models of corporation governance, for the period 2008-2010).

[47] For discussions of empirical studies of the impact of board composition on sustainability reporting, see D. Dienes and P. Velte "The Impact of Supervisory Board Composition on CSR Reporting: Evidence from the German Two-Tier System", Sustainability, 8 (2016), 63 (gender diversity among the membership of German supervisory boards found to have a positive impact on CSR disclosure intensity) and Z. Mahmood, R. Kouser, W. Ali, Z. Ahmad and T. Salman "Does Corporate Governance Affect Sustainability Disclosure?: A Mixed Methods Study", Sustainability, 10 (2018), 207 (using data collected from 100 companies listed on the Pakistan Stock Exchange for the period ranging from 2012 to 2015 to provide support for the proposition that a large board size consisting of a female director and a CSR committee is better able to check and control management decisions regarding sustainability issues and results in better sustainability disclosure).

versed in engagement techniques and prepared to participate directly in communications with stakeholders to identify their key interests.

A list of duties and responsibilities for the disclosure and reporting committee would likely be extensive and the tasks specifically related to sustainability reporting would include the following:

- Assume oversight responsibility for all primary components of the sustainability reporting process including identification of material sustainability factors, establishment of policies in relation to the identified factors, establishment of performance targets for each identified factor, selection of a global-recognized sustainability reporting framework and establishment of assurance procedures for sustainability reporting
- Receive and review on a continuous basis reports from the CEO and the company's chief sustainability officer on (i) sustainability trends and impacts on the company's operations, financial results and stakeholders and (ii) the company's positions on and actions taken relating to relevant sustainability issues and how such positions and actions have affected or may affect stakeholders.
- Ensure that information necessary for preparation of sustainability reports is collected within the framework of the company's overall disclosure controls and practices
- Regularly meet with the members of the team selected to assume responsibility for the preparation of the sustainability report, which should include representatives of relevant departments such as investor relations, governmental/regulatory relations, community relations, legal compliance and human resources
- Ensure that clear processes and standard methods have been established to ensure that data necessary for the preparation of the sustainability report is collected and analyzed and that senior management understands the importance of balanced sustainability reporting
- Receive regular reports on activities relating to stakeholder engagement including meetings and other dialogues with investors, employee representatives, community members and supply chain partners
- Regularly meet with members of other board-level committees responsible for areas such as auditing, governance, compliance, risk management, corporate social responsibility, environmental and health and safety to ensure coordination of data collection and reporting activities
- Regularly review the steps taken by management with respect to external assessment of information included in sustainability reports and external certification of sustainability-related operations
- Prepare and submit to the full board of directors for review and approval a board statement on the board having considered sustainability issues as part of its strategic formulation, determined the material sustainability factors and overseen the management and monitoring of the material sustainability factors
- Ensure that board members, senior management and relevant employees throughout the organization receive training on sustainability report techniques and trends
- Oversee presentation of sustainability-related information on the company's website

While the scope of the activities and responsibilities of the disclosure and reporting committee is obviously quite extensive, the frequency of committee meetings will depend in large part of the ability of the committee and management to establish and maintain disclosure controls that effectively identify major issues that warrant attention at the board level. The committee should meet no less frequently than quarterly and may designate a sub-group of the committee to be available for consultation and review with respect to disclosures outside of the periodic reporting schedule. All regular meetings should include presentations by the CEO, CFO and any designated leader of the internal disclosure committee and the committee should also meet regularly with representatives of the company's independent auditors and the internal audit group. Disclosure and reporting committees should consider engaging outside consultants, typically attorneys and accountants who have worked for the SEC and other regulatory bodies, to conduct an independent review of proposed disclosures and access the reaction of regulators to the disclosures once they are filed. A similar independent review should be conducted of disclosures in sustainability reports to gauge whether the information reasonably addresses the expectations of stakeholder groups and reflects the communications that occurred during the engagement process. Like other board-level committees, the disclosure and reporting committee should conduct an evaluation of its performance and issue a report to the board with recommendations relating to changes to the purposes and duties of the committee.

About the Author

Dr. Alan S. Gutterman is the Founding Director of the Sustainable Entrepreneurship Project (www.seproject.org). In addition, Alan's prolific output of practical guidance and tools for legal and financial professionals, managers, entrepreneurs and investors has made him one of the best-selling individual authors in the global legal publishing marketplace. His cornerstone work, *Business Transactions Solution*, is on online-only product available and featured on Thomson Reuters' Westlaw, the world's largest legal content platform, which includes almost 200 book-length modules covering the entire lifecycle of a business. Alan has also authored or edited over 40 books on sustainable entrepreneurship, management, business law and transactions, international law business and technology management for a number of publishers including Thomson Reuters, Kluwer, Aspatore, Oxford, Quorum, ABA Press, Aspen, Sweet & Maxwell, Euromoney, CCH and BNA. Alan has over three decades of experience as a partner and senior counsel with internationally recognized law firms counseling small and large business enterprises in the areas of general corporate and securities matters, venture capital, mergers and acquisitions, international law and transactions, strategic business alliances, technology transfers and intellectual property, and has also held senior management positions with several technology-based businesses including service as the chief legal officer of a leading international distributor of IT products headquartered in Silicon Valley and as the chief operating officer of an emerging broadband media company. He has been an adjunct faculty member at several colleges and universities, including Boalt Hall, Golden Gate University, Hastings College of Law, Santa Clara University and the University of San Francisco, teaching classes on a diverse range of topics including corporate finance, venture capital, corporate law, Japanese business law and law and economic development, He received his A.B., M.B.A., and J.D. from the University of California at Berkeley, a D.B.A. from Golden Gate University, and a Ph. D. from the University of Cambridge. For more information about Alan, his publications or the Sustainable Entrepreneurship Project, please contact him directly at alangutterman@gmail.com, and follow him on LinkedIn (https://www.linkedin.com/in/alangutterman/).

About the Project

The Sustainable Entrepreneurship Project (www.seproject.org) engages in and promotes research, education and training activities relating to entrepreneurial ventures launched with the aspiration to create sustainable enterprises that achieve significant growth in scale and value creation through the development of innovative products or services which form the basis for a successful international business. In furtherance of its mission the Project is involved in the preparation and distribution of Libraries of Resources for Sustainable Entrepreneurs covering Entrepreneurship, Leadership, Management, Organizational Design, Organizational Culture, Strategic Planning, Governance, Corporate Social Responsibility, Compliance and Risk Management, Finance, Human Resources, Product Development and Commercialization, Technology Management, Globalization, and Managing Growth and Change. Each of the Libraries include various Project publications such as handbooks, guides, briefings, articles, checklists, forms, forms, videos and audio works and other resources; management tools such as checklists and questionnaires, forms and training materials; books; chapters or articles in books; articles in journals, newspapers and magazines; theses and dissertations; papers; government and other public domain publications; online articles and databases; blogs; websites; and webinars and podcasts.

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