

Proxima, 2019

# PROXIMA

Towards Transparency





## ABOUT THIS GUIDE

This guide presents practices from New Zealand companies disclosing sustainability-related information.

### REPORTING WHICH INCLUDES SUSTAINABILITY-RELATED INFORMATION

We've started using the phrase- reporting which includes sustainability-related information - because we believe it is the most useful overarching description of how organisations communicate through their reporting. It covers all forms of reporting commonly referred to in New Zealand, such as environmental, social and governance (ESG); corporate social responsibility (CSR); sustainability; non or pre-financial, integrated and external extended reporting (EER).

Towards Transparency is designed as a practitioner's guide for reporting sustainability-related information in New Zealand

### THIS GUIDE BUILDS ON PREVIOUS EDITIONS

This is the seventh edition of the guide and it follows on from the previous six editions published since 2012. New and emerging reporting practices are described in this guide. Established reporting practices covered in previous guides are not revisited here and readers are encouraged to refer to previous editions, available on Proxima's website.

### THIS GUIDE IS BASED ON NEW ZEALAND REPORTS FROM THE 2019 CALENDAR YEAR

The content and reporting statistics for this guide are based on publicly-available reports published in New Zealand during the annual period ending 31st December 2019.

### CONTRIBUTIONS

Analysis of reports was carried out by Proxima, and we acknowledge the invaluable work of Proximanaut Sally Wilkins getting this epic job done. The guide also includes a number of articles and inputs from New Zealand and international thought leaders in reporting, research and communication fields.

### GIVE US FEEDBACK

Proxima want to enliven the conversation about the role of reporting in our efforts to create a flourishing society and healthy environment. We welcome feedback about the content of the guide, how you're using it or if you'd like to contribute in future – so please get in touch.



# FOREWORD



"The heightened interest in future-fitness and sustainability-related assessment reflects a growing awareness by the business community of its role in addressing society's critical sustainability challenges..."

– Martin Rich, Co-Founder & Executive Director,  
Future Fit Foundation

When New Zealand NZX-listed company Tourism Holdings Limited (*thl*) published its Annual Integrated Report in 2019, it marked a significant milestone for sustainability-related reporting. As a world first for a publicly-listed company, *thl* had explicitly stated what it would take to become a truly sustainable, Future-Fit Business.

To articulate its definition of a sustainable business, *thl* used the Future-Fit Business Benchmark – an open-source, science-based, strategic management tool. The benchmark not only defines the requirements for a business to do less harm, but to create net-positive value for all stakeholders by restoring the natural and social systems necessary for a flourishing society.

In its Annual Report, *thl* committed to transparently reporting its current state in relation to the Future-Fit Break-Even Goals and to sharing progress on its road-trip to future-fitness. The report provided clear contextual information, including *thl*'s rationale for taking action to become a truly sustainable business committed to an environmentally restorative, socially just and economically inclusive future.

As I write this foreword, I am poised to meet with a group of New Zealand business leaders who are also actively exploring what the shift to becoming a Future-Fit Business would require. The heightened interest in future-fitness and sustainability-related assessment reflects a growing awareness by the business community of its role in addressing society's critical sustainability challenges. I encourage those New Zealand businesses who are serious about their sustainability (which, surely, is all of them?) to continue to examine their performance against robust science-based criteria, and to report their progress, and remaining challenges, transparently.

It is exciting to see the developments in sustainability-related action and reporting in Aotearoa New Zealand, and to be a part of them. Towards Transparency provides an easy-to-read overview of current sustainability-related reporting practice, including useful insights from reporting companies and practitioners. I recommend it as a resource for any company seeking to measure, manage and communicate its progress towards true sustainability.

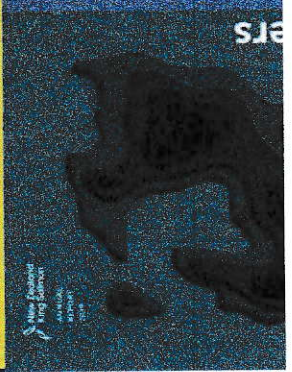
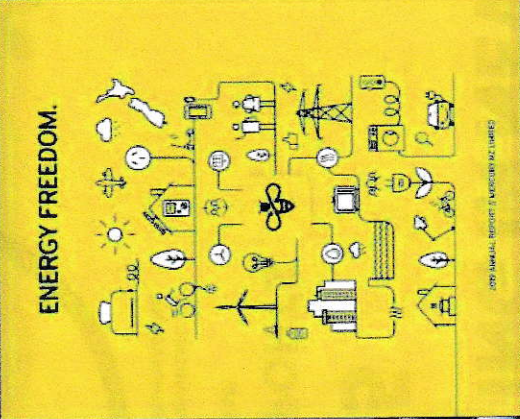
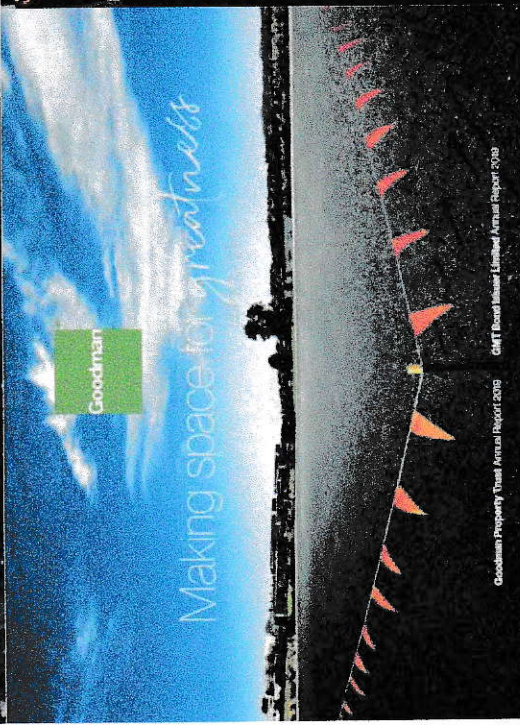
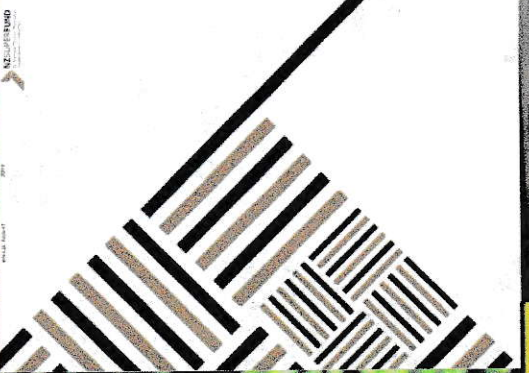
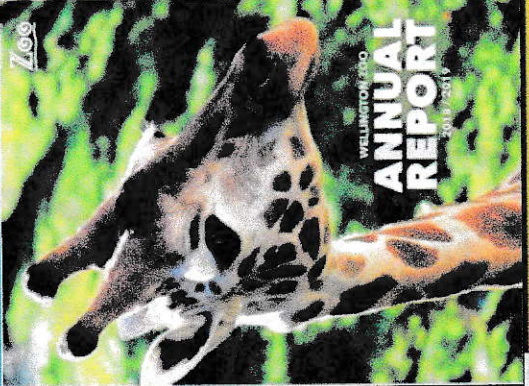
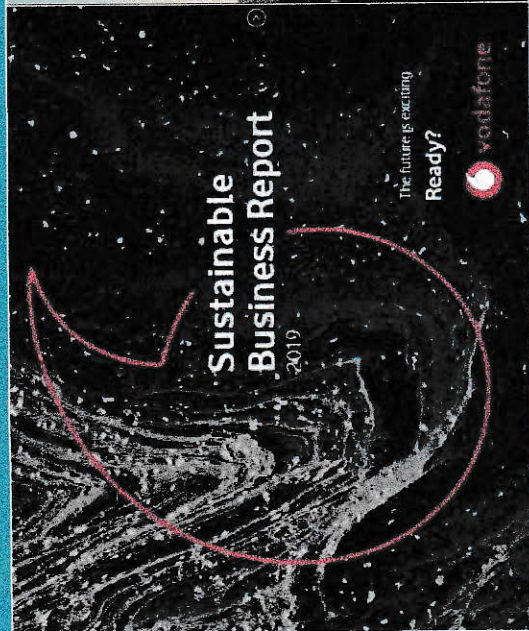
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TOWARDS TRANSPARENCY | BACKGROUND





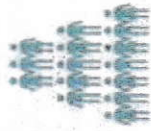
# THE STATE OF REPORTING IN NEW ZEALAND

**112**

**REPORTERS**

(54 FY18)

81 NZX LISTED ORGANISATIONS  
31 NON-LISTED ORGANISATIONS



**85**

REPORTERS  
DISCLOSING ON  
**DIVERSITY**



**71**

REPORTERS  
DISCLOSING ON  
**HEALTH AND  
SAFETY**



**25**

**GRI REPORTS**

(26 FY18)

17 NZX LISTED ORGANISATIONS  
8 NON-LISTED ORGANISATIONS



**66**

REPORTERS  
DISCLOSING ON  
**CARBON**



**38**

REPORTERS  
DISCLOSING ON  
**SUSTAINABLE  
DEVELOPMENT GOALS**





# THE STATE OF REPORTING IN NEW ZEALAND



Sally Wilkins, Proxima

New Zealand's sustainability-related reporting landscape is shifting, and shifting fast. In 2018 we identified 54 sustainability-related reports published in New Zealand by listed and non-listed entities. This year, we found 112.

Here's our take on sustainability-related reporting in New Zealand

## WE'VE CHANGED HOW WE MONITOR REPORTING

It's important to mention up front that the Towards Transparency's reporting period has changed. We have set our period to the calendar year instead of our previous September to August annual review period. We've also taken a much deeper approach to report discovery, particularly in the SME sector.

## MORE NZX-LISTED COMPANIES ARE REPORTING

Just under half of the NZX Main Board are now including sustainability disclosures in their reporting, accounting for 93% of the Main Board's total capitalisation, up from 75% in 2018. This significant increase in listed companies reporting sustainability-related information is mirrored by a growing awareness and understanding about sustainability disclosures from both regulators and investors.

## OVER HALF (55%) OF NZX LISTED COMPANIES ARE NOT REPORTING

This year's results illustrated that the 2017 NZX updates to its Corporate Governance Code and ESG Guidance Note have significantly influenced the uptake of sustainability-related reporting in the past two years. Despite this impact, 55% of listed entities on the Main Board are still not reporting. The 2017 updates effectively required issuers to report sustainability practices on a comply or explain basis and were introduced by the NZX in fulfillment of its commitments to the Sustainable Stock Exchange Initiative- to inform conscious investment decisions and strategic organisational awareness of long term risks and opportunities.

## REASONS FOR NOT REPORTING VARY

Issuers not reporting ESG risks cited various reasons for non-compliance. Some indicated a lack of adequate reporting resources and noted an intention to begin non-financial disclosures next year, others were silent and one particularly brave issuer claimed "it does not currently have any material exposure to environmental, economic or social sustainability risks."



# THE STATE OF REPORTING IN NEW ZEALAND

## MANY NEW REPORTERS AND A RANGE IN THE QUALITY AND AMOUNT OF DISCLOSURE

The disclosure of sustainability-related information by listed companies in 2019 illustrated a range in reporting quality and quantity of information disclosed. A significant number of listed companies disclosed their sustainability-related information for the first time. The majority of first-time reporters published a limited number of disclosures and signaled an intention to set up reporting frameworks and sustainability strategies over the next few years. This result meant that while the overall number of listed reporters had more than doubled since 2018, the growth in reporting didn't translate into an increased uptake in recognized frameworks or external assurance of reports.

## REPORTING IS SEEN AS A PROGRESSIVE AND ITERATIVE EXERCISE

A limited number of companies adopted elements of integrated reporting, either noting an intention to align formally with the framework over the next few years (e.g. Transpower) or as a way of informing its own strategic principles of reporting outside of a prescriptive framework (e.g. a2 Milk). Both

approaches support the perception that reporting is a progressive and iterative exercise. The more experienced reporters continued to push reporting boundaries through increasingly detailed disclosures using reporting as a strategic exercise to set future intention and respond to opportunities and creative design and storytelling methods. Z Energy, Meridian and Sanford continued to be particularly strong voices in New Zealand's sustainability reporting scene. Tourism Holdings Limited (*thl*) made a bold statement this year, unveiling their Future-Fit journey with a strong endorsement from its senior decision makers. The *thl* report was the first report globally to explicitly state a sustainable end-state and received considerable attention for doing so.

## MOST COMMON SUSTAINABILITY TOPIC DISCLOSURES REMAIN LARGELY UNCHANGED

Diversity, Health and Safety and Carbon remained the top sustainability disclosures in New Zealand in 2019. Diversity and Health and Safety are unsurprisingly at the top of the list as required disclosures for listed companies. The disclosure of Greenhouse Gas (GHG) emissions increased and is emerging as an area of reporting maturity. The growing corporate awareness of GHG target setting and reporting

has been spurred along by the successful launch of the Climate Leaders Coalition (CLC), which requires its members to set an emissions target and disclose performance. The CLC was launched in July 2018 with 60 CEO signatories from leading New Zealand businesses, including Z Energy, Westpac, Ngai Tahu Holdings, Air New Zealand and Spark. Since its inception, the CLC has grown to encompass over 117 organisations.

## SUSTAINABLE DEVELOPMENT GOALS

Reports featuring the linkages with Sustainable Development Goals (SDGs) increased this year. While the majority of companies disclosing SDG linkages connect their company impacts with the SDG Goals, very few stretch to meaningful analysis or reporting on the 169 targets that underpin the SDGs.



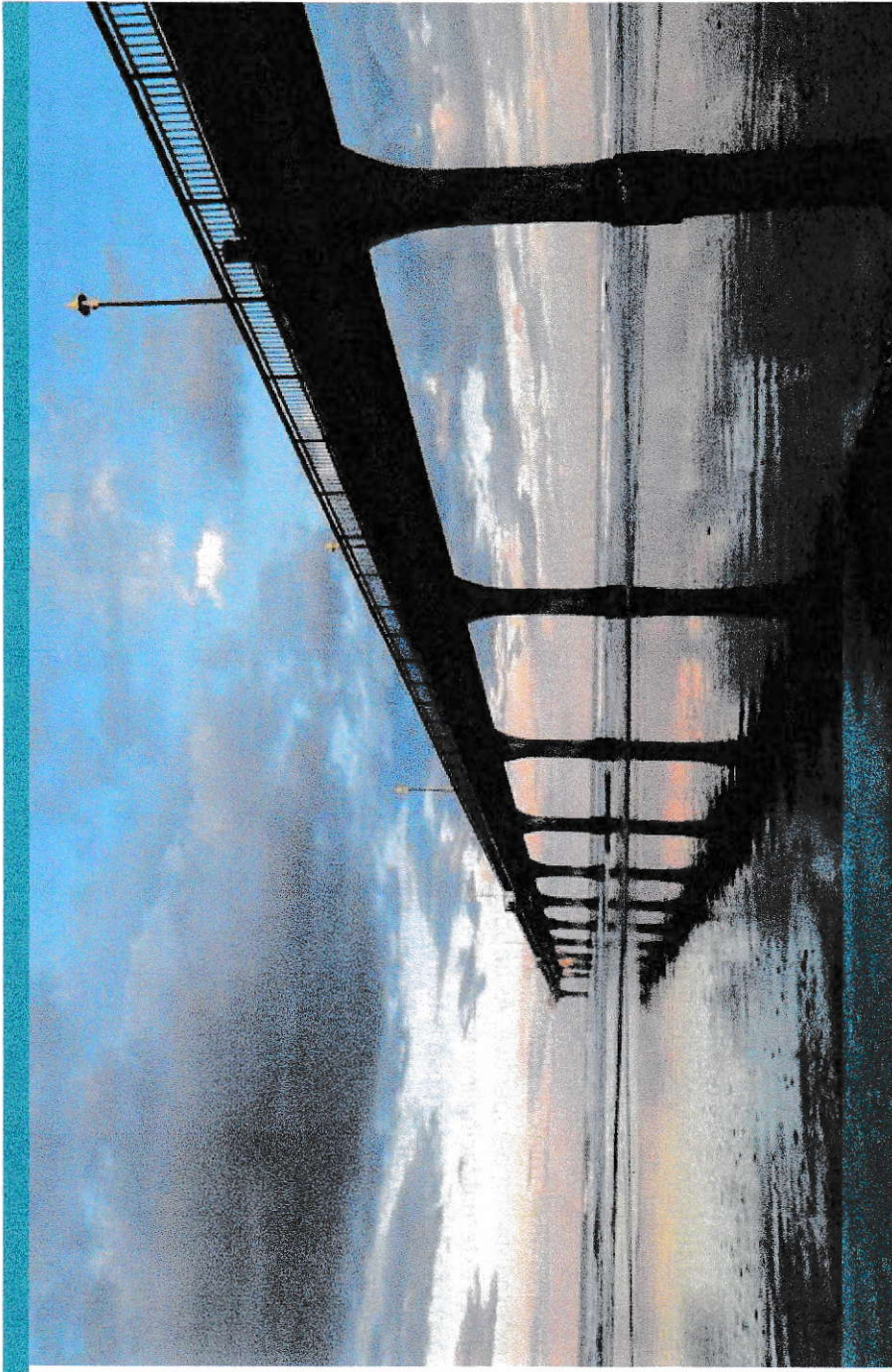
# THREE REPORTING TRENDS FOR 2020

## CONTINUED PUSH TOWARDS NEW AND CREATIVE FORMS OF REPORTING

Digital and visual reporting is driving innovative ways of publishing sustainability-related information. In 2019 a continued shift towards digital reporting continued, including interactive html report sites with customizable content

## BLENDING BRAND STORY WITH REPORTING

Reporting sustainability-related information is not a marketing exercise, yet it does offer an opportunity to connect with customers. Given the increasing consumer awareness of corporate sustainability activity, there are options to expand a company's reporting audience beyond investors to generalist audiences. Research conducted by Radley Yeldar indicates that consumers see corporate reporting as the second-most popular source of information about a company's activities behind the media. Reporters will increasingly have to consider how they balance disclosure requirements with compelling brand stories, while avoiding greenwashing.



## NEW FOCUS OF REPORTING

The tone of reporting for 2019 was set by **thi**, shaking up the backward-looking style of sustainability-related disclosures that has traditionally dominated non-financial reporting. Instead of reporting against past-performance, industry peers, or short-term targets, **thi** focused on measuring what matters; its contribution to a truly sustainable society built on strong social and natural systems as measured against the Future-Fit Business Benchmark. Initial feedback about **thi**'s report and interest in the Future-Fit framework suggests we are likely to see much more in this space in coming years. I'll keep you posted.



# WHICH REPORTING FRAMEWORK SHOULD I USE?

The answer is simple. It depends.



“Before selecting a reporting framework, it’s essential to get clarity on the purpose of your reporting...”

— Stefan Rüegg, Proxima

## FIND YOUR REPORTING PURPOSE FIRST

Before selecting a reporting framework, it’s essential to get clarity on the purpose of your reporting. In a nutshell you need to answer the question why are we reporting and who are we reporting to, before selecting a reporting framework or method. This may sound rudimentary, but in practice many reporters are often ambiguous in their approach.

We also often think of reporting from only an external-facing perspective. As important as those external facing impacts are, a significant part of a report’s purpose is to influence internal operations. Essentially, you will need to collect data and information so you can make informed decisions internally. As the saying goes, you can only manage what is measured. External reporting is only a subset of the collected information you share with other interested parties.

## AGREE ON YOUR REPORTING OUTCOMES BEFORE YOU START

To be effective you should be clear which outcomes the reporting process will address. This may include meeting reporting requirements, such as those for NZX listing;

building trust and awareness amongst key stakeholders about how you are addressing specific issues; or demonstrating leadership and performance improvements made in response to critical sustainability challenges. All of these outcomes may help to build your reputation and trust with stakeholders, which may be desired outcomes themselves.

## NOW YOU’RE READY TO CHOOSE A FRAMEWORK

Once you are clear on the purpose of reporting you can look at options of how to report. I’m speaking of the how in relation to reporting methodologies, rather than communication strategies. I’m going to assume for now that you are already adept at crafting messages and have techniques for reaching your target audiences.

## TAKE YOUR PICK (AND YOU’RE ALLOWED MORE THAN ONE IF YOU WANT)

Here is a simple checklist of reporting frameworks that are commonly considered and used in New Zealand. It is not an exhaustive list and further investigation should be undertaken before deciding on how you will report. What I’m attempting to do here is give you some basics and a sense of direction. All of these



frameworks are cross-compatible i.e. they work together and it is not a matter of selecting one over the other, and that's the point. Before embarking on any reporting process you should understand which frameworks can best assist you to deliver your report and achieve your desired outcomes.

### GLOBAL REPORTING INITIATIVE (GRI) STANDARDS

The GRI Standards include foundational reporting principles which have stood the test of time and made GRI the starting point and go-to standards for reporting sustainability related information. The powerful concepts of stakeholder inclusivity and materiality have underpinned the long-term success of GRI as a reporting framework. GRI is ideal for describing your impacts and responses to meet the needs of multiple stakeholders. If you are looking for a default-option, safe starting point, GRI is it.

### INTEGRATED REPORTING <IR>

Integrated reporting builds on the foundations of GRI reporting and is specifically designed to meet the needs of investor audiences. As well as directing reporters to focus on material topics and consider the views of stakeholders, the <IR> framework poses four further questions. Firstly, what value or outcomes does the business create. Secondly, what is the business model it uses to generate those outcomes. Thirdly, what capitals or stores of

value does the business use and how does it impact them e.g. financial, natural and human capitals. And finally, how do the answers to questions one, two and three demonstrate that the business is able to continue to create value over time.

### TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE (TCFD)

Its name gives it away, the TCFD is a topic specific a reporting framework. It was developed to address the risk of climate change to the stability of our financial markets. It mainly focuses on the impact the changing climate has on a company as opposed to the reporting of corporate greenhouse gas emissions. TCFD recommends 11 disclosures across governance, strategy, risk management and metrics & targets. Towards the end of 2019, the New Zealand government ran a public consultation as to whether and how any of the TCFD recommendations may be legislated in New Zealand, which may also be used to inform the review of New Zealand's Reserve Bank Act.

### SUSTAINABLE DEVELOPMENT GOALS (SDGs)

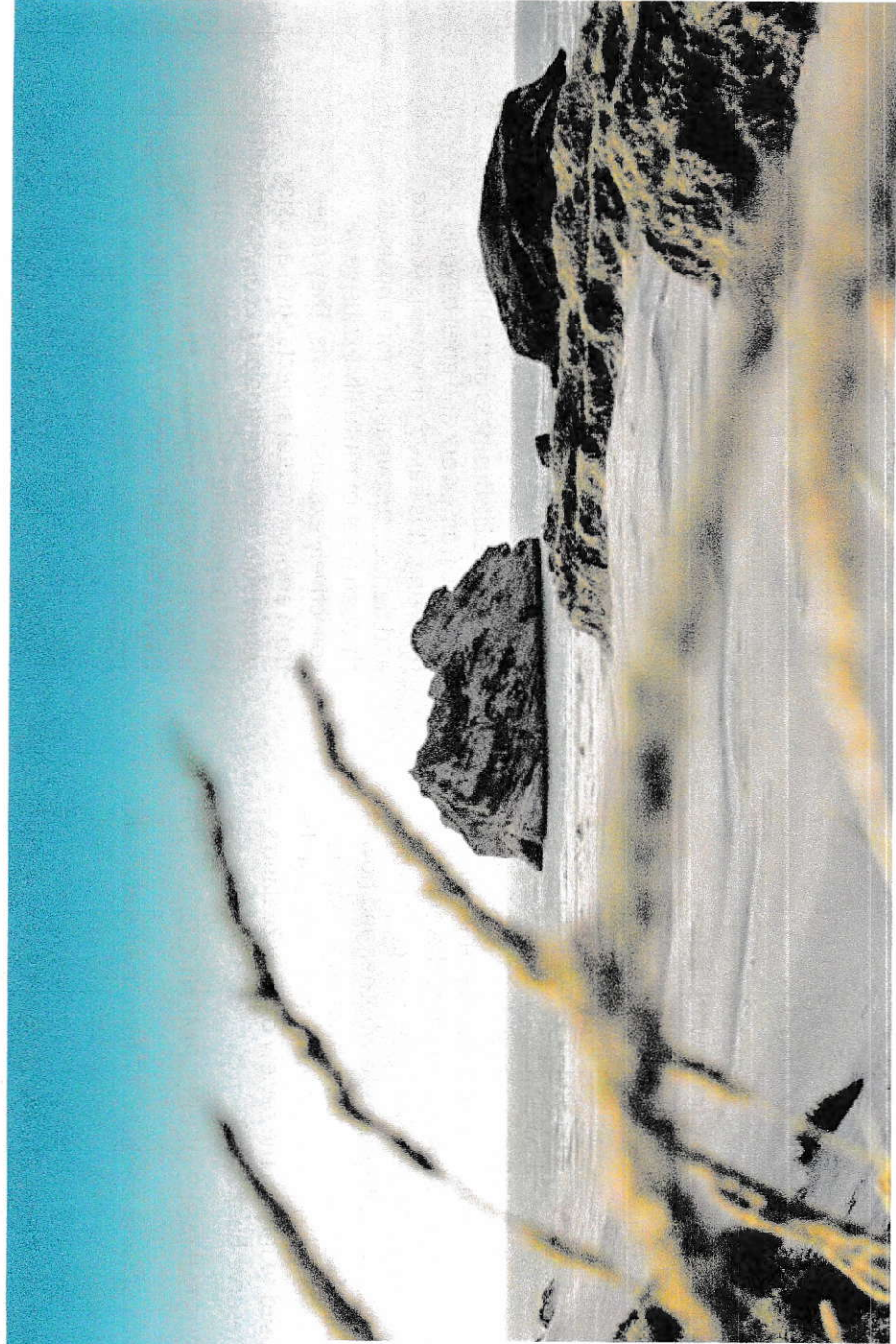
The SDGs are a set of 17 high-level sustainable development goals developed by the United Nations and signed up to by nation states, including New Zealand. Under each of the 17 goals are a set of 169 targets which contribute to the overall goals. Each target has between

one and three indicators for reporting progressing against it. The SDG guidance for implementing the goals includes how businesses can contribute, however the SDGs were not designed as a measurement and reporting framework for business. Many businesses have used the SDGs as statement of how their business goals align with the suite of 17 high-level global goals. Demonstrating performance against those goals has proved difficult for businesses as the goals were designed for countries to report against. However, there are options for businesses to delve into the target and indicator levels, to measure and report their performance.

### FUTURE-FIT BUSINESS BENCHMARK

The Future Fit-Business Benchmark is a strategic framework and goes beyond reporting. It is based on systems science and defines sustainability for a business through a set of mutually exclusive yet collectively exhaustive goals. They range from environmental aspects such as using renewable energy, managing ecosystems with care to reducing greenhouse gases, but also include paying employees the living wage, paying the right amount of tax and ensuring political lobbying does not undermine a Future-Fit society. In essence, they spell out what doing no harm means for a business in a very tangible way based on a robust, scientific methodology. The goals have been carefully designed and tested to cover all sustainability





issues for any organisation in a way that provides practical guidance for decision-makers about how to prioritise and what to do next. Each goal has a progress indicator to evaluate sustainability performance from zero to 100%, so organisations can chart and disclose their progress. And, because the progress indicators apply to organisations in any sector, investors and other stakeholders can compare the performance of different companies on a like-for-like basis.

I would encourage any business that is serious about sustainability to do a simple health check using Future-Fit. It will quickly reveal where performance is good, throw up ideas for next steps to close the gap, and highlight any issues your organisation hasn't yet started addressing.

Future-Fit enables sustainability reporting to answer the question whether a business is sustainable, and how much further there is to go.

The Future Fit-Business Benchmark is a strategic framework and goes beyond reporting. It is based on systems science and defines sustainability for a business through a set of mutually exclusive yet collectively exhaustive goals.



# TCFD REPORTING: GETTING DOWN TO THE DETAIL



**Alison Howard, Meridian Energy**

## TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORTING

When Meridian Energy published their standalone TCFD report in July 2019 it signalled a significant shift in New Zealand corporate reporting. Up until 2019, references to TCFD reporting had been scant in Annual Reports of leading New Zealand companies and access to publicly-available TCFD reports relatively non-existent.

## WHAT IS TCFD REPORTING?

The TCFD was established in 2015 to develop a set of voluntary, consistent disclosure recommendations for use by companies in providing information to investors, lenders and insurance underwriters about their climate-related financial risks. In practice it requires the disclosure of how climate-related financial risks are governed and managed, including how those risks are integrated into corporate strategy and how targets are set in relation to those risks. The TCFD have published a set of recommendations guiding how companies report these disclosures.

## WHY DID MERIDIAN ENERGY REPORT AGAINST TCFD AND MAKE IT PUBLIC?

Meridian is a strong corporate advocate for climate action. This means understanding and acknowledging our risks and encouraging others to do the same. It's the ethical and responsible thing to do for our investors and all New Zealanders.

## KEY LESSONS LEARNED

We experienced challenges in terms of making sure that our risks and opportunities were accurately described, as well as broadening staff capability from financial accounting into other reporting and analysis which can be quite qualitative. You also have to be prepared to make it public, as it's the sharing of your findings and information that make it valuable.

I would recommend using TCFD as a guide for any organisation serious about reporting its climate-related risks.



## DEFINING SUSTAINABILITY



“Only a fraction of all sustainability reports refer to scientifically established ecological or social limits; and even fewer describe how they measure up against those limits...”

– Simon Harvey, Proxima

### HOW FUTURE-FIT CHANGED THE GAME WITH A CLEAR DEFINITION OF SUSTAINABILITY

The primary question a sustainability report addresses is whether or not the reporting organisation is on an economically viable journey towards being truly sustainable. The core problem with providing an explicit answer to that question is the lack of an agreed and measurable definition of what sustainable actually means. That is, up until now.

### CURRENT SUSTAINABILITY REPORTING IS NOT BEING HONEST ABOUT THE CHALLENGE

Many sustainability reports provide evidence about an organisation’s strategy and performance in relation to its own subjective definition of what sustainability means; with a particular focus on material topics. That’s a great start; but often the reader is left asking “sustainable... but compared to who or what?”

Only a fraction of all sustainability reports refer to scientifically established ecological or social limits; and even fewer describe how they measure up against those limits. This is the challenge of achieving true sustainability in a complex system. If you don’t know what the boundary conditions are for long-term success,

there is a tendency to aim for what is familiar or currently understood, rather than the sort of redesign or changes that are needed to eliminate negative impacts. That can leave a business open to a number of risks, such as competitors moving first or changing consumer expectations.

As we’re discovering with climate change impacts, crossing planetary thresholds has complex environmental and social implications. Many of these, like ecosystem collapse or the displacement of entire communities, are too grim to contemplate. Yet at even the most basic level, the vast majority of sustainability reports fail to even acknowledge the true nature of the challenge or issue in which their organisation may be seen as complicit. To the more informed reader, which increasingly includes institutional investors, this can suggest the absence of a clear plan for mid to long-term success in the context of increasing societal concern and expectation for change.

### FUTURE-FIT: A PRACTICAL SOLUTION FOR BETTER STRATEGY, REPORTING AND DECISION-MAKING

The Future-Fit Business Benchmark converts over 30 years’ of systems-science research and practical application into 23 clear goals which define a measurable point of social and environmental break-even.



# THL'S JOURNEY TO FUTURE-FITNESS



"When we committed to sustainability, we made the decision not just to have a sustainability strategy which sat alongside our day to day activities, but to weave sustainability into the very fabric of our corporate strategy..."

— Grant Webster, CEO, Tourism Holdings Limited

In 2014, Tourism Holdings Ltd. (*thl*), the largest provider of holiday vehicles for rent and sale globally, embarked upon a journey into the future and decided to take a strategic approach to sustainable growth. The New Zealand-based company committed to using The Natural Step sustainability framework to review and reorient its business plans going forward. Using the framework as a guide, *thl* refreshed its sustainability pillars:

- » Protect: Protect our environment and address any climate change issues we contribute to.
- » Respect: Encourage responsible travel, look after the communities we touch with our travel experiences and do the right thing for our crew and culture.
- » Grow: Continue to be competitive within our industry and a compelling investment.

## FUTURE-FITNESS AND INTEGRATED REPORTING

In 2018 *thl* was introduced to the Future-Fit Business Benchmark. Based on the systems science of The Natural Step, the Benchmark provided the company with a practical tool to operationalise its ambition. The company quickly adopted the Benchmark approach and began applying it to understand its

business operations in a more holistic way. The rapid uptake meant that, in 2019, *thl* was the first listed company globally to release a Future-Fit Integrated Report. Within the report, *thl* declared its intention of becoming a Future-Fit Business, establishing its role as a sustainable business leader. *thl* firmly believes that it can grow revenue whilst reducing its global footprint and negative impacts on the world.

"Future-Fit Business success begins with an idea. That idea gathers momentum to become a strategic goal, which in turn galvanises our collective will as a business. At *thl*, we've reached that point; we're energised to be a force for good."

Using Future-Fit's health-check approach, *thl*'s 2019 Integrated Report provides a high-level snapshot of the company's current performance against the 23 Break-Even Goals and delves into how, going forward, the goals will provide a bottom up approach to strengthen the six Capitals of Integrated Reporting.



## IMPLEMENTING THE FUTURE-FIT BUSINESS BENCHMARK

In 2020 the company began implementing the Benchmark across its operations and collecting data to measure *thl*'s performance across the Break-Even Goal Progress Indicators. Already by the end of 2019, the company had incorporated the goals as assessment points in its future business plans and was considering the Progress Indicators in its monthly reporting. Furthermore, whilst *thl* is working to prioritize the implementation of the Break-Even Goals for existing operations, performance against the goals will also be considered for any new initiatives put forward.

Applying the Benchmark across a truly global company like *thl* is no easy task. The business spans New Zealand, Australia, the USA and Europe, meaning that the sustainability team will be working with 40 to 50 discrete sites. However, the integration of the Benchmark into the company's ethos has been met with enthusiasm inside the company. During a Leadership Programme in July 2019, one of the teams chose to complete a Future-Fit "deep-dive" into a location and apply the Break-Even Goal Water use is environmentally responsible and socially equitable. None of the team members had sustainability backgrounds, and

yet they were pleased to discover that they could gain valuable insights into the site's water performance after creating their own assessment template based off the Action Guide. This exercise proved an encouraging taster for what is hopefully yet to come for *thl*.

"At *thl* "being sustainable" isn't just about following a trend. It has always been about being a responsible operator."

As *thl* begins the journey toward future-fitness, outlining a plan for where to start on each goal and determining who within the company will be accountable for what going forward, the company will be living up to its ambition of being a responsible tourism operator and taking important strides towards becoming a truly sustainable company.

**This article was originally published by the Future-Fit Foundation and is reprinted with their permission.**







New Zealand reporting of sustainability-related information in global and local contexts

## REPORTING CONTEXT: HOW DO WE COMPARE?

### MORE REPORTERS, SAME QUALITY

The larger number of New Zealand organisations disclosing sustainability-related information in 2019 has been covered up front in this report. The fact that reporting quality overall remains static is predominantly explained by new reporters starting from a low baseline and existing reporters making little or no shift in how they report. Report quality is a subjective assessment that Proxima makes based on internationally-recognised reporting quality principles, such as those defined in reporting standards and frameworks (e.g. GRI and <IR>) and those criteria used by others to define the quality of reporting (e.g. WBCSD).

### PROVIDING CONTEXT HELPS REPORTING

A positive emerging practice in New Zealand is the provision of global and local context, so that report readers can make better sense of sustainability-related information presented in reports. Good examples of contextual reporting include providing global or local thresholds and the contribution an organisation makes to staying within or overstepping those thresholds. Other useful context which enhances the ability of readers to make informed

judgements about reported performance include the explanation of ecological or social system conditions, and how the reporting organisation is meeting those conditions. It's taken a while, but one of the most under-utilised GRI principles, but one of the most under-utilised GRI principles, context, is finally getting used for what it was designed for: Reporting using context is everything, without it, we are simply disclosing meaningless data.

### NEW ZEALAND V NORWAY – WE'RE DOING OK IN NZ

A recent study by Norwegian consultancy [The Governance Group](#) of the largest 100 listed companies in Norway found a bell-shaped curve in the quality of reporting. Two thirds of companies in the sample report sustainability-related information. In comparison, nearly 80% of the NZX's top 100 companies (by market capitalisation) are formally reporting sustainability-related information. Similar positive differences exist in New Zealand's favour when it comes to reporting on climate impacts, contribution to SDGs and demonstrating how stakeholder engagement and materiality assessments have been used in the reporting process. For the record, Norway is a similar geographic size and has the same population as New Zealand, but has a significantly different economy, with a prominent oil and gas sector.







### REPORTING BY SBC MEMBERS IS OF A HIGHER QUALITY

The Sustainable Business Council (SBC) is a business membership organisation and the global network partner for the World Business Council for Sustainable Development (WBCSD) in New Zealand. The membership composition of SBC includes private and listed companies, large and small, with the majority of members being larger corporates. Every two years, SBC reviews its members' sustainability-related reporting to provide feedback and ensure members are meeting their membership-related sustainability commitments.

Our analysis indicates that SBC members make greater use of reporting frameworks in comparison with non-SBC reporters, in part reflecting the influence of the organisation's processes to improve the reporting quality of its membership. Similarly, SBC members are more likely to disclose statements about their stakeholder engagement and materiality processes, used in determining report content.

The use of assurance remains the domain of larger corporates and virtually all organisations which sought independent third-party assurance for their reporting of sustainability-related information were SBC members. It is important to clarify that assurance remains a voluntary undertaking and is not a membership requirement of SBC.

In our view, the focus on reporting by SBC has driven tangible improvements in the reporting of sustainability-related information in New Zealand, while at the same time SBC membership does not automatically constitute a proxy for high quality reporting. As with any group of businesses which includes first time reporters, or reporting organisations in the early stages of their journey to maturity, a range of reporting quality exists amongst the membership.

A positive emerging practice in New Zealand is the provision of global and local context, so that report readers can make better sense of sustainability-related information presented in reports.





## KÖKAKO - GETTING STARTED

### TAKING ACTION

Kōkako was one of the first roasters in Aotearoa to offset the carbon from every kilogram of coffee we produce, starting our offset programme in 2016. We forecast coffee production one year in advance and offset carbon emissions with Fairtrade Carbon Credits. These credits support a community project in Ethiopia which provides efficient cookstoves to local farmers, helping reducing deforestation and improving local health.

### HOW WE OPERATE

Kōkako's commitment to sustainability means we hold ourselves responsible across three main pillars- environmental, social and economic. Honesty and transparency around these is important to us too. We recognise that it's near impossible to run a completely flawless business and that we need to continuously analyse our values, systems, processes and procurement strategies to enable us to set benchmarks to improve in the future. The overall vision for sustainability at Kōkako is one of embodiment and inclusion.

We have always viewed sustainability as an essential component of our brand and business DNA, and have worked within our financial and operational capacity to make business decisions that focus on the long term well-being of people, the environment & economic sustainability. We have a high level of engagement with key stakeholders in our sector (even our competitors) and take a collaborative approach to try and influence our peers to incorporate sustainable innovation into their businesses.

### MAKING PROGRESS ON REPORTING

We got into sustainability reporting back in 2016 as we thought that we'd better validate and qualify what we do and how we do it. Our 2016 report was a big learning curve as we didn't use a best-practice template; we just reported on what we thought were the important sustainability topics. Although we found this challenging we didn't realise how challenging reporting would be when using the GRI Sustainability Reporting Standard as we did in our 2018 report. Our biggest lesson was not starting early enough on the compiling the

Kōkako is a New Zealand owned specialty coffee roaster with a commitment to certified organic, Fairtrade climate neutral coffee. Established in 2001 we supply progressive and quality oriented cafes, venues and offices with coffee across New Zealand, with a commitment to consumers through our online offering and coffee subscription service.

data and information, not spreading the work among more of our team (there is so much to do!), and underestimating the late nights and weekends that would be required to get it done over and above business as usual.

Despite this we are super proud of the benefits of our sustainability reporting where we are now, firmly entrenched in the New Zealand specialty coffee sector as a future focused sustainable brand, and where our report has been widely read and distributed not only in New Zealand but also internationally.



# GRI STANDARDS: STAYING RELEVANT AND UP TO DATE

## GRI STANDARDS ARE WIDELY USED IN NEW ZEALAND

The Global Reporting Initiative (GRI) Standards remain the most widely used sustainability reporting standard in New Zealand and globally. More than 200 reporting practitioners in New Zealand have completed GRI-certified training courses and over half of all reports produced make a claim in accordance with the Standards or refer to the Standards. GRI's enduring principles for report content and quality are often cited by reporting practitioners as the reason for the Standard's success.



## GRI IS CONSTANTLY UPDATING AND EVOLVING

The team at GRI have been busy. In 2019 they released a new standard for tax, while starting or progressing significant updates for existing standards including universal standards (foundation, general disclosures

and management approach), human rights and waste. These updates are part of a structured work programme which saw the recent updates of GRI's water and occupational health and safety standards. All of the updates go through extensive development and consultation processes. GRI's focus on updating standards reflects their attention to continuous evolution and keeps the standards relevant. A useful example of how the standards are evolving can be seen in the waste and water standards which now consider circularity and stewardship principles at the core of their disclosure requirements.

## NEW TAX STANDARD LAUNCHED

A new reporting standard for tax was launched in December 2019, representing the first new specific topic standard since GRI shifted to a standard setting body in 2016. It's a good one and with laser-like precision focuses on

the critical global issue of tax avoidance, by large corporates in particular. The standard requires disclosure on tax payment policy, how tax payments are managed in practice and ultimately whether the right amount of tax was paid in the right place at the right time. Tax will be a highly material issue for most large corporates, so all eyes will be watching for use of the standard in 2020.

## SECTOR SUPPLEMENTS FOR OIL AND GAS AND AGRICULTURE AND FISHING

The GRI uses sector supplements to provide additional disclosures and reporting guidance for specific sectors. In 2019 GRI announced the first two supplements to be developed or refreshed under the Standards – the Oil and Gas sector supplement and the Agriculture and Fishing sector supplement. Both of these sector supplements will go through drafting and consultation periods, enabling relevant reporting organisations and sector stakeholders to contribute.



Company Strategy

High Level Risks and Opportunities

Goals and Timescales

Activities and Investment

Disclosure Frameworks

Tracking Progress and Future Outlook

## DIGITAL REPORTING IS ON THE UP

An increasing number of New Zealand organisations began to innovate in digital reporting in 2019, reflecting a shift beyond static PDFs. This is the beginning of a technology-driven transformation of sustainability-related reporting for how organisations:

- » Harvest, aggregate and analyse sustainability-related data for reporting; and
- » Present and communicate sustainability-related data to audiences.

### DIGITAL DATA COLLECTION CREATES VALUABLE OPPORTUNITIES

Technological advances in automation, artificial intelligence, blockchain and data analytics are likely to streamline data collection. These changes will support insight-driven reporting and new levels of accessibility, comparability and transparency of data for regulators and

investors. Blockchain advances will create opportunities for organisations to shift from retrospective to real-time reporting and in doing so meet stakeholders' needs while building trust and confidence in the data reported. Artificial intelligence is predicted to enable more detailed forecasting for a wide array of measures based on access to increasing pools of big data and innovative algorithms.

### DIGITAL COMMUNICATION OF SUSTAINABILITY-RELATED DATA TO WIDER AUDIENCES

Digitally published sustainability-related reporting allows organisations to scale readability as audiences expand beyond specialists. With careful segmenting, format recipes and channel distributions wider general audiences can be catered for who don't have an appetite for reading dense corporate documents.

New Zealand's digital sustainability-related reporting landscape remains largely populated by static PDFs, although a handful of organisations are innovating to build a more interactive, coherent and customisable experience for readers. In 2019 there was an increased deployment of HTML microsites in New Zealand to transform reports into living documents using visual storytelling techniques including videos, blogs and interactive elements.

Tourism Holdings Limited (*thf*) regularly updates its sustainability microsite with blog posts throughout the year and Mercury allows its readers to build their own custom versions of a report by selecting sections that are of relevance or interest to them.

As interactive and immersive communication experiences via the web increase, it seems also for sustainability-related reporting, the only way is up.



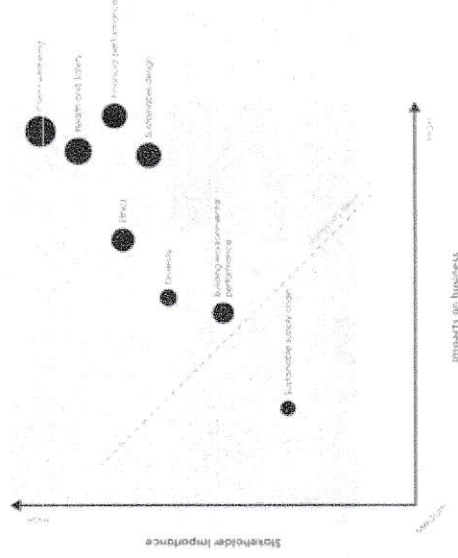
# MATERIALITY IS MATURING

## MATERIALITY – A FUNDAMENTAL PRINCIPLE

When determining what to include in a sustainability report, the materiality principle is fundamental. First formalised in the Global Reporting Initiative's (GRI) G1 framework in 2002, the principle states that a sustainability report should include information which reflects the reporting organisation's significant economic, environmental, and social impacts; or substantively influences the assessments and decisions of stakeholders.

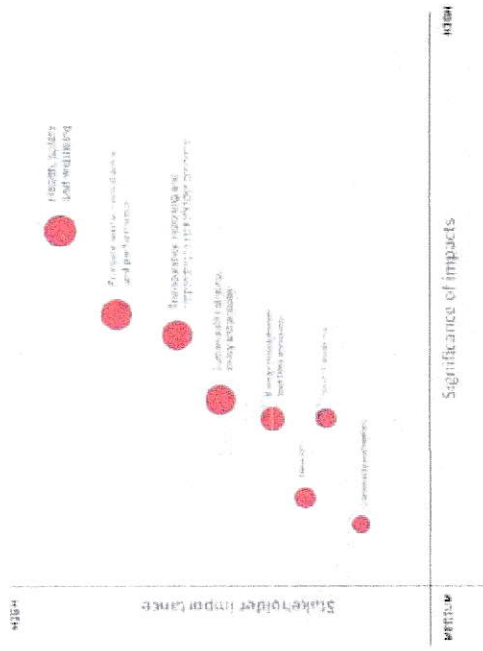
### IN THE BEGINNING: INITIAL APPLICATION OF THE MATERIALITY PRINCIPLE WAS LOOSE

Many reporting organisations initially applied the GRI's materiality principle by listening to external stakeholder concerns and cross referencing those against what the business felt was important to report on, usually based on a self-assessment of how much a topic could impact the business. It was commonplace to see a materiality matrix in reports presenting what was important to stakeholders versus what was important to the business. This loose application of the principle was flawed, as it often resulted in a direct conflict between business opinion versus stakeholder opinion. Business usually won, meaning that whatever the business thought most important or easy to report, got reported.



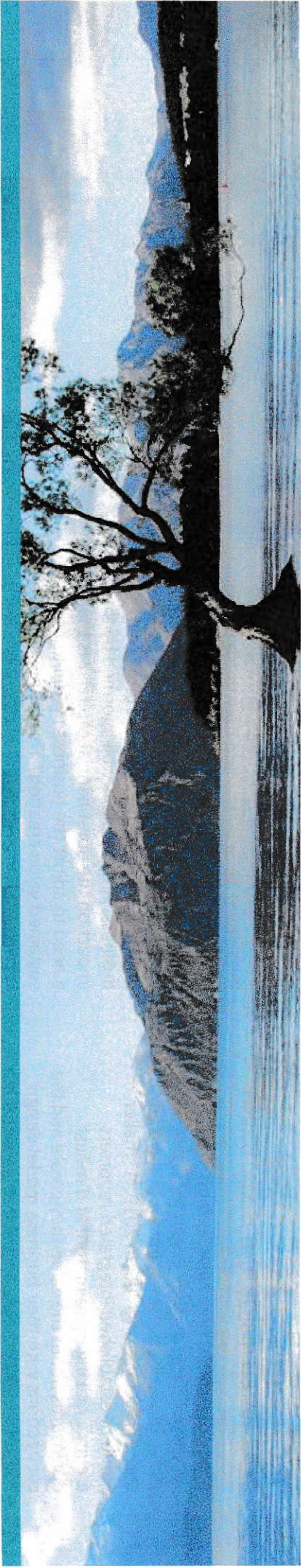
### THE SHIFT: IN 2016 THE GRI STANDARDS CLARIFIED THE APPLICATION OF THE PRINCIPLE

With the release of the GRI Standards in 2016, application of the materiality principle was made explicit. In practice this meant that reporters shifted the definition of impacts from 'on the business' to 'of the business'. Significance of impacts was then clearly associated with what the business does to impact the environment, society and the economy.



These matrices show a shift from impacts **on** the business to impacts **of** the business





## INCREASING MATURITY

### MATERIALITY BECOMES MORE THAN STAKEHOLDER OPINIONS

As reporters mature there is evidence that they look at a wider range of information sources to determine what is material. This approach may include consideration of what industry peers are reporting, sectoral sustainability initiatives which specify focus areas and the views of independent experts. Alongside traditional stakeholder opinions obtained through engagement, these additional sources of information are providing a richer materiality picture.

### WHERE TO NEXT: CONTEXT AND SYSTEM BOUNDARIES WILL DEFINE WHAT IS MATERIAL

The use of sustainability system conditions, Future-Fit goals and the GRI's context principle are emerging as applicable methods for determining material sustainability topics. The rationale driving this development in materiality is based on systems thinking. Without a clearly and contextually defined endpoint for sustainability, materiality will remain an exercise for identifying and prioritising linear impacts, rather than focussing on systemic issues.





# INTEGRATED REPORTING: FROM CAPITALS TO VALUE CREATION

The Integrated Reporting Framework <IR> was launched globally in 2013 and has been actively adopted in New Zealand since its inception. In essence, <IR> seeks to meet the information needs of the providers of financial capital, with the outcome that financial capital is usefully invested in businesses which create value while maintaining and enhancing natural, social and human capital.

## INTEGRATED REPORTING <IR>

### INTEGRATED REPORTING IS MATURING

A number of first time New Zealand reporters adopted <IR> when they began reporting in 2018. That cohort has continued to develop their reporting using <IR> in 2019. A smaller group of established integrated reporters are now making more mature and robust disclosures about the value they create and the connections with their business model design and the capitals on which they are dependent.

### INTEGRATED THINKING IS STILL EMERGING

The majority of reporters using <IR> in New Zealand have taken steps to adequately describe their capitals and value creation outcomes. Progress has been made by reporters in the way they measure and communicate different capitals, as well as how they draw linkages

between their activities and how those impact on the capitals. While progress is being made on the reporting side, even the more advanced companies are still working hard on integrating the <IR> mindset into their business: Are decisions well informed by their impact on the non-financial capitals? Is there a need to adjust the business model to enable sustained value creation? This is how advanced reporters demonstrate integrated thinking, which ultimately, is the purpose of integrated reporting.

### THE INTEGRATED REPORTING FRAMEWORK IS BEING REVIEWED

The International Integrated Reporting Council (the IIRC) have announced that in 2020 they will undertake the first formal review of the <IR> Framework. This is a great opportunity for reporters and report users to share their experiences and feedback.



# FOUR SUSTAINABILITY TRENDS BUSINESSES SHOULD KNOW ABOUT...

And how Future-Fit can help

The way the world sees sustainability is changing. The Future-Fit Business Benchmark provides a framework and language for businesses to manage their sustainability transformation and translate shifting sustainability expectations into concrete measures.

Future-Fit is a relatively new tool, but it is rapidly changing how companies can address sustainability. By providing a methodology to translate Sustainable Development Goals into corporate contexts, Future-Fit makes it easier to link business actions to global ambition.

One of the early adopters of Future-Fit was Novo Nordisk, a Danish multi-national pharmaceutical company. I was interviewed alongside Novo Nordisk's Vice President of Sustainability, Susanne Stormer, where we discussed four emerging sustainability trends for business and how Future-Fit helps to address them. Here's a brief summary of our four main points:



**Sven Beyersdorff, Nordic Sustainability**

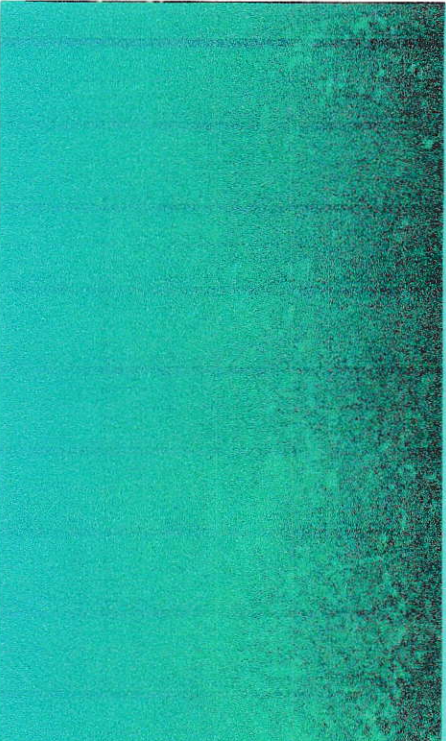
## 1. EXPECTATIONS AROUND CORPORATE SUSTAINABILITY ARE CHANGING

Corporate sustainability has been stuck in the rut of small tweaking mechanisms that assist companies to do slightly less bad. If companies want to call themselves sustainable, they have to set ambitious science-based targets to limit their impact, and currently, Future-Fit is the best verifiable framework out there to do so.

## 2. COMPANIES MAY BE UNAWARE OF FUNDAMENTAL FUTURE CHALLENGES

Even some of the most successful companies can be caught unaware of sustainability-related challenges that are central to their way of doing business. Future-Fit provides a lens to comprehensively explore business impacts. It often shines the light on previously unaddressed issues and helps managers understand and address potential disruptions. Findings such as these can have substantial impacts on business strategy and long-term investments that should not be underestimated.





### 3. INVESTORS ARE DEMANDING RELIABLE AND TRANSPARENT INFORMATION

Investors are increasingly prioritizing socially and environmentally responsible investments aligned with the SDGs. The Future-Fit Business Benchmark was built with this purpose in mind and fulfils the need for reliable and transparent sustainability measures. Future-Fit measures are comparable across companies so that investors can more easily identify successful companies creating long-term value.

### 4. ADDRESSING SUSTAINABILITY IS FUNDAMENTAL FOR A BUSINESS' LICENSE TO OPERATE

Expectations are changing. It is no longer only high profile companies investing in sustainability. Increasingly, it is expected that any company – big or small – has sustainability integrated into their strategy. Future-Fit is a valuable tool for any business seeking to integrate sustainability into the core of their organization. It can help businesses at any stage of their sustainability journey to get more value from their investments in sustainability initiatives. Future-Fit has been intentionally designed to be equally valuable for businesses of any size that need direction at the beginning of their sustainability journey, or to scale up their positive impact.

It is expected that any company - big or small - has sustainability integrated into its strategy.



# MORE CARE NEEDED IN TRANSITION TO SUSTAINABLE FUTURE



Raphael Hilbron, SenateSHJ Managing Partner

Business leaders and activists need to take more care in enabling the transition to a sustainable low carbon future

The great historian Kenneth Clark once said that however complex and solid it seems, civilisation is actually quite fragile.

This view has come into stark relief with the recent outbreak of the Covid-19 coronavirus which has seen some communities turning on others in scenes reminiscent of medieval times. Self-preservation is a very powerful driver and can also be highly destructive.

Surviving the impacts of climate change is no less worrying with the potential to threaten civil societies everywhere. What's needed is a calm and civil approach to achieving a sustainable future, not a violent one.

To enable this shift to a sustainable future, the trade union movement developed the "Just Transition" framework to protect workers' rights. The framework has been adopted by governments, but needs to be expanded to include laggards who are trying to preserve their current way of life – a natural human instinct. People fear the unknown and act accordingly. What's needed is more empathy and understanding for those who are afraid

of their changing world. This also requires a compelling story that takes into account people's hopes and fears, especially the latter.

Swedish climate change activist Greta Thunberg has demonstrated the power of narrative, as explained by [SenateSHJ Partner Darren Behar](#). She certainly has our attention.

But, perhaps now's the time for evolving the narrative from anger and shame to empathy and resolution. In other words, a just transition, not necessarily a brutal one. Our civilisation could depend on it.



# PLAIN ENGLISH IS NO FAIRY-TALE



“Sustainability reports present essential business information you want stakeholders to find, read, and act on. So, when you write, keep these three plain English techniques in mind...”

— **Paula Shelton, Pennant Communications**

Once upon a time, in a land far away, in the land where the gobbledook tree grows, lived a writer paid to write reports for all the top businesses around. The businesses paid the writer by the word, so the writer used as many words as possible in many complicated ways...

But the people who read the business reports were not happy. They couldn't find the information they wanted; couldn't untangle the sentences; didn't

understand some of the words; couldn't make decisions about the things important to them; and weren't sure if they trusted the businesses.

One day, a plain scribe used some simple magic on the first writer's words and a wonderful thing happened. People could find what they needed; understand what they read; and use what they read to meet their needs — every time!

## 1. USE WHAT YOU LEARNED FROM STAKEHOLDER ENGAGEMENT TO ORGANISE YOUR REPORT

Structure your report around what stakeholders told you they wanted to do, know, and learn. Then organise your content under statement headings to tell readers your sustainability story at a glance.

For example,

'We reduced GHG emissions by 22%' and 'No injuries on our premises' tell a story.

'GHG Emissions' and 'Health and Safety' do not.

## 2. USE ACTIVE VOICE TO BRING YOUR REPORT TO LIFE

Active sentences put the 'actor' first in the sentence. They are easy to read and give your writing energy. Your executive, Board, or staff may be the 'actors' in your sentence. Put the 'actors' where they belong and take credit for your successes and for meeting your challenges.

For example,  
'External stakeholders were engaged...' is passive and excludes you from the story.

'Our sustainability team engaged with external stakeholders' is active. It tells readers who did what.

## 3. USE FAMILIAR WORDS TO ENGAGE YOUR READERS AND BUILD THEIR TRUST

Replace 'ESG jargon' with words and phrases stakeholders used when you talked to them.

Familiar language gives readers a sense of ease. And when stakeholders read about ESG topics in their own words, they know you heard them, and you win their trust.

For many more plain language tips and tricks check out:

[Center for Plain Language](#)

[Plain English Campaign](#)

[Write Blog](#)

“Plain English embraces honesty as well as clarity. Essential information should not lie or tell half-truths, especially as its providers are often socially or financially dominant...”

— **Martin Cutts, Oxford Guide to Plain English, 3rd ed. Oxford University Press, 2009**



# READING ROOM

Five things worth reading if you're looking for reporting insights and inspiration.

[Revising the EU's non-financial reporting directive](#)



Sounds dry, but in 400 words get down to the three most pressing issues for sustainability reporting – context is everything! From our thought leading heroes Bill Baue and Ralph Thurm

[Future-Fit for companies](#)



What companies need to do to become Future-Fit, described in 23 measurable goals

[Tourism Holding Limited's 2019 Annual Report](#)



Enjoy the opening leadership statements and powerful context setting

[2019 Research Report: An analysis of the sustainability reports of 1000 companies](#)



Read Richard Howitt's powerful foreword

[Reporting matters Navigating the landscape: a path forward for sustainability reporting- WBCSD 2019 Report](#)



A good look at making reporting better

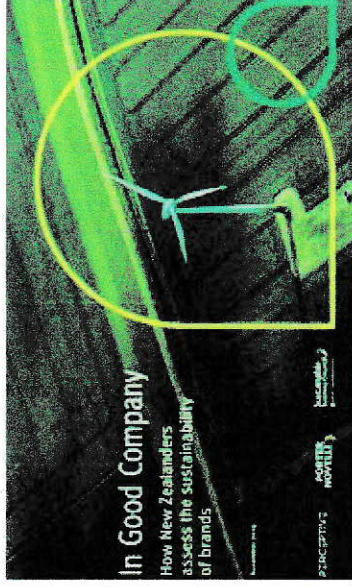


# RECENT SUSTAINABILITY REPORTING RESEARCH FROM NEW ZEALAND



Jollands, Burns and Milne 2019 Natural Capital Accounting, Revisiting the elephant in the boardroom CIMA Research Executive Summary Vol.15 Issue 2

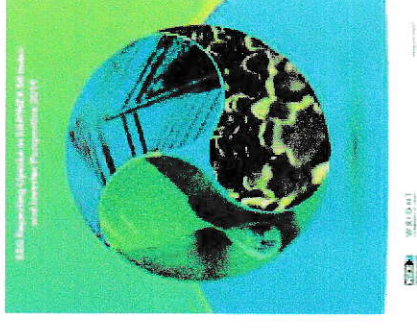
Farooq, M.B. & De Villiers, C. 2019. Understanding how managers institutionalise sustainability reporting: Evidence from Australia and New Zealand, *Accounting, Auditing & Accountability Journal*, 32(5), 1240-1269. <https://doi.org/10.1108/AAAJ-06-2017-2958>



In Good Company How New Zealanders assess the sustainability of brands

Farooq, M.B. & De Villiers, C. 2019. The Shaping of Sustainability Assurance through the Competition between Accounting and Non-Accounting Providers, *Accounting, Auditing & Accountability Journal*, 32(1), 307-336. <https://doi.org/10.1108/AAAJ-10-2016-2756>

Farneti, F., Casonato, F., Montecalvo, M., and De Villiers, C. 2019. The influence of Integrated Reporting and stakeholder information needs on the disclosure of social information in a state-owned enterprise, *Meditari Accountancy Research*, 27(4), 556-579. <https://doi.org/10.1108/MEDAR-01-2019-0436>



ESG Reporting Uptake in S&P/NZX 50 Index and Investor Perspective 2019

Kuruppu, S., Milne, M. and Tilt, C. (2019), "Gaining, maintaining and repairing organisational legitimacy: When to report and when not to report", *Accounting, Auditing & Accountability Journal*, Vol. 32 No. 7, pp. 2062-2087. <https://doi.org/10.1108/AAAJ-03-2013-1282>



## REPORTING RESOURCES

Future-Fit Business Benchmark

<https://futurefitbusiness.org/>

GRI Standards

<https://www.globalreporting.org/standards/>

GRI reporting database

<http://database.globalreporting.org/>

IIRC Integrated Reporting Framework

<http://integratedreporting.org>

Integrated reporting examples

<http://integratedreporting.org/resource/emerging-integrated-reporting-database/>

GRI Resources and Publications

<http://www.globalreporting.org/services/preparation/Publications>

Integrated Reporting Resources

<http://integratedreporting.org/resources>

Climate Disclosures Standards Board Framework

[https://www.cdsb.net/sites/default/files/cdsb-framework\\_2.1.pdf](https://www.cdsb.net/sites/default/files/cdsb-framework_2.1.pdf)

Accountability – Accountability Principles, Assurance and Stakeholder Engagement Standards

<http://www.accountability.org/standards/>





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[engage@proxima.global](mailto:engage@proxima.global)

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