



# Sustainability Reporting

- Reports That Counts -

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# 1. Current Situation of Sustainability Reports (SR)

➤ **Currently published S R are NOT Primarily aiming SRI investors.**

✓ Many companies are publishing SRs without clearly identifying the targeted stakeholders.

➤ **GRI guideline is not very practical-- it is idealistic, too many criteria**

✓ Not many investors understand and interpret meaning of environmental and social performance.

✓ Some performance data could be material, but most of them are not interpreted as material yet.

✓ This is because of the low sensitivity of Market players to ESG issues.

## 2.SR Suitable for SRI investors?

- SR are not suitable for investors at current stage, although some information are useful
- ✓ Only few investors can understand the rationale for why these information are necessary.
- ✓ The main focus is on qualitative information
- ✓ Quantitative information are also available but there is some doubt that these indicators are optimal data for judging specific ESG issues.

➤ Ex. A company's Co2 site emission has increased 20% due to a new processing technology implemented to produce energy efficient products.

- ✓ Quantitative data are not comparable due to boundary and calculations problems

# 3. What should report focus on?

- Some report covering broad information to everyone, **is always necessary**, as corporate profile report is always necessary to explain about the corporation.
- However, different reporting format is necessary for different stakeholders— each speak different language. Those who seeks job opportunity, consumers/customers, business partners, investors, banks, they require different information.
- So if SR reports are to focus on investors, the format of the report should be in line with financial reporting format, which is filled with quantitative information. But which are necessary material information?

## 4. Integration of SR to financial report?

- **Only partially yes: what should be integrated in financial reporting.**
  - ✓ Risk related information ( climate change, water shortage human rights issues and boycott etc.)
  - ✓ Positive information (such as reduction of CO2 emission, better employment situation) are usable when management believes such information do affect corporate value.
  - ✓ Those information which are not so material should be disclosed in SR but integration to FR are not necessary.

## 5. Verification

- **Verification is not the Must, at this stage, although reviewing is sometimes helpful (improving correctness, pointing some important issues missed).**
- **Correctness and reliability is different**
  - ✓ People do not rely things just because they are correct.
  - ✓ Reliability requires correctness and something else.
- **The conditions for good verification are**
  - ✓ Verifier and verifying process is reliable and understandable.
  - ✓ Verifying cost should not be too expensive.
  - ✓ Does verifying process cover adequacy of the boundary covered?
- **SR is just a tool, However, current SR reports have rooms for improving correctness. But is verification by auditing entities the only answer?**
- **Remember, the initial aim of SR are to indirectly affect corporations and stakeholders to be sustainable.**
  - ✓ ex .If a company is to spend \$20 thousand, on sustainability issues, which is a better way ? Verification , or investment in energy efficient technology?

Thank you for your kind attention