

# Getting stakeholders involved in sustainability reporting

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Organisations need to move past the compliance hurdle and produce sustainability reports that engage stakeholders to the point where they in turn respond with valuable feedback.

Financial annual reports have a very distinct audience - shareholders. There is no confusion as to who the readers are and therefore no confusion as to what the content should cover. Sustainability reports and integrated reports, on the other hand, are an entirely different ball game.

Organisations frequently ask themselves: why do they report. If companies only report because they are legally obliged to, the issue of writing specific content, appropriate to specific readers is irrelevant.

Fortunately, the majority of organisations have moved passed the compliance hurdle and instead realise that a sustainability report is a critical window into the sustainability of an organisation. It answers stakeholders' questions and informs their decisions. If done well, a sustainability report conveys the story of due consideration that was given to specific material issues affecting the organisation's future.

The sustainability report is the vote of confidence that society requires, to assure itself that a favourite brand or service is 'good' and 'ethical', respectful of the environment and considerate to people. Ultimately, this guides society's conclusions about the organisation.

## Creating engagement

This leads to the second question who is this 'society' to whom we report. Report writers often claim that stakeholders do not read or give feedback on sustainability reports. This is because organisations focus on unrelated issues and do not consider the interests and expectations of their specific stakeholder groups. Therefore, the content is deemed irrelevant and they do not read it.

Companies are not fully capitalising on the link between materiality and stakeholder inclusiveness and therefore they fail to link stakeholder interests and expectations to the actual content in their reports. This is critical. Very few companies grasp the vital link between stakeholder engagement and readable sustainability reports. In the pursuit to produce relevant, appropriate content for their readers, report writers need to realise that they can only achieve this through an on-going process of stakeholder engagement.

Furthermore, companies do not link stakeholders' expectations to internal priorities and strategies. They may engage with

key stakeholders, but they fail to use the information that stemmed from the engagement process to direct the company's business focus.

More often than not, organisations simply ignore external voices altogether - as listening to them may force a change in strategy, internal priorities, focus and products or services. It is extremely challenging to identify and address stakeholder expectations through thorough engagement and translating these expectations into a user-friendly report, can be even more so. It is therefore understandable that some organisations limit their engagement to the bare minimum to prevent an assortment of problems.

However, this will always lead organisations back to their central grievance that stakeholders do not read their reports.

## **Identify key audiences**

Organisations have been on the sustainability-reporting journey for more than twenty years and apply extensive financial resources and human capital to develop sustainability reports. Regardless, there is still little consensus on who the primary audience is, or whether there is or should be a primary audience - similar to the primary audience of an annual report. Thus, the crucial question remains unanswered: who reads sustainability reports and for what purpose?

Reporting organisations do not have the luxury of ignoring this question altogether and they have to make some decisions about whom they write for. Without this clarity, it is impossible to determine the content and the depth of a sustainability report and which of the issues that organisations identify through stakeholder engagement, should be reflected in the report.

Many organisations tend to prioritise different audiences. In a sense, the diversity of audiences is a very natural consequence of reporting on sustainability issues. Sustainability is an inclusive concept that addresses the impacts of business on a very wide range of stakeholders. In this school of thought, organisations therefore report specific pieces of information to diverse audiences.

While it may be tempting to seek a priority audience because of the clarity it brings, it does not reflect the diversified nature of sustainability. Sustainability issues are just too diverse and the social and environmental impact of an organisation just too wide. The absence of a single audience is therefore not only natural, but also preferable.

Other organisations favour a sustainability report that addresses social, economic and environmental issues for a very wide, integrated audience. In an attempt to still report, but without the level of detail that will result in business upheaval, these organisations opt for the "dear stakeholder" route. Because of the lack of clarity on what organisations should report on, they tend to report as inclusively as possible for all audiences with the aim that some of the content will be meaningful and add value.

This school of thought therefore reports to a broad stakeholder base about broad topics of interest. This approach may lack conviction - organisations have to pin down the audiences for their sustainability reports. Not doing so, deters them from the benefits of reporting and nullifies the long (often painful) process of engagement.

Whichever approach organisations follow - diversified but targeted or broad and integrated - they all lament the fact that few people, in any cluster of readers, look closely at their reports. This once again begs the question of whether a single, interested priority audience for sustainability reports will emerge - highly unlikely!

## **Listen with intent**

However, this does not mean that organisations can simply avoid a priority audience. Organisations need to adopt tailored approaches to reach and engage material stakeholders more directly. This means that extensive engagement needs to happen at a personal, on-the-ground level. Organisations need to precede their sustainability reports with detailed prioritisation of their stakeholders, and these stakeholders' specific expectations on an on-going basis.

At the same time, they should embrace diversity in their reporting models and reflect content for a broader, general audience. This way they will reach multiple audiences that reflect the broad range of parties interested in the overall sustainability agenda, while addressing priority issues at a more direct level.

Should any issue escalate in importance due to national or global interest or suddenly hit the mainstream media, organisations should immediately prioritise that issue and deepen their direct stakeholder engagement. If need be, they should respond with a customised, issue-specific mini report aimed at the resulting priority audience.

This highlights the fact that priority audiences are relative and subjective and will change according to micro- and macro organisational influencers. Organisations therefore need to be sufficiently sensitive and responsive to avoid being perceived as deaf to the pleas of society.

## **Stakeholder panel**

One mechanism that companies have used to remain sensitive and responsive to micro- and macro stakeholder issues is a stakeholder panel that advises on the content of the report. Shifting key stakeholders from report audience to report co-creator is likely to bring mutual benefit.

Through the stakeholder inclusivity principle, stakeholder engagement and relevant sustainability reports become inseparable concepts. Organisations cannot consider the development of a sustainability report that adheres to any of the two schools of thought described in this article as the be-all-and-end-all of the reporting cycle.

The reporting team needs to continuously identify relevant audiences, engage with these audiences, prioritise specific issues and respond with stakeholder-specific reports - over and above the general sustainability report it brings out annually.

Through this dynamic process, the issue of co-creation becomes pertinent. Stakeholders should be the co-crafters and co-designers of sustainability reports. If this happens, report writers will never complain that stakeholders do not read their reports again.

## **Engaging for long-term prosperity and success**

Despite the acclaimed value of stakeholder engagement, it is still often dubbed the stepchild of the sustainability reporting process. Organisations approach it shallowly or simply overlook it. Inevitably, this approach opens the door to numerous business risks.

Sustainability reports should reflect meaningful interaction and engagement with stakeholders across all spectrums of the business. A solid, authentic stakeholder engagement process always backs up a solid, authentic sustainability report.

Successful stakeholder engagement is the "behind the scenes" process that unlocks a wealth of business intelligence. Response to this intelligence, reflects in the business strategy, and ultimately leads to better performance and enhances value drivers in the business model.

Organisations that turn their heads, and keep their ears shut to the external voices of their stakeholders, especially when these escalate to priority audiences, do not only jeopardise their licence to operate, they miss a key opportunity.

They miss the opportunity of the intrinsic value and insight the organisation can gain by opening itself and attentively listening to others. An organisation's stakeholders carry the key that can unlock the doors of business stability, wealth creation, innovation, market competitiveness, access to resources brilliant people, risk averseness and sound reputation in the future.

Gain this key by keeping a gentle ear to the ground and respond to stakeholders' expectations. All you need to do is listen.

## ABOUT REANA ROSSOUW

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