

Global Reporting Initiative emphasises importance of linking ESG strategies with corporate strategy to connect with investors

The Global Reporting Initiative recently issued a report exploring ways that companies can provide disclosures about their governance of environmental, social and governance (ESG) issues to satisfy investor needs, particularly with regard to reporting their long-term prospects in the context of issues like climate change.

Reaching investors: communicating through ESG disclosures was written after consulting extensively with the finance industry.

For information on ESG issues to be helpful to investors, it needs to be presented consistently, either as a combined sustainability and annual financial report, or as a separate document. It is also vital that the connection be drawn between a company's performance on ESG factors and business strategy, to enable investors to assess the effects of ESG disclosure on the company's bottom line.

The GRI suggests that companies adopt the following principles regarding ESG reporting.

- Provide evidence to support statements about ESG performance.
- Include forward-looking information as well as reporting on what has been achieved.
- Be concise.
- Don't just report the positive and ignore negative aspects of the company's performance.
- Link the long-term ESG strategy to risks and opportunities in the current context.

Further, the GRI recommends that ESG reports should be built around three core documents:

- a) a statement by the CEO or chairman, setting out the company's ESG strategy and key ESG priorities, and how market trends and issues link to them
- b) a discussion of risks and opportunities, which should delineate key ESG risks and opportunities for the business, and explore their implications for business strategy and financial performance
- c) performance data, highlighting key achievements, failures, and performance against ESG targets in the reporting period, and be comparable over time and across companies.

The report is available from the GRI website, www.globalreporting.org.