Canada 2030. The Future Of Sustainability Reporting

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Welcome
WELCOME

Pierre Lapointe, President and Head of Private Wealth Management at Jarislowsky, Fraser Limited

The increasing interest in corporate sustainability has resulted in a proliferation of reports and frameworks that were developed to improve the measurement and reporting of a company’s strategy pertaining to the matter and its progress. Despite the apparent advancement, companies are still faced with the challenge of providing content that is material, accessible and engaging to a variety of stakeholders, without diluting the key messages with an overwhelming number of metrics.

From an investor’s perspective, materiality, comparability, consistency and conciseness are the primary requirements. The additional challenge is that investors may not be the only users of the information and many of the metrics and measures of sustainability are still at the descriptive/qualitative stage of their evolution. Furthermore, core concepts like materiality may mean different things to different stakeholders. In the next decade, important decisions will need to be made about standards and formats, and new technologies will need to be used to continuously improve all facets of sustainability reporting.

As a long-term investor, we consider the governance and management of longer-term sustainability risks and opportunities to be an important lens to gauge the quality and resiliency of the businesses in which we invest. We look toward management to define what is material to their business and decide on the most appropriate means to communicate useful information to the market.

For this reason, we are pleased to have partnered with the Conference Board to develop this research, to not only illuminate the current state-of-play, but also to spark discussion about the future of sustainability reporting. As the final installment of the Canada 2030 Series, this report elucidates issues and considerations for reporting on sustainability, completing a comprehensive set of research with the aim of assisting corporations to more deeply embed sustainability into their business strategy and practices.
INTRODUCTION

The world is facing political, social, environmental, and technological transformations\(^1\) that will have profound implications for investors and businesses operating in Canada over the next decade. As sustainability risks and opportunities become key to business success, reporting on material issues is becoming ever more critical. As we look towards 2030, businesses are likely to see investors, regulators, and other stakeholders taking a heightened interest in their economic, environmental and social impacts. The Conference Board of Canada has produced this briefing to help Canadian businesses and investors understand the current state of sustainability reporting in Canada, and examine what the future of sustainability reporting could look like as we look towards 2030.

Methodology

A scan of relevant data and literature was conducted to paint a picture of the current state of sustainability reporting in Canada. This picture includes the prevalence of sustainability reporting in Canada, sustainability reporting frameworks and guidelines, the length of sustainability reports and depth of information covered, the use of external assurance for sustainability data, the extent to which climate-related financial disclosures are being made, and the use of different reporting channels. Six thought leaders were then asked to share their predictions for the future of sustainability reporting in Canada and what it could look like in 2030.

Organization of Briefing

This briefing is split into two chapters; the first focuses on the current state of sustainability reporting in Canada, while the second examines what the future of sustainability reporting could look like. The briefing concludes with a list of Conference Board of Canada resources to help business professionals improve their sustainability strategy, processes and reporting.

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\(^{1}\) Crane, Canada 2030, The Defining Forces Affecting Business Success
The Current State Of Sustainability Reporting In Canada
THE CURRENT STATE OF SUSTAINABILITY REPORTING IN CANADA

Chapter Summary:

• Sustainability reporting rates in Canada have been increasing steadily over the years but many countries have higher rates of reporting.

• There are several internationally-recognized frameworks and guidelines that businesses can use to structure their sustainability reporting, including the GRI Standards, the International Integrated Reporting Framework and the Sustainability Accounting Standards Board (SASB) Standards.

• Sustainability reports tend to be rather long, but businesses are now facing calls to limit disclosures to what is truly material.

• More and more businesses are now seeking external assurance for their sustainability data to help boost their trust and credibility, while investors, rating agencies and other analysts are increasingly looking for external assurance when making investment and rating decisions.

• Expectations around corporate reporting on climate-related matters are increasing and many businesses in Canada now acknowledge climate change as a financial risk in their annual financial report.

• Meanwhile, some businesses are getting creative with their reporting, using compelling, digital formats rather than relying on print and PDF reports.

The Prevalence of Sustainability Reporting

Sustainability reporting rates in Canada have been increasing steadily but there is still room for improvement. According to KPMG, 84 per cent of Canada’s largest 100 companies (by revenue) reported their sustainability performance in 2017, up from 81 per cent in 2015.2 Within Canada, the sectors with the greatest prevalence of sustainability reporting include Mining, Energy, and Financial services.3 While Canada’s reporting rate is higher than the global average, 16 countries have a higher reporting rate than Canada. The U.K., Japan, and India are leading the way with a reporting rate of 99 per cent, while the U.S. has a reporting rate of 92 per cent.4 Since 2012, 68 stock exchanges around the world have become partners of the Sustainable Stock Exchanges Initiative, demonstrating their commitment to promoting improved sustainability disclosure and performance among listed companies.5

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2 KPMG, The road ahead: The KPMG Survey of Corporate Responsibility Reporting 2017, 16
3 Centre for Sustainability and Excellence, Sustainability Reporting Trends in North America 2017, 8
4 KPMG, The road ahead: The KPMG Survey of Corporate Responsibility Reporting 2017, 16
5 Sustainable Stock Exchanges, List of Partner Exchanges
Seven of the 10 largest stock exchanges globally are partners of the initiative, including the New York Stock Exchange, Nasdaq and the Tokyo Stock Exchange, the three largest stock exchanges in the world. Canada’s Toronto Stock Exchange is notably absent from the list of the initiative’s partners and was recently ranked 26th out of 56 stock exchanges for sustainability disclosure.

**Sustainability Reporting Frameworks and Guidelines**

There are several internationally-recognized frameworks and guidelines that businesses can use to structure their sustainability reporting, including the GRI Standards, the International Integrated Reporting Framework and the Sustainability Accounting Standards Board (SASB) Standards. The GRI has developed the world’s most widely used sustainability reporting framework with 20,000 reports logged globally between 1999-2014, and 24,000 reports and counting since 2015. In Canada, 119 organizations registered their report with GRI in 2017, up from 47 in 2008. The GRI and UN Global Compact have formed a partnership aiming to leverage the GRI Standards and the Ten Principles of the UN Global Compact to enable businesses to report their progress towards the United Nations’ Sustainable Development Goals (SDGs) and to make reporting more feasible for small and medium sized enterprises, so there could be a new reporting framework in the not-too-distant future.

The Integrated Reporting Framework (<IR>) was launched by the International Integrated Reporting Council (IIRC) in 2013 to “improve accountability, stewardship and trust as well as to harness the information flow and transparency of business that technology has brought to the modern world.” An integrated report combines financial data with environmental, social and governance information, to demonstrate how a business creates value over the short, medium and long term. Integrated reporting is now mandatory in South Africa (for companies listed on the Johannesburg Stock Exchange), while regulators in countries including Japan, India and the UK are taking an interest in integrated reporting “as a route towards achieving more cohesive reporting and promoting financial stability.” In the United States, an integrated reporting working group has been established to drive the adoption of integrated reporting, while the IIRC hopes to make integrated reporting the norm in both the private and public sectors. However, in Canada the use of integrated reporting is minimal: in 2016, only five organizations used the <IR> framework in 2016 (up from three in 2015).

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6 Sustainable Stock Exchanges, List of Partner Exchanges  
7 Corporate Knights, Measuring Sustainability Disclosure - Ranking the World’s Stock Exchanges, 20  
8 United Nations Global Compact, Reporting on the SDGs  
9 GRI, Sustainability Disclosure Database  
10 GRI, Sustainability Disclosure Database  
11 United Nations Global Compact, Reporting on the SDGs  
12 International Integrated Reporting Council (IIRC), Why? The Need for Change  
13 International Integrated Reporting Council (IIRC), When? Advocate for Global Adoption  
14 International Integrated Reporting Council (IIRC), IIRC Newsletter: Highlights from 2017  
15 International Integrated Reporting Council (IIRC), The IIRC  
16 Corporate Register, International Integrated Reporting Council (IIRC) Published reports, Canada. Last five years.
The Sustainability Accounting Standards Board (SASB) Standards were launched in 2013, designed for corporations to report their sustainability performance. Since then, the standards have been expanded and refined to now include provisional standards for 79 industries across 11 sectors. The standards advise businesses to focus their disclosures on material issues, likely to affect the financial or operating performance of the typical company in an industry. SASB standards identify sustainability topics by industry and across national borders, so Canadian businesses may find the standards useful in determining which sustainability issues are material to their particular industry.

**The Length of Sustainability Reports and Depth of Information Covered**

With various frameworks to follow, submissions to make, and requests for information, it can be difficult for a business to determine which of the many facts and figures relating to sustainability should be disclosed and when. The result has been the creation of lengthy sustainability reports, where a principle of “more is better” has been applied. While the average sustainability report in Canada is 57 pages, some are over 200 pages long. Lenghty reports may contain nuggets of important information for certain stakeholders, but few people have the time to read long reports and the time and resources needed to produce such reports are significant. Reporting fatigue has resulted in calls on business to take a step back and revisit the reporting agenda.

Unfortunately, there is no common definition of materiality. The International Integrated Reporting Council states that matters are material if they “could substantively affect the organization’s ability to create value in the short, medium and long term”, GRI considers an issue to be material if “it reflects the organization’s significant economic, environmental and social impacts, or substantively influence the assessments and decisions of stakeholders”, while SASB has identified material issues on an industry-by-industry basis. SASB’s ‘Materiality Map’ can be a useful tool to determine which issues are likely to be material for a business in a particular industry.

**The Use of External Assurance for Sustainability Data**

According to the 2017 Edelman Trust Barometer, only half of Canada’s population had faith that businesses will “do the right thing” and they did not generally consider CEOs to be a credible source of information. More and more businesses are now seeking external assurance for their sustainability data to help boost their trust and credibility, while investors, rating agencies and other analysts are increasingly looking for external assurance when making investment and rating decisions.
Globally, external assurance of sustainability disclosures is now widely accepted as standard practice, with 67 per cent of the world’s 250 largest companies (by revenue based on the Fortune 500 2016 ranking) seeking third-party assurance. This rate has more than doubled in the last 12 years, indicating that companies are really seeing the value in disclosing reliable and credible sustainability information. However, the rate of external assurance in Canada (and the United States) reports is relatively low compared to that of the European Union.

**The Extent to Which Climate-Related Financial Disclosures are Being Made**

Expectations around corporate reporting on climate-related matters are increasing. In 2016, the Financial Stability Board (an international body that makes recommendations regarding the global financial system) commissioned a select task force (the Task Force on Climate-related Financial Disclosures - TCFD) to propose climate-related financial reporting standards. Recommendations published by the task force advise businesses to:

- Disclose their governance around climate-related risks and opportunities;
- Disclose the actual and potential impacts of climate-related risks and opportunities on their organization’s businesses, strategy, and financial planning where such information is material;
- Disclose how they identify, assess, and manage climate-related risks; and
- Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Canada is one of only five countries globally where the majority of the largest 100 companies (by revenue) currently acknowledge climate change as a financial risk in their annual financial report (the other countries being Taiwan, France, South Africa, and the U.S.). That being said, only 52 per cent of the top Canadian companies are acknowledging climate change as a financial risk in their annual financial report. Many of Canada’s largest companies operate in climate-impacted sectors such as Energy, Mining, Forestry, Transportation, Construction, and Financial Services, where physical and associated climate-related risks are becoming increasingly important strategic considerations.

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28 Centre for Sustainability and Excellence, *Sustainability Reporting Trends in North America 2017*, 19
29 Task Force on Climate-related Financial Disclosures, *Final Report: Recommendations*
The Use of Different Reporting Channels

Some businesses are choosing to summarize their sustainability efforts and achievements in a compelling, digital format, allowing users to access information from a range of devices, without the environmental impacts of printing and distributing a paper report, and engaging a wider audience than could be achieved through traditional reporting methods. For example, Virgin Media is well known for sharing its sustainability progress using infographics, videos and social media. Virgin Media launched the world’s first ‘360-degree sustainability video’ in 2016, providing an immersive video experience of the company’s sustainability vision.31 The Body Shop has taken an alternative approach to a conventional sustainability report by releasing a series of short videos, one for each of its sustainability targets, which demonstrate its 2016 achievements.32 These videos were available on its YouTube channel, website, and promoted in a variety of ways, including podcasts. Heineken released an interactive website with a series of humorous, animated videos alongside its traditional 2016 sustainability report, in an effort to make the content more relatable and interesting to target audiences,33 while the year before Heineken offered stakeholders the opportunity to immerse themselves in a series of online games while learning about the company’s sustainability progress.34 That same year, Heineken invited a Detroit-based musician to transform its sustainability report using his own artistic expression, resulting in a video that has clocked up over 22,000 views on YouTube.35

Readers should now have a clear picture of the current state of sustainability reporting in Canada, including the prevalence of sustainability reporting in Canada, sustainability reporting frameworks and guidelines, the length of sustainability reports and depth of information covered, the use of external assurance for sustainability data, the extent to which climate-related financial disclosures are being made, and the use of different reporting channels. But what could sustainability reporting look like in 2030? We shall examine this question over the coming pages.

31 Virgin Media, VMSust360
32 The Body Shop, The Body Shop 2016 Sustainability Report
33 Heineken, Responsible Consumption
34 Sustainable Brands, Play Through Heineken’s Sustainability Highlights from Ship to Concert in Its New Online Game
35 Heineken, Sustainability Report 2015: ‘Let’s Get Frank’
The Future of Sustainability Reporting in Canada
THE FUTURE OF SUSTAINABILITY REPORTING IN CANADA

Chapter Summary:

- Sustainability reporting is evolving rapidly. What could it look like in 2030? Will it be drastically different to the reporting we’re used to seeing today? We asked six thought leaders to share their predictions for the future of sustainability reporting in Canada; their visions are shared throughout the chapter.

- Key predictions include: More SMEs making use of sustainability reporting, an increased focus on communicating long-term value creation, greater stakeholder interest in corporate values, ethics and transparency, and a greater focus on reporting financially-material sustainability metrics.

- Other predictions include: increased efforts to improve the quality of non-financial disclosures, greater use of “smart reporting”\textsuperscript{36}, increased sustainability data analysis using artificial intelligence, a move towards real-time sustainability data collection, and improved corporate transparency assisted by Blockchain.

\textsuperscript{36} “Smart Reporting” is a term used to refer to the process of providing customized data to meaningfully engage different stakeholders.
The most important driver for the future of sustainability reporting is the level to which organizations embed sustainability into the way they develop strategy, manage risk, and create long term value. It is the essence of good business. Enhanced reporting will follow as organizations aim to tell their full story.

“The future of external reporting, including reporting on sustainability related matters, is a key priority for the accounting profession. For more than 25 years, we have been engaging stakeholders on the intersection of sustainability issues with global capital markets, serving as a leading advocate for enhanced reporting and governance in this area. We believe that sustainability issues are significant in value creation, business strategy, risk management and stakeholder relations, and that they will be a critical component of the future of reporting.

Accountability and transparency are core foundations of the accounting profession and a strong capital market system. Reporting is at the heart of this, and investor and other stakeholder expectations are increasingly extending far beyond traditional financial reporting. A 2017 survey by KPMG found that more than three quarters of the world’s largest 250 companies now include at least some sustainability information in their annual financial reports, demonstrating its increasing relevance to investors.

Demand for broader performance metrics are changing the landscape. In recent years, the total number of reporting frameworks that require or encourage organizations to disclose information about their sustainability or environmental, social and governance (ESG) performance has increased substantially. According to the Reporting Exchange, in the United States and Canada alone, there are 249 reporting provisions and 156 reporting requirements.37 With some being voluntary and others mandatory, the plethora of different reporting frameworks can limit the effectiveness of corporate
reporting, making it difficult for users of that information to even know what they are getting.

The need for timely and relevant information for decision-making continues to grow and evolve, as does the nature of the information being sought. Shifts in reporting expectations of investors and other stakeholders will be a key driver of change. By 2030, I see external reporting evolving and adapting in a multitude of significant ways, including:

- Greater integration of material ESG information into existing regulatory reporting;
- Broadly accepted industry standards for reporting sustainability information that will lead to greater consistency and comparability across companies and industry sectors;
- Widespread adoption of the recommendations of the Task Force on Climate-related Financial Disclosures;
- The United Nations Sustainable Development Goals (SDGs) will increasingly shape business strategy and risk management and will be used to frame corporate reports on environmental and social impacts and dependencies;
- A consolidation of the multitude of external reporting and disclosure frameworks;
- Increasing demand for integrated reporting as investors seek the full range of quantitative and qualitative information that is necessary to understand an organization’s business model and strategy, and how the organization manages risk and creates long term value;
- Innovations in technology in the areas of artificial intelligence and blockchain that will have a substantial impact on reporting and assurance on ESG matters; and
- A substantial shift toward real time and on-demand reporting, as investors and other users seek continuous and immediate performance feedback.

Beyond the impact on publicly listed companies, these changes will also affect privately held companies and public-sector organizations. This will be driven by the need to communicate most effectively with a broad range of stakeholders on the way these organizations are creating and delivering longer term sustainable value.”
**Bob Laux**, North American Lead, International Integrated Reporting Council (IIRC)

Bob is responsible for awareness-raising, advocacy, and focused engagement to ensure the promotion, adoption and support for Integrated Reporting <IR> in North America.

The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. The coalition is promoting communication about value creation as the next step in the evolution of corporate reporting.

“As the North American Lead for the International Integrated Reporting Council (IIRC), my goal is to make integrated reporting mainstream in North America. I see two areas that are creating the momentum for attaining this goal, the movement to focusing capital on the long term, and the need to ingrain sustainability into the everyday management of a company.

**An Increased Focus on Communicating Long-Term Value Creation**

We are hearing more company leaders speak out about the benefits of long-term value creation and the need to oppose short-termism. The focus on long-term value creation can take many forms, including ending the practice of providing quarterly earnings guidance, changing the focus of quarterly earnings calls such that the focus is on a company’s long-term strategy and their execution on that strategy, and supplementing a company’s financial reporting by focusing on other capitals such as human capital and intellectual capital.

In the sustainability profession, I hear a lot of criticism from those working in the field that their work feels siloed and that the importance of environmental, social and governance (ESG) matters are not fully incorporated into the long-term strategy development of their organizations. These professionals also indicate that they are inundated with survey requests from external organizations and that many of the surveys do not capture the strategic long-term value benefits of their company’s ESG efforts.
Greater Stakeholder Interest in Corporate Values, Ethics and Transparency

Investors and other stakeholders are increasingly interested in the way the company does business – its values, ethics and transparency, and reputation management. The IIRC believes that Boards of Directors can have a significant impact in promoting a focus on long-term value creation and the need to ingrain sustainability into the everyday management of a company. Here are five points that we believe will help Boards respond to this agenda and that are core to integrated reporting:

- Boards should ensure their thinking is centered on value creation for the organization and focused on strategy and long-term outcomes. This means that Boards are considering purpose, strategy and business model in the context of performance and future prospects.
- Boards should recognize that they can only adopt a successful strategy for long-term value creation if they genuinely identify their key stakeholders and ensure they are creating value for them, including understanding their needs and expectations. This is linked to reputation, social license to operate and responsibility through the supply chain.
- Boards should adopt multi-capitals thinking, recognizing the range of resources and relationships that they use and affect have intrinsic value. This includes understanding the trade-offs and impacts across the capitals, and both the negative and positive outcomes.
- The demand for high-quality information by investors, especially regarding ESG indicators, is growing fast. Boards can help investors with their need for relevant information that is communicated in the context of strategy, performance and prospects.
- Boards should use their reporting to show how their corporate governance is enhancing value creation over time, especially in relation to long-term outcomes. Too often we read about governance structures and representation, investors and others are also interested in the way in which the Board thinks about and oversees value creation.”
David S. Post, CFA, Director of Research, Sustainability Accounting Standards Board (SASB)

David oversees a team of analysts who research, analyze, and consult regarding financially material sustainability risks and opportunities for companies. The Sustainability Accounting Standards Board (SASB) is an independent, private-sector, standards setting organization based in San Francisco, which develops and maintains robust reporting standards that enable businesses around the world to identify, manage and communicate financially-material sustainability topics to their investors.

Innovation doesn’t sell itself. As new ideas spread from one segment of users to another, the most important—and most difficult—challenge is making the leap from enthusiastic early adopters to the pragmatic majority. As corporate and investor perspectives on sustainability mature, that’s exactly the transition that will reshape the sustainability reporting landscape in the coming decade.

A Greater Focus on Reporting Financially-Material Sustainability Metrics

By and large, corporate sustainability reporting has been an exercise in keeping up with the evolving expectations of investors, regulators, NGOs and society more broadly. At SASB, we see signs that a “sea change” is underway, where companies increasingly recognize the value in getting out in front of sustainability issues—not only as an appeal to external stakeholders, but also as an expression of “enlightened self-interest.” Firms have increasingly found that sharpening their focus on financially-material sustainability topics and associated performance metrics adds value not only to their communications with investors, but to their own decision-making processes in the context of strategy, risk management, peer comparison and performance management.

As companies begin to look at sustainability’s upside opportunities as much as its downside risk—just as they do for R&D spending, capital allocation, exploration and development, and other conventional financial decisions—they will need tools and resources to effectively manage business-critical sustainability topics and a language for communicating performance on these topics to investors. The most fundamental of these tools is standardized, best-practice performance metrics.
Increased Use of Emerging Technologies to Collect and Mine Sustainability Data

The coming decade will likely see thousands of companies and investors in Canada and around the world mine high-quality and comparable sustainability metrics for business insights, spurring a “gold rush” across all industries as firms look to turn 21st century challenges into opportunities for competitive advantage. For instance, in coming years, blockchain has the potential to unlock unprecedented possibilities for industries with financially-material sustainability risks and opportunities in their supply chains (e.g., pharmaceuticals, grocers, apparel, etc.). Smart-grid technologies (in utilities) and smart-metering (in hotels and real estate) have the potential to create a race to the top on energy distribution and management. “Additive manufacturing,” enabled by 3-D printing, is poised to revolutionize entire industries—from aerospace to automotive to health care—helping companies reduce waste and lower costs in the process.

Companies and investors have long grappled with the problem that many sustainability issues, by their very nature, can be difficult to quantify. Investors have thus been frustrated that data available in narrative sustainability reports can be patchy and not easily used for investment decisions. Blockchain will likely enable detailed tracking and sharing of information about materials sourcing, manufacturing, and delivery along each node of the supply chain from raw material to finished product. Blockchain, smart-grid, smart-metering and other information would be useful to decision makers both inside and outside a firm. The combination of these data sets and correspondingly evolved SASB standards would enable companies and investors to quantitatively “zoom in” on sustainability issues, thus bringing them into sharper focus for investment purposes, improving measurability and, thus, manageability."

As the next decade unfolds, businesses of all kinds will follow the lead of the growing number of corporate leaders who recognize that financially-material sustainability topics, and the metrics that characterize their performance, complement conventional financial data; they are simply two components of holistic, integrated, intelligent decision making. As markets transition, the impacts will be transformative.
Alyson Genovese, Director/Head of Regional Hub: USA & Canada, Global Reporting Initiative (GRI)

Alyson is a strategic, accomplished professional in both the corporate and non-profit sectors, with two decades of corporate social responsibility, public affairs, corporate citizenship, and partnership development experience. With thousands of reporters in over 90 countries, GRI provides the world’s most trusted and widely used standards for sustainability reporting and disclosure.

"Reporting as a “check box” exercise is insufficient and antiquated; investors, consumers, and regulators are just a few of the stakeholders who now demand sustainability-related impacts from companies, organizations, and governments to make better informed decisions. While corporate leadership teams tend to understand that tracking and disclosing their organization’s impacts on topics such as human rights, greenhouse gas emissions, or privacy allows them to better manage efficiencies, anticipate risks, and innovate for future market realities, there is still work to be done."

More SMEs Making Use of Sustainability Reporting

While many large companies produce sustainability reports, transparency along the supply chain is an area with plenty of opportunities for growth, particularly in the Canadian market. In Canada, small to mid-sized enterprises (SMEs) are responsible for more than half of Canada’s GDP, more than 90 per cent of the private sector labour force, and 95 per cent of the new jobs created in the past decade. As we look to the future, GRI expects to see more SMEs making use of sustainability reporting. Increased SME reporting will provide the same benefits that are currently available to large companies, while improving all reporting by opening up supply chain transparency and disclosure.

38 Statistics Canada, The Contribution of Small and Medium-sized Businesses to Gross Domestic Product
39 Government of Canada, Key Small Business Statistics
40 Government of Canada, Key Small Business Statistics
Increased Digital Reporting

The vast majority of companies still release cumbersome PDF-based reports, which makes finding and using data difficult for their stakeholders. GRI is exploring and embracing the possibilities the digital world offers to make data more current, concise and comparable, in other words, more useful for decision making. As we look towards 2030, we expect to see more companies moving from PDF-based reports to digital reporting."
Wesley Gee, Director of Sustainability, The Works Design Communications

Wesley is a sustainability strategy, engagement and communications professional with over 18 years’ experience across a wide variety of industry sectors. The Works Design Communications Ltd. is an integrated communications studio based in Toronto (Canada), made up of experts specializing in sustainability, investor relations and branding.

“...The Works Design Communications’ Sustainability Reporting Trends research41 expands every year, along with the range of techniques we see being used to communicate concepts and ideas. Through secondary research and interviews with leading executives, our wider research reveals how companies are authentically and effectively embedding sustainability into their strategy, engagement and communication materials – and paving the collective road ahead.

Increased Efforts to Improve the Quality of Non-Financial Disclosures

Over the coming years, we expect to see many companies shift from the GRI Guidelines to the Standards, while taking a hard look at frameworks based on changing stakeholder expectations. Support for the Sustainable Development Goals will continue to grow, while chosen reporting levels (i.e., from aligning to Goals to specific targets) will help demonstrate those companies with genuine commitments to sustainability. Given growing expectations – consider Larry Fink’s 2018 Annual Letter to CEOs42 and the Canadian Securities Administrators response to the TCFD recommendations43 – many companies will be working to improve the quality of their non-financial disclosures, on such topics as climate change and human capital.

Changing Stakeholder Expectations

Evolving expectations are pushing companies to think more strategically about sustainability – as a risk identifier and value creator – and about the pragmatism involved in getting corporate communications, investor relations and sustainability executives on the same page. What matters most to a business, for example? How will that business report on its performance or value creation, and how it intends to meet the changing expectations of analysts, investors and other stakeholders?

41 The Works Design Communications, Sustainability Reporting Trends
42 Blackrock, Larry Fink’s Annual Letter to CEOs
43 Canadian Securities Administrators, Canadian Securities Regulators Report on Climate Change-Related Disclosure Project
Indeed, since a sustainability report is rarely developed for analysts and investors alone, any shift toward integrated reporting should be balanced with a thoughtful plan for continued engagement with a wider audience of communities, partners and employees.

**Greater Use of “Smart Reporting”**

We have grown quite fond of the emerging “smart reporting” term. Admittedly, we coined it, but more importantly, it considers the changing dynamic between companies and users. It suggests that changing communication and analytical tools – levels of “smart” customization – are both preferable and necessary to meaningfully engage key audiences. Companies are gravitating toward “smart reporting” because it conveys so much more than simple “disclosure.” They are increasingly releasing separately downloadable performance reports, producing interactive illustrations that describe complex value chains, and offering social media postings that help a range of stakeholders better understand their activities. At long last, companies are waking up and engaging (and understanding) their wider landscape.”
Steven Fish, Founder & CEO ESG Ledger

After five years leading Canadian Business for Social Responsibility (CBSR), Steven returned to entrepreneurship and joined a supply chain tech start-up before founding his current venture, ESG Ledger. ESG Ledger is a blockchain start-up innovating around the collection, verification and market readiness of non-financial disclosures.

Technology has evolved dramatically since publicly traded companies first began producing regular sustainability reports. Over the last two decades we have witnessed the rise of an information economy and the exponential growth and pervasiveness of mobile technology. Early sustainability practitioners couldn’t have predicted the influence of social media on stakeholders or the current migration to cloud-based computing software to prepare reports. By 2030, it is likely that sustainability reporting will be touched by emerging technologies including Artificial Intelligence (AI), the Internet of Things (IoT), and Blockchain (Distributed Ledger Technology). Legacy software systems will be augmented by real-time IoT supply chain data and these disclosures will be verified and documented by a blockchain; analyzed and assisted by AI.

Increased Sustainability Data Analysis Using Artificial Intelligence

By using AI and machine learning to teach our computers everything we know about sustainability reporting we open up opportunities to aggregate sustainability big data and learn from the annual reporting cycle. What processes could we be automating to reduce the human time invested in data collection while gleaning new insights from the analytics? Companies like Datamaran⁴⁴ are using Natural Language Processing (NLP) techniques to process thousands of annual reports, sustainability reports, and securities filings to source and analyze diverse sustainability data, a process that’s set to continue.
A Move Towards Real-Time Sustainability Data Collection Using IoT Sensors

The Internet of Things (IoT) connects a wide variety of sensors to previously unconnected objects and processes, opening up new reporting potential from the source. The potential for IoT sensors to collect real time data on water quality, worker safety, and supplier compliance is very compelling, particularly in the context of remote supply-chain monitoring. In addition, the demand for multichannel real-time reporting may be met by the real-time monitoring and data collection made possible by the IoT.

Improved Corporate Transparency Assisted by Blockchain

Blockchain is a decentralized digital ledger that can serve as a permanent record of transactions. Each entry (the block) is linked to the one before it (the chain), and secured with cryptography, making the ledger very resistant to modification. Blockchain shows promise for sustainability accountability by addressing the growing expectations for disclosure and transparency. For example, Provenance has piloted a blockchain technology for tracing yellowfin and skipjack tuna fish from Indonesia to the UK, while Walmart has partnered with IBM and 10 of the world's biggest food companies to develop a food traceability platform called Food Trust. As stakeholder expectations increase and reporting requirements move from voluntary to mandatory, the ability to track, verify, analyze, and disclose accurately may be a competitive differentiator or a condition for market access.

Blockchain technology could also be used to address uncertainty around the adoption of the Sustainability Accounting Standards Board (SASB) Standards and the Integrated Reporting Framework (<IR>) in Canada. Standard setters could choose to cooperate around a distributed ledger to harmonize the indicators and process, allowing each actor to contribute to the ESG reporting process while maintaining their own unique identity and mission.

45 Provenance, We live in the world we buy into
46 Nash, Walmart-Led Blockchain Effort Seeks Farm-to-Grocery-Aisle View of Food Supply Chain
Conclusion
CONCLUSION

As sustainability risks and opportunities become critical to a business’s success, sustainability reporting will become increasingly important and prevalent. Businesses are likely to see investors, regulators, and other stakeholders taking a heightened interest in their economic, environmental and social impacts. Corporate reporting will need to evolve to meet the changing needs of stakeholders, while emerging technologies could assist businesses in doing so.

As we look toward 2030, we can expect to see more SMEs making use of sustainability reporting, an increased focus on communicating long-term value creation, greater stakeholder interest in corporate values, ethics and transparency, and a greater focus on reporting financially-material sustainability metrics. We are also likely to see increased efforts by businesses to improve the quality of non-financial disclosures, greater use of “smart reporting”, increased sustainability data analysis using artificial intelligence, a move towards real-time sustainability data collection, and improved corporate transparency assisted by Blockchain. Businesses should look to see where opportunities lie, while sustainability practitioners will need to ensure their skills remain up-to-date to address the potential reporting changes that lie ahead.

This briefing is intended to help Canadian businesses and investors understand the current state of sustainability reporting in Canada, and examine what the future of sustainability reporting could look like as we look towards 2030, while the other two reports in our ‘Canada 2030’ series should help readers to a) understand the disruptive forces likely to impact businesses over the next decade, and b) embed sustainability considerations into corporate governance. The next decade presents huge risks and opportunities for Canadian businesses; it’s time to take action.
Resources
RESOURCES

The Conference Board of Canada has various resources to help business professionals improve their sustainability strategy, processes and reporting. Some of our key resources are presented below:

- **Canada 2030. The Defining Forces Affecting Business Success:** This briefing examines the political, social, environmental and technological transformations that will have profound implications for investors and businesses operating in Canada over the next decade. How businesses choose to react to these defining forces will dictate their future success. Available at http://www.conferenceboard.ca/e-library/

- **18 Truths about Sustainability:** Insights from the 16th Annual Sustainability Summit: This short briefing highlights the need for sustainability reporting to be built into everyday business activities, especially since it has become a tool to attract mainstream investors. Available at http://www.conferenceboard.ca/e-library/

- **Sustainability Visions:** Fresh Strategies for Today’s New Realities: This webinar Rose Perkins, Associate Director, Sustainability at The Dow Chemical Company, David Redfern, Vice President & General Manager of Lafarge Canada, and Coro Strandberg, President of Strandberg Consulting, as they share their perspectives on setting long-term sustainability visions and strategies. It describes the development process and the overall transformational sustainability ambitions two companies have set, including the drivers and benefits. Available at http://www.conferenceboard.ca/events/webcasts.aspx

- **Corporate Responsibility & Sustainability Careers:** Next Generation Skills and Practices: This webinar features Chantale Despres, Director of Sustainability at CN, as she shares insights into the ways in which the role of Corporate Responsibility and Sustainability practitioners is adjusting to meet new business imperatives. The webinar is designed to enable practitioners to achieve greater influence and success – for the benefit of their organization and society. Available at: http://www.conferenceboard.ca/events/webcasts.aspx

**Other Resources**

- **E-Library:** The Conference Board of Canada’s e-library contains thousands of reports and webinars covering economic trends, organizational performance and public policy issues. Available at http://www.conferenceboard.ca/e-library/

- **Executive Networks:** The Conference Board of Canada offers numerous executive networking opportunities including those around the themes of Leadership, Governance, and Corporate Responsibility and Sustainability. More details: http://www.conferenceboard.ca/products/networks.aspx
• **Research Institutes:** The Conference Board of Canada produces cutting-edge research through a number of research institutes, including The Corporate Responsibility and Sustainability Institute. More details: [http://www.conferenceboard.ca/specialprojects.aspx](http://www.conferenceboard.ca/specialprojects.aspx)

• **Conferences:** The Conference Board of Canada runs many conferences a year, providing senior decision makers from public and private-sector organizations with opportunities to share ideas on operations and strategies, learn about next and best practices, and explore practical business solutions to the challenges faced by Canadian business leaders. More details: [http://www.conferenceboard.ca/conf/default.aspx](http://www.conferenceboard.ca/conf/default.aspx)
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CONTACT DETAILS

If you would like to find out more about sustainability trends and their implications for your business, we’d be happy to help. Please contact us:

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