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Sustainability expert, Jacquie Fegent-McGeachie talks sustainability reporting trends, innovation and opportunities for forward-thinking business leaders.

Sustainability reporting and innovation

Could your next sustainability or integrated report be the catalyst for a breakthrough innovation?

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In the past, sustainability or integrated reporting wasn't seen as a catalyst for innovation. But today's savvy companies are using the reporting process, data sets collected and stakeholder inputs to evolve and develop new innovations be it business model innovation, new products, processes, partnerships or services. Capitalising on it frequently rests on how report preparers and the organisation view sustainability reporting.

Let's face it, at times report preparation can feel like groundhog day.

But what if this year, you took a different approach to your sustainability report process and how you communicated it? What if you started to look at it and champion it as a document of data, analysis and insights to help unlock breakthrough innovation?

Sounds too challenging? Well, it shouldn't.

Let's consider some of the ingredients required for innovation.

A difficult challenge

If you think big picture, the most difficult and impactful challenges the world faces today relate to social and environmental issues like climate change, water security, biodiversity loss, food crisis and natural disasters (WEF 2019). The Sustainable Development Goals (SDGs) provide an ambitious change agenda for people, planet and prosperity which seeks to transform our world by 2030ⁱ. The opportunity is to view the SDGs as a common global strategic roadmap for the future. Have you identified relevant goals for your business? Are your business and internal stakeholders sensitised to the issues that the SDGs address?

Incorporating annual reporting against specific SDGs could help unlock sustainable finance, positively contribute to your company narrative on societal value creation and help to establish new potential strategic partnerships with other organisations focused on relevant goals.

For example, SDG 6 – Clean water and Sanitation is a focus for personal care company Kimberly-Clark. This goal was a unifying thread in the development of a global roundtable called the Toilet Board Coalition that addresses the global sanitation crisis by accelerating the Sanitation Economy through mechanisms like the Toilet Accelerator program. It now involves organisations as varied as Veolia, Unilever, Firmenich, USAID and the World Bank.

ⁱ 2019 World Economic Forum Global Risk Report.
ⁱⁱ In Focus: Addressing investor needs in business reporting on the SDGs, July 2018.
ⁱⁱⁱ Taskforce on Climate-Related Financial Disclosure Final Report was published in June 2017.

Partnership and collaboration

Innovation rarely occurs in isolation. This is true at both the individual and organisational level, particularly when dealing with environmental and social issues.

Most businesses are eagerly pursuing strategic partnerships as a way of accessing new markets and customers, expanding capability, and solving shared challenges. Sustainability reporting is an ideal way to gain insights into potential partner organisations.

Shared environmental and social challenges, particularly across value chains, represent a huge opportunity for collaboration and innovation across sectors. Great examples of this are taking place in supply chains around modern slavery and on issues like traceability in seafood supply chains, with exciting work being undertaken by global not-for-profit WWF, a Fijian tech startup called TraSeable and a small fishing company called Sea Quest using blockchain.

Creating value for customers

Great business innovations create value for customers. This requires a deep understanding of customer and end-consumer needs, values and desires. With rapidly increasing expectations of customers towards businesses role and contribution to solving social and environmental issues, this remains a key opportunity for business.

With regards to sustainability reporting, a good report will contain a balanced and informed assessment of material issues that considers the perspective of key stakeholders, including customers and end-consumers. If you're a report preparer, and your

current assessment does not capture this perspective, consider updating it. The work undertaken to source customer and end-consumer views, in addition to capturing other key stakeholder views in relation to environmental, social and governance issues, should form critical intelligence for your organisation and feed into innovation processes.

Scenario planning and experimentation

Scenario planning is a useful tool for organisations to help envisage the future, and consider risks and opportunities that can form the basis for developing new products, services and business models for future growth.

With the advent of the Taskforce on Climate Related Financial Disclosures (TCFD) and the final recommendationsⁱⁱ which call for the consideration of different climate-related scenarios including a two degrees or lower scenario, many organisations, including those which are ASX listed, are considering this.

Whilst sustainability reporting is not the panacea for organisations struggling to innovate, the reporting process and the information contained in the annual report does provide unique insights on organisational risk and helps to identify opportunities that could help unlock your organisation's next breakthrough innovation.

Critical is the approach you take in leveraging and communicating information contained in your sustainability or integrated report.

The communications approach you choose will inherently be informed by how you and your organisation view your annual report. Is it time to take a fresh approach? ■

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Tips for leveraging your sustainability report

1

You can't innovate on something you don't know or understand. Therefore, make sure you thoroughly brief internal stakeholders.

This means going beyond sending the obligatory all-staff email. Consider one-to-one leader and influencer briefings.

2

Avoid taking a one-size-fits-all approach to communication. Think about the most effective formats and tailor communication for each group.

3

Don't make internal communication a last priority. Employees love hearing about their company's sustainability performance. It builds pride and helps to attract and retain talent.

4

Don't make sustainability communication a once-a-year event. Ongoing communication is best and helps share new insights and initiatives that could help unlock new innovation for your business.