Is Materiality Determination the Key to Integrating Corporate Sustainability and Maximising Value?

Authors : Ruth Hegarty, Noel Connaughton

Abstract : Sustainability reporting has become a priority for many global multinational companies. This is associated with ever-increasing expectations from key stakeholders for companies to be transparent about their strategies, activities and management with regard to sustainability issues. The Global Reporting Initiative (GRI) encourages reporters to only provide information on the issues that are really critical in order to achieve the organisation's goals for sustainability and manage its impact on environment and society. A key challenge for most reporting organisations is how to identify relevant issues for sustainability reporting and prioritise those material issues in accordance with company and stakeholder needs. A recent study indicates that most of the largest companies listed on the world's stock exchanges are failing to provide data on key sustainability indicators such as employee turnover, energy, greenhouse gas emissions (GHGs), injury rate, pay equity, waste and water. This paper takes an indepth look at the approaches used by a select number of international sustainability leader corporates to identify key sustainability issues. The research methodology involves performing a detailed analysis of the sustainability report content of up to 50 companies listed on the 2014 Dow Jones Sustainability Indices (DJSI). The most recent sustainability report content found on the GRI Sustainability Disclosure Database is then compared with 91 GRI Specific Standard Disclosures and a small number of GRI Standard Disclosures. Preliminary research indicates significant gaps in the information disclosed in corporate sustainability reports versus the indicator content specified in the GRI Content Index. The following outlines some of the key findings to date: Most companies made a partial disclosure with regard to the Economic indicators of climate change risks and infrastructure investments, but did not focus on the associated negative impacts. The top Environmental indicators disclosed were energy consumption and reductions, GHG emissions, water withdrawals, waste and compliance. The lowest rates of indicator disclosure included biodiversity, water discharge, mitigation of environmental impacts of products and services, transport, environmental investments, screening of new suppliers and supply chain impacts. The top Social indicators disclosed were new employee hires, rates of injury, freedom of association in operations, child labour and forced labour. Lesser disclosure rates were reported for employee training, composition of governance bodies and employees, political contributions, corruption and fines for non-compliance. The reporting on most other Social indicators was found to be poor. In addition, most companies give only a brief explanation on how material issues are defined, identified and ranked. Data on the identification of key stakeholders and the degree and nature of engagement for determining issues and their weightings is also lacking. Generally, little to no data is provided on the algorithms used to score an issue. Research indicates that most companies lack a rigorous and thorough methodology to systematically determine the material issues of sustainability reporting in accordance with company and stakeholder needs.

Keywords : identification of key stakeholders, material issues, sustainability reporting, transparency
Conference Title : ICCSSR 2015 : International Conference on Corporate Strategy and Social Responsibility
Conference Location : Zurich, Switzerland
Conference Dates : July 29-30, 2015