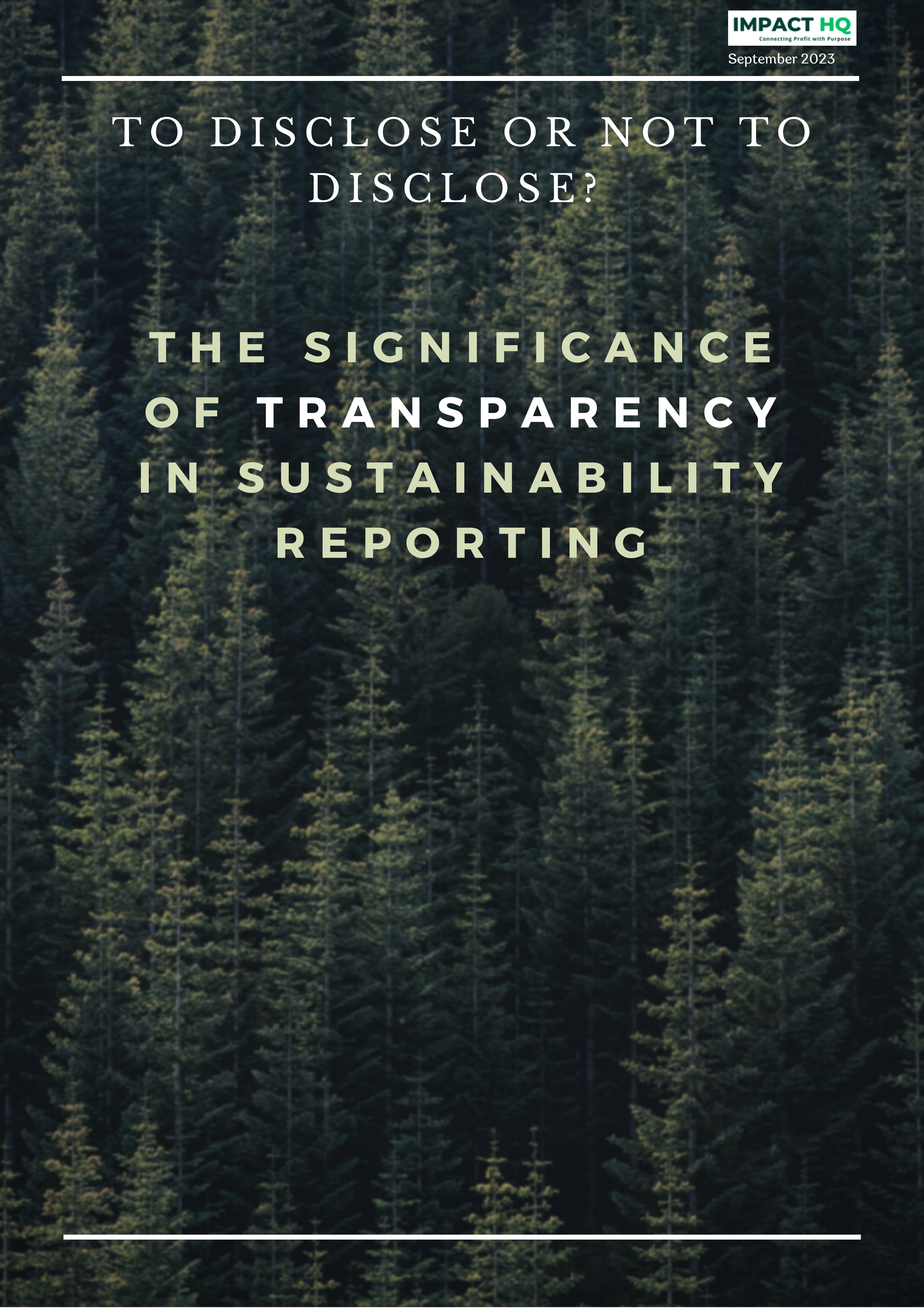

IMPACT HQ
Connecting Profit with Purpose

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TO DISCLOSE OR NOT TO DISCLOSE?

THE SIGNIFICANCE OF TRANSPARENCY IN SUSTAINABILITY REPORTING

As more companies grapple with how best to handle their sustainability reporting in the face of growing investor and consumer demand for useful sustainability information, the question of whether to disclose or not to disclose often pops up.

Transparency is at the very heart of sustainability reporting, so it's a question which warrants discussion.

TRANSPARENCY DEFINED

At face value, transparency is a simple concept. It's a willingness and intention to share sustainability information with stakeholders which may inform and enhance their decision-making. It's generally associated with openly disclosed information which is relevant, clear, reliable, comparable, and timely.

Transparency is at the heart of sustainability reporting since sustainability information is only of value if all the key attributes of transparency are adhered to.

THE EVOLUTION OF TRANSPARENCY IN THE SUSTAINABILITY WORLD

Long gone are the days when transparency was viewed by some companies as a greenwashing opportunity which allowed them to selectively showcase positive stories about their business. In those days, transparency was often a one-dimensional affair curated by the corporate world with the intent of marketing their businesses to consumers and investors.

How much the world has changed since then!

Transparency has evolved into a multidimensional concept which matters as much for its accuracy and breadth as it does the usefulness of the sustainability information being disclosed. These days, it's the very act of being transparent which is arguably the basis of an open and honest dialogue about sustainability between companies and their stakeholders, including investors, consumers and regulators alike.
So transparency has become a far more objective and holistic concept than it used to be. Its importance as a cornerstone to all corporate sustainability strategies can't be understated. For example, transparency allows companies to showcase their sustainability progress overtime, it helps improves their governance, and helps build their reputation amongst stakeholder groups.

TRUST AND TRANSPARENCY ARE RELATED

Most people would also agree that transparency helps build trust.

You just need to think through examples in your own life when people have been open and honest with you, particularly when they didn't need to be. In most cases, you probably trusted the other person more as a result.

In the words of Denise Morrison at Campbell Soup Co: '*The single most important ingredient in the recipe for success is transparency, because transparency builds trust.*'

However, what's becoming clear in the sustainability world is that the relationship between transparency and trust is more nuanced that a simple step-by-step process of more transparency automatically equating to more trust.

For example, for a portion of investors and consumers, a reservoir of trust is needed to be established before transparency can help build more trust. This is because transparency is only one of the six attributes of trust which also includes integrity, benevolence, managerial competence, technical competence and identification. It's only when all six attributes are in place that trust can thrive, and it takes time to reach this point.

The key point for companies to be aware of is that transparency is core to building trust with consumers, investors, and other stakeholders. But it's also worth understanding that transparency is not a silver bullet trust-building strategy in isolation. It is one aspect of a best-in-class sustainability communication and reporting strategy which is often associated with generating enhanced trust and loyalty.

WHAT DOES EFFECTIVE TRANSPARENCY LOOK LIKE?

In essence, the objective behind transparency should always be to inform investors and consumers with the highest quality information presented without bias or manipulation.
As a starting point, all effective transparency should tick three key boxes:

1. **Comparable** – so the information can be tracked on an annual basis in a way which creates value for investors and consumers
2. **Reliable** – the sources of the data must always be one hundred per cent reliable
3. **Accurate** – needless to say, all sustainability data must be totally accurate

These three boxes are self-explanatory elements of transparency for most companies, but there's more to it.

Effective transparency also needs to be referenced against appropriate benchmarks, and it needs to be presented with historical and absolute context.
For example, a company disclosing its carbon emission performance should be disclosing how its emissions have evolved over a period of years along with how their performance compares with their sector. In addition, they should also track their emissions against any publicly disclosed goals so their progress is presented with context for investors and consumers. The data presented can be enhanced through multi-faceted data gathering and analysis which leverages best-in-class data collection technology.

In addition, transparency is as much about how the information is presented as what is disclosed.
For example, transparency can be made more effective through the use of graphs, charts, and other data visualisation approaches. There are many other communication strategies which can be used to enhance sustainability reporting and communications which often lead to improved learning and understanding for stakeholders.

THE UNIQUE CHALANGES OF TRANSPARENCY

Transparency also faces its own set of unique challenges and criticisms.
While sustainability reporting has been embraced by most business organizations as a means of achieving transparency, doubts persist regarding its actual effectiveness. Some belief sustainability reports still prioritise building a positive reputation over genuine and objective transparency.

There's an awareness that some sustainability reports contain inaccuracies and omissions, and the standards guiding their creation are rarely enforced.
There's also ongoing frustration within the sustainability community about the underdeveloped norms that restrict how stakeholders can utilise sustainability information to drive change. Unlike annual financial reports, sustainability reports lack the same level of enforcement, attention, and scrutiny. Hence, some critics are sceptical that merely being responsive to stakeholders reflects the kind of standards that contemporary business organisations should be expected to uphold.

Time constraints and a lack of dedicated resources are also challenges faced during the transparency process.

WHAT NOT TO DO?

With these challenges in mind, there are a few practices to avoid when being transparent:

- Don't present so much dense information in your sustainability report that investors can't make sense of it. Be conscious of presenting the information in a focused and digestible manner—and remember less can be more when it comes to presenting sustainability data.

- Don't disclose unhelpful or out-of-context sustainability information. For example, tracking and disclosing your waste recycling metrics will only help investors and consumers if they can see how your performance is evolving over time, and in comparison with your long term goals. Context greatly enhances the value of transparency.

- Don't use sustainability industry jargon in your disclosures. Nothing loses an audience's attention faster than using sustainability jargon they don't understand. So keep your words simple and relevant, and avoid the use of unhelpful acronyms.

- Don't use boring, beige writing throughout your sustainability disclosures. Think about the audience's reading experience and ensure you use language which teaches, convinces and inspires. In other words, it's important you don't abandon your uniqueness in favour of blandness. If you do, you won't be optimally helping your stakeholders to understand your company's sustainability journey.

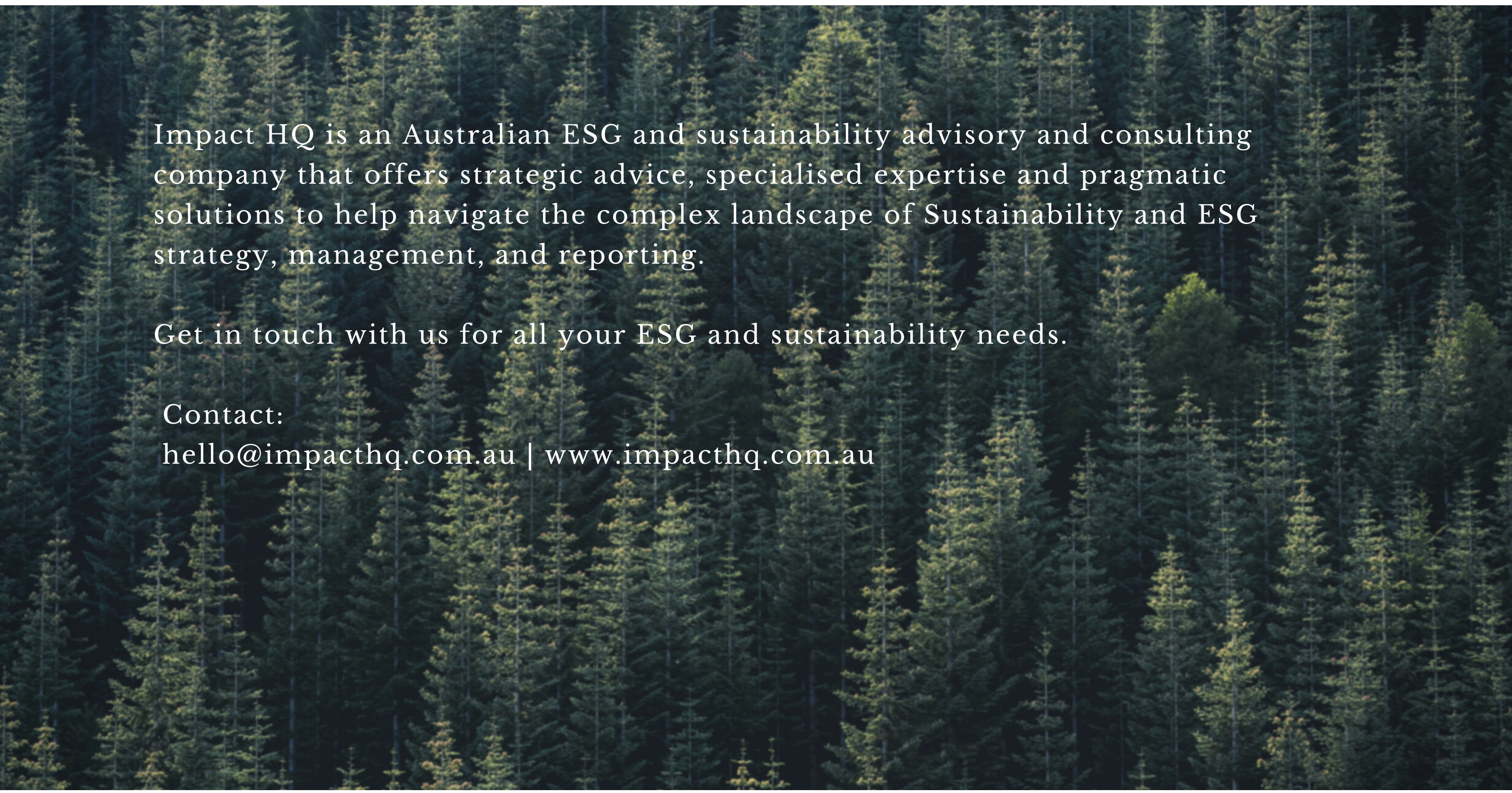
TO DISCLOSE OR NOT TO DISCLOSE?

As you may have gathered, transparency is a big deal in the sustainability world. It's at the heart of all sustainability reporting and communication, so getting it right is of vital importance.

The next time you're faced with the question, 'To disclose or not to disclose?' you now have the background information you need to answer the question… In general, if the sustainability information you're considering disclosing is comparable, reliable, and accurate, you're better off disclosing it—and vice versa. Just ensure you provide appropriate benchmarks and goals, as well as historical and absolute context to ensure your transparency is helping investors and consumers learn valuable sustainability information about your business.

Now is the best time to get this right.

As in-depth sustainability reporting becomes more widespread across the corporate world, the need for high quality transparency has never been higher for companies aiming to build trust and loyalty with their investors and consumers. Building trust and maturing an organisation's approach to transparency, however, takes time and resources.



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