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An Association of Australia's senior Finance Executives  
from the nation's business enterprises

**SUSTAINABILITY:  
A GUIDE TO TRIPLE  
BOTTOM LINE REPORTING**

# Executive Summary

## Background

The trend towards greater transparency and accountability in public reporting and communication is reflected in a progression towards more comprehensive disclosure of corporate performance to include the environmental, social and economic dimensions of an entity's activities.

Reporting information on any one or more of these three elements is referred to as TBL reporting throughout this publication.

This trend is being largely driven by stakeholders, who are increasingly demanding information on the approach and performance of companies in managing the environmental and social/community impact of their activities and obtaining a broader perspective of their economic impact.

This booklet does not intend to prescribe how companies should approach the public reporting of economic, environmental and social information. It aims to provide senior executives with a concise guide to TBL reporting, and offer insight into some of the key issues and challenges it presents.

## Alignment with business strategy

TBL reporting has little relevance to the reporting company or its stakeholders if it is not aligned to the company's overall business strategy.

A decision to move to full TBL reporting should not be taken lightly. It must have senior management endorsement and commitment, as it may have major resource implications, and a half-hearted approach is likely to be worse than not adopting it at all.

## Benefits in TBL reporting

The business case for TBL reporting centres on improved relationships with key stakeholders such as employees, customers, investors and shareholders. Specific commercial advantages include:

- Enhancement of reputation and brand;
- Securing a ‘social licence to operate’;
- Attraction and retention of high calibre employees;
- Improved access to investors;
- Reduced risk profile;
- Identification of potential cost savings;
- Increased scope for innovation;
- Aligning stakeholder needs with management focus; and
- Creation of a sound basis for stakeholder dialogue.

## Forms of reporting

A number of options, ranging from the inclusion of minimal TBL-related information within statutory reporting through to the publication of a full TBL report, are available to companies considering TBL reporting.

In choosing an appropriate path forward, companies are likely to take into account a diversity of factors including: the overall strategic objectives; current capacity to report; prioritisation of stakeholder requirements; and the reporting activities within the industry sector.

## Relationship with financial reporting

The information contained within a TBL report is of a different nature to that included in a financial report. However, TBL reporting enables environmental and social risks that have the capacity to materially affect financial performance to be identified and, therefore, taken into consideration when preparing financial reports.

## Implementation and strategy

Critical issues for consideration in the development and implementation of TBL reporting include: clear definition of the role of TBL reporting in driving strategic business objectives; establishment of the resource and cost requirements; awareness of associated legal implications; and understanding the risks involved in publishing TBL information.

Key challenges associated with implementation include:

- Awareness of relevant issues associated with TBL reporting;
- Understanding stakeholder requirements;
- Aligning TBL reporting with objectives and risks; and
- Determining and measuring performance indicators.

## The importance of metrics and performance indicators

The use of appropriate performance indicators, presented in a consistent and recognisable manner, can distil a large amount of complex information into a relevant and readily understood form. It is important that companies develop indicators that reflect their own strategic objectives and the requirements of key stakeholder groups.

## The role of the Chief Financial Officer (CFO)

A range of individuals and groups within a company will play a role in the implementation of TBL reporting. The role of the CFO will include: ensuring the accuracy of financial and economic data, overseeing the financial efficiency of the reporting process, and reviewing the report to assess any risks associated with statements or information within the report. In addition, the CFO may be given the role (by the Board) of assuring the accuracy and integrity of the non-financial data contained within the report.

## Verification

Independent verification of TBL reports is being sought by an increasing number of companies to provide assurance about the reliability and integrity of the reporting process and to enhance the report's credibility.

## 2. Background and Context

### What is triple bottom line reporting?

There is no single, universally accepted definition of TBL reporting. In its broadest sense, and for the purposes of this booklet, TBL reporting is defined as corporate communication with stakeholders that describes the company's approach to managing one or more of the economic, environmental and/or social dimensions of its activities and through providing information on these dimensions.

Consideration of these three dimensions of company management and performance is sometimes referred to as sustainability or sustainable development. However, the term TBL is used throughout this booklet.

In its purest sense, the concept of TBL reporting refers to the publication of economic, environmental and social information in an integrated manner that reflects activities and outcomes across these three dimensions of a company's performance.

Economic information goes beyond the traditional measures contained within statutory financial reporting that is directed primarily towards shareholders and management. In a TBL context, economic information is provided to illustrate the economic relationships and impacts, both direct and indirect, that the company has with its stakeholders and the communities in which it operates.

The concept of TBL does not mean that companies are required to maximise returns across three dimensions of performance – in terms of corporate performance, it is recognized that financial performance is the primary consideration in assessing its business success.

## Trend towards triple bottom line reporting

Companies are increasingly including economic, environmental and social information in their public reporting, in addition to the financial information required for statutory reporting. For some companies, this involves publication of a separate report or reports. For others, it involves including such information within their annual reporting to shareholders.

A number of factors are driving this shift in public reporting, including response to mandatory requirements; consistency with emerging public commitments by business through voluntary codes of behaviour or charters and their associated business and signatory requirements; and the increasing and changing demands from stakeholders for greater transparency about operating policies and results. Stakeholders are placing increasing emphasis on understanding the approach and performance of companies in managing the environmental and social/community impact of their activities, and on obtaining a broader perspective of the economic impact of companies.

## The importance of stakeholders

Stakeholders typically include the following groups:

- Shareholders and investors;
- Employees;
- Customers;
- Suppliers;
- Community;
- Commonwealth, State and Local governments;
- Other stakeholders, including: business partners, local authorities and regulatory bodies, trade unions, and non-governmental organizations.

It is impossible for a company to accommodate the often-competing interests of all stakeholder groups in its public reporting. Essentially the company will seek to prioritise among these stakeholder groups and target its reporting to those stakeholder groups, and on those issues most critical to the company's success.

As TBL reporting develops, increased attention will be given to its role as part of an integrated communications strategy seeking to meet the requirements of *key* stakeholder groups – the delivery of such ‘stakeholder appropriate’ reporting is seen to provide greater value to the reporting company and better communicate information to the respective stakeholders to whom the reporting is directed.

## Why report – the business benefits in reporting

A substantial and varied body of literature dealing with the ‘business case’ for TBL reporting has been developed during the last five to ten years.

Alignment of company reporting with the expectations of key stakeholders serves to improve the quality of a company's relationships with such stakeholders and thus protect and enhance the value of the organisation. Some of the specific organisational benefits identified include:

- *Reputation and brand benefits* – corporate reputation is a function of the way in which a company is perceived by its stakeholders. Effective communication with stakeholders on one or more of the environmental, social, and economic dimensions can play an important role in managing stakeholder perceptions, and, in doing so, protect and enhance corporate reputation.
- *Securing a ‘social licence to operate’* – a ‘licence to operate’ is not a piece of paper, but informal community and stakeholder support for an organisation's operations. Business is increasingly recognising the link between ongoing business success and its ‘licence to operate’, especially in the resources sector where the concept of a social licence to operate has been central for some years. Communication with stakeholders is often critical to securing and maintaining a ‘licence to operate’

Communities and stakeholders generally, are likely to be more supportive of companies that communicate openly and honestly about their management and performance in relation to environmental, social and economic factors.

- *Attraction and retention of high calibre employees* – existing and prospective employees have expectations about corporate environmental, social and economic behaviour, and include such factors in their decisions. The publication of TBL-related information can play a role in positioning an employer as an ‘employer of choice’ which can enhance employee loyalty, reduce staff turnover and increase a company’s ability to attract high quality employees.
- *Improved access to the investor market* – a growing number of investors are including environmental and social factors within their decision-making processes. The growth in socially responsible investment and shareholder activism is evidence of this. Responding to investor requirements through the publication of TBL-related information is a way of ensuring that the company is aligning its communication with this stakeholder group, and therefore enhancing its attractiveness to this segment of the investment market.
- *Establish position as a preferred supplier* – obtaining a differentiated position in the market place is one way to establish the status of preferred supplier. Effectively communicating with stakeholder groups on environmental, social and economic issues is central to obtaining a differentiated position in the market place.
- *Reduced risk profile* – there is an expanding body of evidence to suggest that performance in respect of economic, social and environmental factors has the capacity to affect the views of market participants about a company’s exposure to, and management of, risk. TBL reporting enables a company to demonstrate its commitment to effectively managing such factors and to communicate its performance in these areas. A communication policy that addresses these issues can play an important role in the company’s overall risk management strategy.

- *Cost savings* – TBL reporting often involves the collection, collation and analysis of data on resource and materials usage, and the assessment of business processes. For example, this can enable a company to better identify opportunities for cost savings through more efficient use of resources and materials.
- *Innovation* – The development of innovative products and services can be facilitated through the alignment of R&D activity with the expectations of stakeholders. The process of publishing TBL reporting provides a medium by which companies can engage with stakeholders and understand their priorities and concerns.
- *Aligning stakeholder needs with management focus* – External reporting of information focuses management attention on not only the integrity of the data but also the continuous improvement of the indicator being reported.
- *Creating a sound basis for stakeholder dialogue* – Publication of TBL reporting provides a powerful platform for engaging in dialogue with stakeholders. Understanding stakeholder requirements and alignment of business performance with such requirements is fundamental to business success. TBL reporting demonstrates to stakeholders the company's commitment to managing all of its impacts, and, in doing so, establishes a sound basis for stakeholder dialogue to take place.

In addition to the benefits obtained through superior relationships with key stakeholder groups, the decision to be publicly accountable for environmental and social performance is often recognised as a powerful driver of internal behavioural change. The availability of relevant information on economic, environmental and social performance that previously may not have been collected and evaluated in a readily understood manner may enable executives to identify and focus attention on specific aspects of corporate performance where improvement is required.