

# SUSTAINABILITY REPORTING

## WHAT LEADERS NEED TO KNOW



**BUREAU  
VERITAS**

# TRANSPARENCY: NECESSARY AND URGENT

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**In recent years, the health of our planet has risen up the agenda of governments and business leaders the world over.**

**As a result, sustainability or Environmental, Social and Governance (ESG)<sup>1</sup> reporting has also moved to the forefront as part of a wider focus on transparency and trust.**

**Companies are under pressure from stakeholders to disclose their sustainability strategies and performance in detail, and voluntary reporting is giving way to regulations that will impact companies of all sizes worldwide in the coming years.**

**This white paper aims to provide leaders with essential information on non-financial reporting requirements. It unveils insights on reporting behavior from Bureau Veritas' 2022 global survey on sustainability reporting, and outlines the key elements of good reporting.**

**The time to prepare for mandatory reporting is now.**

<sup>1</sup> Throughout this paper, "ESG"; "sustainability"; and "non-financial" reporting are used interchangeably, as different types of corporate reporting stakeholders prefer different terms.

# KEY INSIGHTS

Bureau Veritas' 2022 global survey on sustainability reporting featured **1,059 respondents from 18 industries in 101 countries.**



## LEADERS ARE UNAWARE OF REGULATIONS

**33% of companies don't know which regulations will soon impact them.**

(N = 1,059)

Only 1/3 of companies publish a report. Of those that don't, 76% expect or want to publish one soon.  
(N = 1,059)



## MANY COMPANIES NEED SUPPORT

Almost half already work with an **assurance partner**, getting ahead before it becomes a requirement – **and so should you.** Data accuracy and reliable information are seen as critical to support sustainability actions.

(N = 364)

Over half of companies seek some form of **external support** for sustainability reporting.

(N = 364)



## STANDARDS CAN OFFER SOLUTIONS

Standardized frameworks are needed to provide accessible, understandable and comparable information. **The clear favorite is the GRI,** with over half saying they use it.

(N = 260)



## COMPANIES ENCOUNTER SEVERAL CHALLENGES

66% say **data collection** is the primary barrier to reporting.

(N = 364)

Dealing with **multiple reporting frameworks** is the second biggest barrier. Expert support can help companies understand which frameworks to use.

(N = 364)

# EXECUTIVE SUMMARY

Across the world, senior leaders are increasingly aware of the need for sustainability or ESG reporting, but this does not always translate into action. Bureau Veritas' survey shows that two thirds of companies don't currently publish a report, many of them deterred by a lack of support.

A company's sustainability report is a key channel of communication. It's often published voluntarily, but is increasingly becoming an obligation. It enables organizations to achieve a number of objectives, including **growing stakeholder trust, offering added value, and improving risk management.**

Businesses that do not yet make reporting a priority have no time to lose – **and responsibility for getting started lies with top management.** The emerging needs are for organizations to prepare by looking into **training, available data, gap assessment and third-party assurance.**

## Sustainability reporting around the world

Bureau Veritas' sustainability reporting survey conducted in 2022 provides a window into the reporting landscape. It shows that:

→ **The number one driver for reporting is increasing customer trust.** Second-most important is enhancing shareholder value, and third is compliance.

→ **Reporting today is often linked to business size:** Over half of the 34% that report have over 1,000 employees and 70% of those with no plans to report are SMEs.

## What it means for leaders

Regulations and directives—with a national and even international scope—are being proposed or enacted with the objective of requiring organizations to publish a report, and to have it verified by a third party. The key regulation and framework to know are:

→ The European Union's **Corporate Sustainability Reporting Directive (CSRD)**

→ The **Task Force on Climate-related Financial Disclosures (TCFD) Framework**

To be truly useful and credible, reporting must be conducted in a certain way. To ensure transparency and relevance as well as the consistency of sustainability information, reported information should be **comparable, reliable and easy to find and use.**



**34%**  
of companies conduct non-financial reporting

**30%**  
don't, but expect to publish in the coming years

**36%**  
don't, and have no plans to  
(N = 1,059)



**68%**  
of reports are handled by a company's sustainability/CSR or HSE/QHSE department

**10%**  
are handled by senior management

**22%**  
are handled by others  
(N = 1,059)

**CSR:** Corporate Social Responsibility  
**HSE:** Health, Safety and Environment  
**QHSE:** Quality, Health, Safety and Environment

# REGULATION AND STANDARDIZATION: WHAT'S COMING?



1/3

of all managers are not aware  
of initiatives or legislation  
affecting their organization's  
reporting obligations

# STANDARDS AND DIRECTIVES ROADMAP

## THE WHO, THE WHAT AND THE WHEN



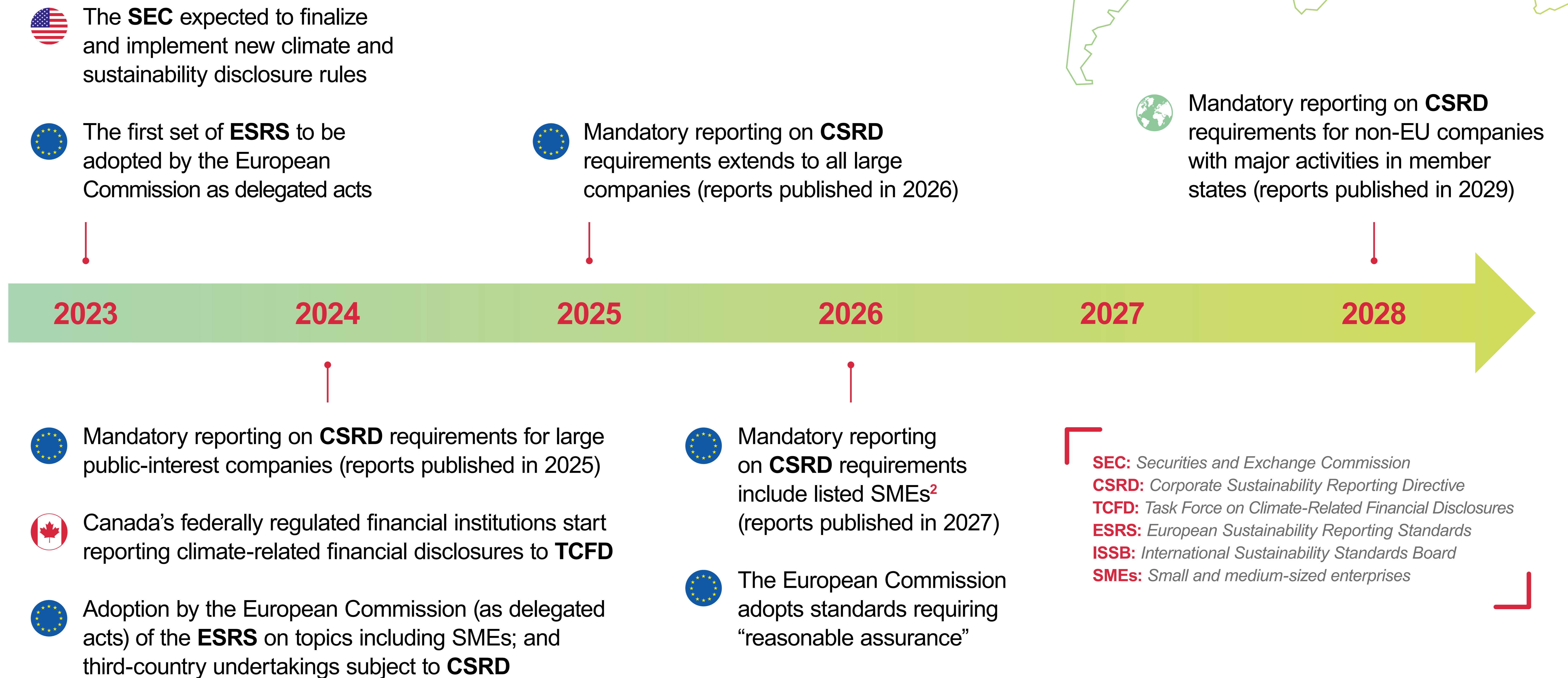
Organizations have no time to lose in getting ready for the volume of sustainability reporting standards and regulations currently in the pipeline. That means decision-makers need to acquire a full understanding of how and what to report on to ensure clarity, trustworthiness and compliance.

### What is the Task Force on Climate-related Financial Disclosures?

In 2017, the Task Force on Climate-related Financial Disclosures (TCFD) published its recommendations on climate-related financial disclosures, known as the TCFD Framework.

In October 2021, it published new guidance on metrics, targets, and transition plans in a new framework that is now informing the development of the coming IFRS Sustainability Reporting Standards developed by the ISSB.

To date, more than 3,000 organizations and companies worldwide support the implementation of the TCFD Framework, as do the members of the G20.



**SEC:** Securities and Exchange Commission  
**CSRD:** Corporate Sustainability Reporting Directive  
**TCFD:** Task Force on Climate-Related Financial Disclosures  
**ESRS:** European Sustainability Reporting Standards  
**ISSB:** International Sustainability Standards Board  
**SMEs:** Small and medium-sized enterprises

<sup>2</sup> SMEs benefit from an opt-out until 2028.

# UNDERSTANDING THE CORPORATE SUSTAINABILITY REPORTING DIRECTIVE (CSRD)



## WHAT DO I NEED TO DO?

Get ahead of regulations by:

- ✓ Defining KPIs and a data collection process
- ✓ Identifying employees that have reporting knowledge or would like to receive training
- ✓ Naming owners, and ensuring they know good reporting practice

The EU is a global front-runner when it comes to sustainability reporting. Its latest legislation, the CSRD, requires all large and all listed, as well as some non-EU companies, to report sustainability information against European Sustainability Reporting Standards (ESRS). The aim is to provide investors and other report users, who have been operating in a context of sustainability data scarcity and incomparability issues, with access to more consistent, comparable information.

The new requirements will have implications for how companies track, account for, and disclose their sustainability risks, opportunities and impacts. They are expected to affect nearly 50,000 organizations, which generate more than 75% of the total EU companies' turnover.

Following the approval of the final text of the CSRD in November 2022, member states have 18 months to translate the directive into local law. The first companies to comply with the Directive will report in 2025 based on 2024 data.

## What the CSRD means for your company

The CSRD amends the reporting requirements of the existing Non-Financial Reporting Directive (NFRD) to:

- Extend the scope of mandatory sustainability reporting to all large companies and SMEs listed on regulated markets
- Require external auditing by a third party for sustainability reports
- Implement mandatory sustainability reporting standards with more detailed reporting requirements

It is not limited to climate and environmental issues: it also includes factors related to social and corporate governance, such as equality, human rights and freedom, fair working conditions, and business ethics.

# KEY REPORTING FRAMEWORKS AND STANDARDS

More than 25% of respondents in Bureau Veritas' survey cited a lack of buy-in from departments feeding in sustainability information as a major obstacle to reporting success. It is crucial that an organization's senior leaders understand the different frameworks and standards for reporting in order to communicate their importance to all teams and convey a sense of urgency.



## European Financial Reporting Advisory Group

The Corporate Sustainability Reporting Directive (CSRD) draws on the European Sustainability Reporting Standards (ESRS), which were developed by the European Commission with support from EFRAG. Set up by the European Union (EU) and the private sector in 2001, EFRAG provides technical advice to the European Commission on financial and non-financial reporting.



## Global Reporting Initiative

This independent, international, and non-governmental organization provides the GRI Universal Standards for credible and comparable sustainability reporting. It set one of the first frameworks for voluntary reporting and is expected to release 40 new sector standards in the coming years.



## International Auditing and Assurance Standards Board

The IAASB is an independent body that sets international standards for auditing, assurance and quality management. ISAE 3000 is the main non-financial auditing standard, used by auditors and assurance practitioners.



## AccountAbility

Global consulting and standards firm AccountAbility is behind the AA1000 series for sustainability disclosures. Its standards, including the AA1000AS (assurance) and the AA1000SES (stakeholder engagement) are used by private companies, governments, and other public and private organizations worldwide, as well as assurance providers.



## International Financial Reporting Standards

The IFRS was set up in 2001, with the goal of developing a single set of global accounting and sustainability disclosure standards to bring transparency and accountability to financial markets.

The IFRS now incorporates the International Sustainability Standards Board (ISSB) and the Sustainability Accounting Standards Board (SASB). It is aligning with EFRAG's work on CSRD to create a global baseline for sustainability disclosure requirements.



# UNDERSTANDING THE SUSTAINABILITY REPORTING LANDSCAPE



of reporting companies seek third-party assurance. Their key motivator is ensuring the accuracy of sustainability data

# WHO IS REPORTING – AND WHY

**Corporate responsibility starts at the top, which is why it is crucial that a company’s senior leaders set the right tone for sustainability reporting. They must demonstrate, through their words and actions, the extent to which reporting excellence is a company priority. Only then can it become an enterprise-wide project with full staff buy-in.**

## The story so far

Bureau Veritas’ study covered companies in industries ranging from business and professional services through to manufacturing, agrifood, automotive, and consumer goods and retail. The study encompassed businesses based in the Americas, EMEA and Asia-Pacific, and uncovered valuable insights on companies’ reporting habits and motivations.

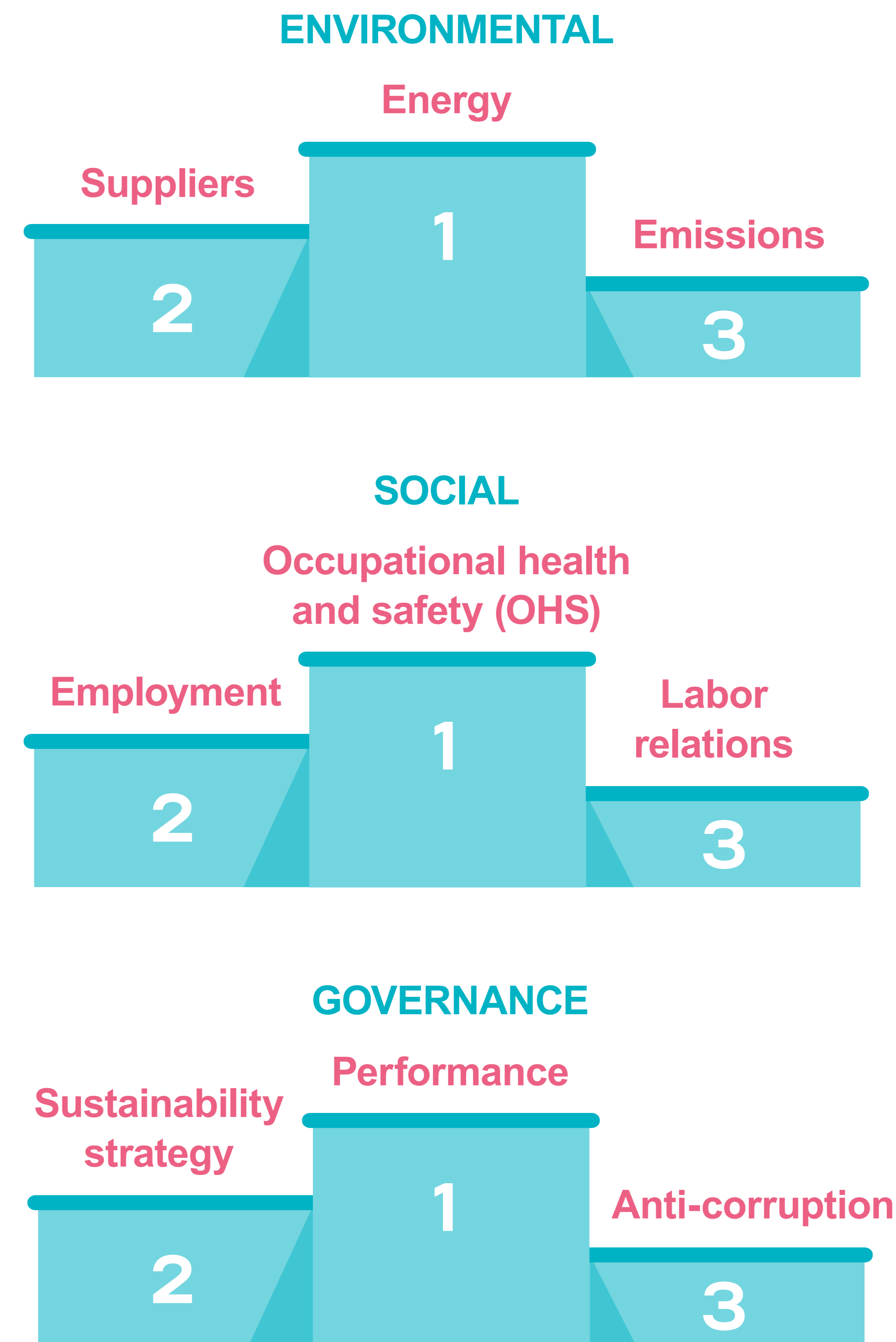
Interestingly, **compliance is not the top reason why companies report.** When participants were asked why they publish sustainability reports, **“increasing customer trust”** came in at number one. This was followed by “enhancing shareholder value” and “ensuring compliance with regulations” in second and third place, respectively.

Companies’ most significant environmental issues and risks also offered some surprises. For example, while the top governance issue was performance, **sustainability strategy and anti-corruption** are becoming increasingly important, compared to previous years. The main **ESG issues and risks** listed by companies are covered by the CSRD legislation.

The research demonstrates that sustainability reporting today tends to be linked to business size: **over half of the 34% of companies that already publish a sustainability report have more than 1,000 employees.** Those companies have honed their reporting skills over time, with over 60% reporting for more than three years. By contrast, 70% of the companies that have no current intention of reporting are SMEs.

Intention to report does appear to be shifting, with SMEs increasingly motivated: of the 30% of respondents whose companies have not yet published but which expect to publish a report soon, half are SMEs. And they have no time to lose – in Europe, SMEs will have to report on CSRD requirements in 2027 (on 2026 data).

## Companies’ most significant issues and risks



## WHAT DO I NEED TO DO?

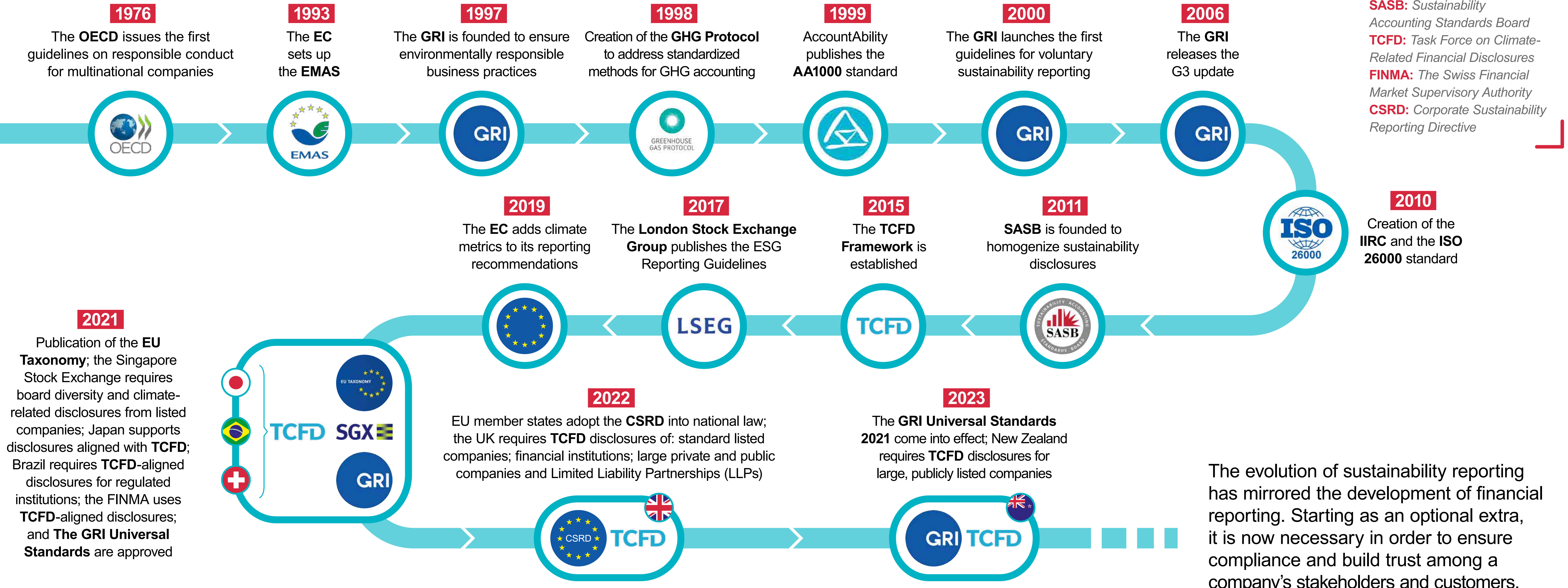
Ensure that sustainability is understood and prioritized by:

- ✓ Engaging with internal and external stakeholders to identify the main ESG topics relating to your company
- ✓ Integrating ESG into the Board’s management of risk and opportunities
- ✓ Demonstrating personal leadership on sustainability matters

# THE HISTORY OF SUSTAINABILITY REPORTING

While sustainability reporting is really only just starting to be adopted more widely, it is far from a new concept. Over the years, the number of frameworks and standards has multiplied. This timeline shows how the field has evolved.

**OECD:** The Organisation for Economic Co-operation and Development  
**EC:** European Commission  
**EMAS:** Eco-Management and Audit Scheme  
**GRI:** Global Reporting Initiative  
**GHG:** Greenhouse Gas  
**IIRC:** International Integrated Reporting Council  
**SASB:** Sustainability Accounting Standards Board  
**TCFD:** Task Force on Climate-Related Financial Disclosures  
**FINMA:** The Swiss Financial Market Supervisory Authority  
**CSRD:** Corporate Sustainability Reporting Directive



The evolution of sustainability reporting has mirrored the development of financial reporting. Starting as an optional extra, it is now necessary in order to ensure compliance and build trust among a company's stakeholders and customers.

# FUTURE-PROOFING YOUR BUSINESS



**69%**

of managers say knowledge is the most needed resource for their organization to improve its sustainability performance

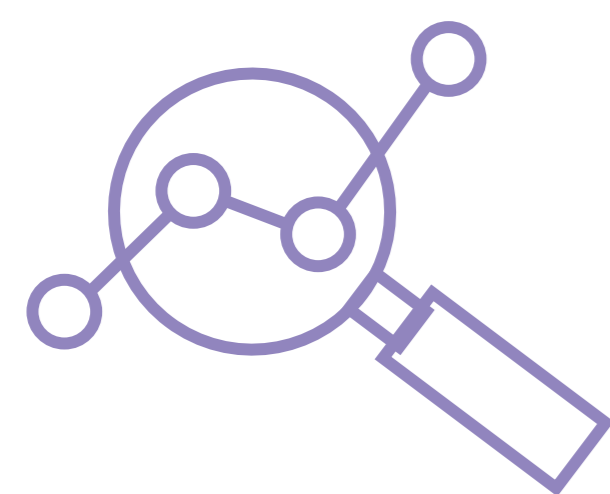
# THE REPORTING PROCESS AT A GLANCE

In order to achieve transparent and credible sustainability reporting, responsible teams must ensure that several steps are taken. These are the 6 steps to sustainability reporting success.

## IDENTIFY THE APPLICABLE LEGISLATION, REGULATIONS AND FRAMEWORKS

to inform **what metrics and data to collect**. Those responsible for reporting must take into account all subsidiaries around the world operating in various jurisdictions.

1



## CREATE A BENCHMARK

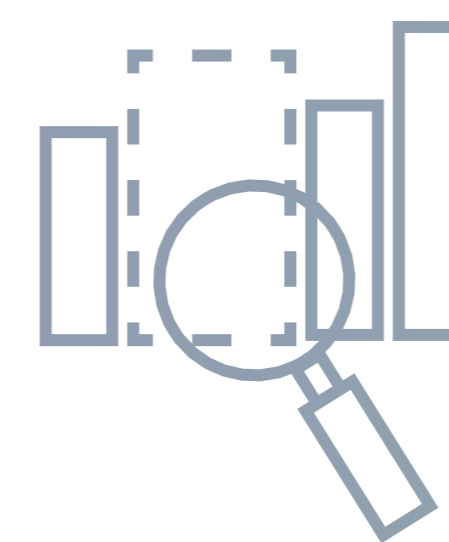
to help owners see what is being reported by the company's peers or the market in general. Mapping out industry-specific reporting best practice will help **identify the most important sustainability issues to focus on**.

2

## PERFORM A GAP ANALYSIS

to **compare the organization's reporting against GRI, CSRD and TCFD requirements**. Then, areas of non-compliance can be turned into growth opportunities.

3



## DO A MATERIALITY ASSESSMENT

to **identify any current or potential positive or negative impacts** that the company's activity has on the country or region, environment or community in which it operates – and, in turn, what effect potential positive or negative ESG risks might have on the organization itself.<sup>3</sup>

4

## EVALUATE DATA COLLECTION PRACTICES

and adapt them to **ensure the chosen data points meet requirements**. Companies need to check that new mandatory disclosures will tell the right story about the business, and come up with a solid plan to bridge any gaps.

5



## START WORKING WITH VOLUNTARY ASSURANCE

It is crucial that companies practice this **before assurance becomes mandatory**. This will enhance data quality and overall reporting robustness, and improve the accuracy, completeness and consistency of future reports.



6

<sup>3</sup> Known as "Double materiality", a feature unique to CSRD, that seeks to reconcile the two schools of thought on sustainability (impact) / ESG (risk).

# WHAT MAKES A SUSTAINABILITY REPORT **EFFECTIVE?**

A sustainability report is a document published by an organization about the economic, environmental and social impacts caused by its activities, aimed at presenting its values and governance model. The primary users are investment analysts, investors, clients, civil society and other interested parties and stakeholders.

The premise is simple, but the difference between an effective report and a counter-productive one can be massive.

Of course, a useful sustainability report has to be based on verified data (and to comply with the EU's CSRD, it must also use data points that are standardized for electronic analysis). However, it should also tell an engaging story about the company to a wide audience beyond its investors.

## The 11 key principles of good sustainability reporting

### 1. ACCESSIBILITY

Companies must consider the specific accessibility needs of the people who will use the information, including languages spoken and their access to technology.

### 2. ACCURACY

Information reported must be both correct and sufficiently detailed to allow an assessment of the organization's impacts.

### 3. BALANCE

Data must be communicated in an unbiased way and provide a fair representation of the organization's negative and positive impacts.

### 4. CLARITY

Information must be presented in a way that is accessible and understandable.

### 5. COMPARABILITY

Data must be selected, compiled and reported consistently to allow for an evaluation of changes in the organization's impacts over time as well as a comparison of impacts relative to those of other organizations.

### 6. COMPLETENESS

There must be enough information to enable an assessment of the organization's impacts during the reporting period.

### 7. MATERIALITY

Companies must consider the significance of an issue to an organization and its stakeholders, and in some cases, to the environment and society. A material issue is one that will influence the decisions, actions and performance of an organization or its stakeholders.

### 8. RELIABILITY

Information must be compiled in a way that ensures quality and allows for later examination or audit.

### 9. STAKEHOLDER INCLUSIVENESS

Stakeholders should participate in developing and achieving an accountable and strategic response to sustainability. An inclusive organization accepts accountability to those it impacts and who have an impact on it.

### 10. SUSTAINABILITY CONTEXT

A good report needs to position information about the organization's impacts within the wider context of sustainable development.

### 11. TIMELINESS

Data should be reported according to a regular schedule and be made available in time for information users to make decisions.



## WHAT DO I NEED TO DO?

Set your company up for reporting success by:

- ✔ Allocating budget and talent to strategy, data collection and analysis and reporting.
- ✔ Investing in external advisors if needed, to help navigate the process for the first reporting periods and create internal knowledge.

# CONCLUSION



**believe that those who provide data for their company's reports should be better educated about standards and good reporting practices**

# WHAT YOU'LL NEED TO DO AS A LEADER



Senior executives must acknowledge the crucial part to play in setting an example for the whole organization, communicating sustainability as a priority, and identifying and allocating resources.

## EXECUTIVE LEADERS AND BOARD MEMBERS MUST:

- ✔ **Demonstrate personal leadership and accountability** on sustainability matters.
- ✔ Communicate effectively with stakeholders at all levels to **demonstrate that sustainability is a priority.**
- ✔ Integrate sustainability into **the Board's management of risk and opportunities.**
- ✔ **Assess trends and topics** related to your context and sector to identify the main ESG topics by **engaging with internal and external stakeholders** to understand their needs and expectations.
- ✔ **Identify employees** that have, or would like to have, knowledge on sustainability reporting, and make them the internal champions.
- ✔ **Allocate appropriate resources**—both in terms of budget and talent—to develop a sustainability strategy, and tackle the significant data collection, analysis and reporting challenge. For the first reporting periods, companies can also invest in training. Bureau Veritas (BV) offers training courses aimed at employees responsible for sustainability reporting.
- ✔ **Define KPIs and a data collection process, then identify and train owners.** This is key to getting ahead of regulations and unlocking new opportunities from good reporting. BV can support ESG data integration and automation to meet your reporting needs.
- ✔ **Engage an independent third party to do a thorough assurance of the report,** to reassure stakeholders that the data is accurate. BV offers assurance readiness checks.



# BEYOND COMPLIANCE: BV'S TOOLS FOR TRANSPARENT BUSINESSES

**In today's high-scrutiny marketplace, compliance is non-negotiable, but trust is a game-changer.**

Bureau Veritas' 2022 survey reveals that companies prepare reports for a number of reasons depending on their size, structure, sector and location. It also shows that levels of maturity in sustainability reporting vary hugely across industries and types of company.

Our services in support of sustainability reporting go beyond ensuring clients align with standards and comply with regulations and legislation. We help committed leaders steer their companies toward greater environmental, social and governance responsibility. The result is greater trust between businesses and their stakeholders, and that is the kind of business that is on a right path toward sustainability.

## How Bureau Veritas is helping

Bureau Veritas is supporting C-suite leaders worldwide as they create, develop or enhance their companies' sustainability strategies and communications. Our range of services bring greater transparency and credibility to companies' sustainability commitments:

### TRAINING

Within Bureau Veritas' range of sustainability related training is the new course *An Introduction to Sustainability Reporting for CSRD*. The course is for leaders and employees at all levels, and ensures they have the knowledge and skills they need for success.

### ESG PERFORMANCE MANAGEMENT

Bureau Veritas has developed Clarity, a suite of solutions that enables businesses to communicate their roadmap with the confidence that its implementation has been verified. It helps leaders and supply chain, procurement and sustainability professionals manage their ESG roadmaps, monitor the progress of their sustainability strategies and conduct readiness assessments against frameworks like GRI.

### GAP ANALYSIS

Bureau Veritas can review an organization's existing practices and metrics against the ESRS, GRI and other requirements to identify any gaps to support comprehensive implementation of ESG information management systems.

### DATA CAPTURE & AUTOMATION

One of the largest challenges organizations face is where to start. By combining Clarity with Data Capture and Automation, Bureau Veritas offers a methodology to prioritize and then implement a data automation strategy to increase efficiency and drive positive impact.

### ASSURANCE

As an independent third party, Bureau Veritas helps businesses prove that information shared about their sustainability performance is relevant, complete and accurate. Beyond verifying data, Bureau Veritas report assurance enables companies to obtain useful feedback on their data collection, analysis and presentation methods, and demonstrate best practice in sustainability reporting.



# ASSURANCE: HOLDING REPORTING TO ACCOUNT

In Bureau Veritas' survey, the overwhelming majority of leaders said that ensuring the accuracy, relevance, completeness and consistency of reported information was the main driver for seeking assurance. Demonstrating transparency and complete honesty are critical to safeguarding a company's reputation, avoiding accusations of greenwashing, and ensuring complete compliance. **Assurance from an independent and globally trusted third party helps businesses prove that their sustainability performance data is accurate and unbiased.**



### SCOPING AND PLANNING

The lead assurance practitioner performs a thorough analysis of the support to be provided—detailing timelines, deliverables and any other specific client requirements—as well as a preliminary data review.



### DETAILED ASSURANCE

The assurance team evaluates controls and conducts interviews at the sites. Then, they test the data and perform an in-depth data and process review before writing a first-draft report.



### REVIEW AND INTERNAL SIGN-OFF

An independent assurance expert performs a technical review. Following this, the assurance team finalizes the management report and the assurance opinion statement.



### DELIVERY OF MANAGEMENT REPORT AND ASSURANCE OPINION STATEMENT

Bureau Veritas' experts provide senior management with actionable advice in the management report to improve sustainability performance. The assurance opinion statement is for publication in the sustainability report, providing assurance for stakeholders.

## BUREAU VERITAS' ASSURANCE PROCESS AT A GLANCE



# SHAPING A WORLD OF TRUST

**Bureau Veritas** is a Business to Business to Society company, contributing to transforming the world we live in. A world leader in testing, inspection and certification, we help clients across all industries address challenges in quality, health & safety, environmental protection and social responsibility.

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For more information,  
contact Bureau Veritas:

Le Triangle de l'Arche  
8 cours du Triangle  
CS 90096  
92937 Paris La Défense  
Cedex FRANCE

[bureauveritas.com](http://bureauveritas.com)



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