



What is a Sustainability Report?

Sustainability reporting is a process through which organizations communicate their environmental, social, and governance (ESG) performance to stakeholders, including investors, customers, employees, and the wider community. To ensure consistency and transparency in sustainability reporting, several standards and frameworks have been developed.

It's a public document that an organisation issues to communicate the impact of its activities on the environment, the economy and society.

The purpose of this report is to demonstrate management's commitment to these issues, document its progress and set its future sustainability goals

It helps the stakeholders to understand the organisation's sustainability strategies and practices, to assess its performance and risk in these areas, and to form their own opinions and decisions based on this information.

The Mandatory Nature of the Sustainability Report

Though it started as a voluntary practice by some pioneering companies, today it is increasingly a legal and regulatory requirement in many jurisdictions and sectors. Now the big question is if it is mandatory or not?

The correct answer to this is that it depends on the location, many other factors where it may be mandatorily required to report. Some cases are as below:

- On June 26, 2023, the International Sustainability Standards Board issued its inaugural sustainability reporting standards—IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (“IFRS S1”) and IFRS S2 Climate related Disclosures (“IFRS S2”). The Standards are to be applied for reporting periods beginning on or after January 1, 2024; however, earlier application is permitted



- The European Union has established rules requiring companies of a certain size to report on their sustainability performance. Moreover, many investors and customers are also increasingly demanding this type of information, adding to the market pressure for sustainability reporting

It is therefore essential that companies understand their legal and market obligations in terms of sustainability reporting, and prepare adequately to meet these demands.



Why do Companies Produce Sustainability Reports?

In many cases, even though it is not compulsory to report it legally, many companies choose to produce sustainability reports for a variety of strategic and operational reasons.

Corporate Social Responsibility ("CSR")

Many companies proactively work considering CSR as one of the objectives of the company which goes a long way in creating company's reputation, increase customer trust and loyalty, attract new investors and partners, and improve stakeholder relations.

Identify Sustainability Risk and Opportunities

Every company has a dream to stand out and create a long-lasting relation with its customers. Sustainability objectives creates a feeling of care which give returns in future by creating a strong brand build with ethics, care and responsibility. By taking steps on sustainability various risks and opportunities comes to notice which if effectively utilized create a strong brand following.

Sustainable means Self Sustaining

Sustainability reporting can improve a company's decision-making and strategic planning by creating an atmosphere of giving back. A proper reporting can help a company determine how far these objectives are met and what more can be done for deliver a value envisaged by its stakeholders.

Therefore, despite the difficulties associated with sustainability reporting, the potential benefits it can bring to a company make the effort worthwhile.

Creates a communication link with stakeholders

When stakeholders are giving resources in hands of a company, the only way they know it is effectively utilized is one by seeing it making money for all of them and secondly if the process of making money is responsible enough for greater good. A company that considers sustainability as part of its business cycle creates an automatic bonding with its stakeholders.



What Should a Sustainability Report Contain?

While the precise content may vary depending on the context of the organisation, industry and legal requirements, there are several key elements that are generally included in a sustainability report. Some of these essential components are detailed below.

Information about the Organisation

This is one of the important parts of the sustainability report. This covers mainly all major aspects of the organization such as,

- Information on its mission, vision, values,
- How it operates
- Its products or services, markets, and
- The sustainability context in which it operates.

This section can address questions such as:

What does the company do? Where does it operate?

How is sustainability management structured within the organisation?

Risk and Opportunity Management

The sustainability report shall provide a clear picture on 3 important aspects,

- How it Identify sustainability-related risks and opportunities
- How it Manages sustainability-related risks and opportunities
- How it Monitors sustainability-related risks and opportunities

The areas to be covered shall include below 3 things,

- Environment (such as climate change, water scarcity, biodiversity loss),
- Society (such as equity, inclusion, human rights) and
- Governance (such as ethics, transparency, compliance)

While preparing this part, company needs to describe its risk management process, the various findings during its risk assessment and its strategies for managing risks and exploiting opportunities.

Stakeholder Communication

Communicating with stakeholders is a key to this report, thus this report shall describe how the organisation communicates and relates to its stakeholders.

This part shall include below steps,

- List down all the stakeholders (such as employees, customers, suppliers, investors, local communities, regulators),
- Earmark the expectations and concerns of stakeholders in relation to sustainability, and
- The process of how it engages with them.

This section shall include detailed process notes on how the dialogue or communication with stakeholders take place and the medium of responding to their comments and suggestions.



Steps to Create a Sustainability Report

It might appear to be a difficult task to prepare this report but it can be well managed if it is laid down in proper steps which shall be simple enough to understand, undertake and prepare a well-documented report that helps the user to understand very clearly. The most important point in this is that it shall be simple & easy to understand, contain only the relevant information and creates an interest for the readers.

Some of the major steps are as below

01

Commitment of Senior Management

02

Identification of Stakeholders and their Expectations

03

Identification and Assessment of Relevant Sustainability Issues

04

Data Collection and Report Writing

05

Review and Approval of the Report

06

Communication and Feedback

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01

Commitment of Senior Management

Before taking any sustainability initiative, it is very critical to get full support of senior management. The success or failure of sustainability initiatives and its report depends a lot on this step since resource allocation for sustainability will eventually have to pass through the direction of top management at some stage in its implementation.

This step not only ensure adequate resources are available but also sends a strong signal to the organisation and stakeholders about the importance of sustainability.



02

Identification of Stakeholders and their Expectations

Once you have senior management commitment, you need to identify who your key stakeholders are and what their expectations are in terms of sustainability. Here are some methods and approaches to help organizations understand stakeholder expectations on sustainability:

- **Surveys and Questionnaires:** Develop surveys and questionnaires to gather input from stakeholders, including customers, employees, investors, suppliers, and community members. Ask about their sustainability priorities, concerns, and expectations.
- **Focus Groups:** Organize focus group discussions with representatives from various stakeholder groups to facilitate in-depth conversations about sustainability topics. This can provide qualitative insights into their expectations.
- **One-on-One Interviews:** Conduct interviews with key stakeholders, such as major investors or critical customers, to gain a deeper understanding of their specific expectations and concerns.

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Identification and Assessment of Relevant Sustainability Issues

There may be number of sustainability issues might come to notice, so the next step is to identify and assess the sustainability issues that are relevant to your organisation.

This process, known as materiality analysis. This critical process forms the backbone of any sound sustainability strategy, guiding organizations to understand what really matters to their stakeholders and how these issues can impact their operations.

The steps in materiality analysis is as below,

- **Clearly Define Stakeholder Groups**

Stakeholder groups can vary widely depending on the industry and type of business, but may include shareholders, investors, employees, suppliers, customers, communities in which you operate, NGOs and media. Understanding who your stakeholders are and what issues are important to them is the first step in conducting a materiality analysis.

- **Materiality Matrix:**

Create a materiality matrix by assessing the significance of various sustainability issues to both the organization and its stakeholders. This helps identify which ESG factors are most important to stakeholders.

- **Benchmarking:**

Compare your organization's sustainability performance and reporting practices with those of peers and competitors to gain insights into stakeholder expectations within your industry.

- **Consult Stakeholder Groups**

Conducting consultations with your stakeholder groups can provide valuable insights into areas where your company is performing well and those that require improvement. This process can help identify new opportunities to enhance sustainability. These consultations can be carried out internally with employees, as well as externally with other stakeholder groups.

- **Analyse the Results of the Surveys**

Once you have the information through consultations, next step is to analyse the results to gain a clear picture of the material issues for your company and your stakeholders. This analysis can help determine which issues are most relevant

- **Prioritise the Issues in Order of Importance**

Based on the results of the analysis, charts can be developed to know the issues in order of importance. This should be done in collaboration with the board of directors and the management committee to ensure the company's sustainability strategy is aligned with its overall goals and capabilities.

This is a very critical step in this as it help visualize the relevance to the company and its stakeholders especially the decision makers in this process.

This step can take most time since getting onboard the critical areas to focus on can sometimes takes lot of energy and discussion. Some tips in conducting this exercise,

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1. Have a starting point, There are many sustainability standards in place such as GRI and SASB, that can point some of the pressing sustainability issues which can work as a guidance force initially
2. Senior management support is very important for success of this so having them your side is very critical
3. Monitoring of this should ideally be through various technology tools available instead of manual intervention so there are no personal bias involved

04

Data Collection and Report Writing

Collecting data for sustainability reports is a critical step in the process of measuring and reporting on an organization's environmental, social, and governance (ESG) performance. Here are some of the best ways to collect data for sustainability reports:

- **Establish Data Collection Protocols:**

Develop clear and standardized data collection protocols that outline what data needs to be collected, how it should be collected, and who is responsible for collecting it. Consistency in data collection is essential for accurate reporting.

- **Engage Cross-Functional Teams:**

Involve relevant departments and teams throughout the organization in the data collection process. Sustainability data often spans various areas, including operations, procurement, human resources, and finance.

- **Leverage Existing Systems:**

Utilize existing data management systems and software, such as Enterprise Resource Planning (ERP) systems, to gather relevant data. Many organizations already capture ESG-related data in their daily operations.

- **Data Auditing and Verification:**

Conduct regular audits and verification of sustainability data to ensure its accuracy and reliability. Third-party audits or certifications can enhance the credibility of your data.

- **Key Performance Indicators (KPIs):**

Identify key performance indicators that are relevant to your organization's sustainability goals. Focus on collecting data for these KPIs to streamline the reporting process.

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- **Data Sources:**

Collect data from various sources, including:

1. Internal records and reports
2. Supplier and vendor data
3. Energy and resource consumption data
4. Employee surveys and feedback
5. Customer feedback
6. Regulatory and compliance reports
7. Environmental monitoring and measurement systems

- **Automate Data Collection:**

Implement data collection and reporting software that can automate the process, reducing the risk of errors and saving time. Many software tools are specifically designed for sustainability reporting.

- **Stakeholder Engagement:**

Engage with stakeholders to gather qualitative data and insights. This can include feedback from employees, customers, investors, and community members on your sustainability practices.

- **Sustainability Assessments:**

Consider conducting third-party sustainability assessments or audits to evaluate your organization's ESG performance. The results can be used to inform your sustainability reporting.

- **External Data Providers:**

Access external sources of data, such as government databases, industry reports, and non-governmental organizations (NGOs), which may provide valuable information on sustainability indicators.

- **Materiality Assessments:**

Prioritize data collection based on the results of materiality assessments. Focus on ESG factors that are most important to your organization and its stakeholders.

- **Supplier Engagement:**

Collaborate with your supply chain partners to collect data related to their sustainability practices. This can include information on supplier emissions, labor practices, and more.

- **Continuous Monitoring:**

Establish systems for continuous data monitoring and updates. Sustainability data should be collected on an ongoing basis to track progress and respond to changes in performance.

- **Transparency and Documentation:**

Maintain transparent documentation of data collection processes, sources, and methodologies. This documentation is essential for ensuring the credibility and auditability of your sustainability reports.

- **Training and Capacity Building:**

Provide training and capacity-building opportunities to employees involved in data collection to ensure they understand the importance of accurate data and the methodologies used.

Effective data collection is a foundational step in producing credible and transparent sustainability reports. By following these best practices, organizations can better understand their ESG performance, track progress, and communicate their sustainability efforts to stakeholders and the public.

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05

Review and Approval of the Report

The last step before publishing your report is to review it and obtain approval. Some of the best practices in this are as below,

- **Data Validation and Verification:**

Before the report is finalized, conduct data validation and verification processes to ensure the accuracy and reliability of the collected data. This may include internal audits and third-party assessments, if applicable.

- **Report Drafting:**

Draft the sustainability report in accordance with the chosen reporting framework or standards, such as Global Reporting Initiative (GRI), SASB, or any other relevant guidelines. The report should include ESG disclosures, key performance indicators (KPIs), and narratives that provide context and insights.

- **Review by Internal Stakeholders:**

Distribute the draft report to key internal stakeholders, such as senior management, the sustainability team, legal and compliance, finance, and other relevant departments. Encourage feedback and comments to ensure that the report accurately reflects the organization's sustainability performance and goals.

- **Review by External Stakeholders:**

Share the draft report with external stakeholders, including investors, customers, suppliers, and non-governmental organizations (NGOs), where appropriate. Gather feedback from these groups to understand their expectations and address their concerns.

- **Independent Assurance (Optional):**

If the organization seeks to enhance the credibility of the report, it may opt for independent assurance or verification by third-party auditors. This is especially common in cases where the organization has made claims about its ESG performance.

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- **Materiality Revisit or Re-assessment:**

Conduct or revisit a materiality assessment to ensure that the report focuses on the most relevant sustainability topics and issues. Align the report with the concerns and interests of stakeholders and the organization's strategic priorities.

- **Report Finalization:**

Revise the draft report based on the feedback received from both internal and external stakeholders. Ensure that the report accurately represents the organization's ESG performance and commitments.

- **Approval Process:**

The final report should go through an approval process within the organization. This typically involves senior management or the board of directors reviewing and approving the report. Ensure that there is a documented approval process in place.

- **Legal and Regulatory Compliance:**

Ensure that the report complies with all relevant legal and regulatory requirements related to sustainability reporting. Address any necessary disclosures or disclaimers.

- **External Reporting Platforms:**

If the organization is reporting through specific platforms or frameworks, such as CDP (Carbon Disclosure Project), GRI, or SASB, make sure the report is formatted and submitted according to their requirements.

- **Publication and Communication:**

Once approved, the sustainability report can be published on the organization's website, distributed to stakeholders, and communicated through press releases or other channels.

- **Continuous Improvement:**

After publication, evaluate the process and the report's impact. Gather feedback on how the report can be improved for the next reporting cycle.

The review and approval process is vital to ensure the quality and integrity of a sustainability report. It ensures that the report provides a true reflection of the organization's ESG performance, aligns with stakeholder expectations, and upholds transparency and accountability.



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Communication and Feedback

Gathering feedback from stakeholders after a sustainability report is published is an important part of the reporting process. It helps organizations understand how their ESG performance and reporting are perceived and whether they are meeting stakeholder expectations. Here's a process for collecting feedback from stakeholders after a sustainability report is published:

- **Announce the Publication:**

Publicize the release of the sustainability report through various channels, including the organization's website, press releases, and social media. Make it clear that the report is available for review and that feedback is welcome.

- **Feedback Mechanisms:**

Provide clear and accessible channels for stakeholders to submit feedback. Common methods include:

1. Online feedback forms on the report's webpage.
2. Dedicated email addresses for sustainability inquiries.
3. Toll-free hotline or customer support for feedback.
4. Public forums or discussion groups.

- **Feedback Period:**

Set a specific timeframe during which stakeholders can provide feedback. This period may range from a few weeks to a few months, depending on the organization's preference and stakeholder engagement strategy.



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- **Engage with Stakeholders:**

Actively engage with stakeholders to encourage feedback. Reach out to key stakeholder groups, such as investors, customers, employees, suppliers, and community members, to solicit their input. Direct engagement can include virtual town hall meetings, webinars, or focus groups.

- **Response to Feedback:**

Acknowledge receipt of feedback promptly to show that their input is valued. Respond to stakeholders' comments, questions, and concerns as appropriate, providing clarifications, explanations, or commitments for improvement.

- **Data Collection and Analysis of feedback:**

Collect and compile feedback systematically. Categorize and analyze the input to identify common themes and areas of concern. This may involve reviewing feedback forms, conducting sentiment analysis, and summarizing direct stakeholder communications.

- **Integration into Reporting:**

Consider incorporating significant feedback and any relevant suggestions into the next sustainability report. This demonstrates that the organization takes stakeholders' input seriously and is committed to continuous improvement.

- **Engagement Report or Response:**

Prepare an engagement report or response that outlines how stakeholder feedback was received and addressed. Include specific actions taken in response to feedback and any changes made to the organization's sustainability practices as a result.

- **Ongoing Engagement:**

Sustain ongoing engagement with stakeholders beyond the feedback period. Maintain open communication channels and keep stakeholders informed about the organization's progress in addressing their concerns.

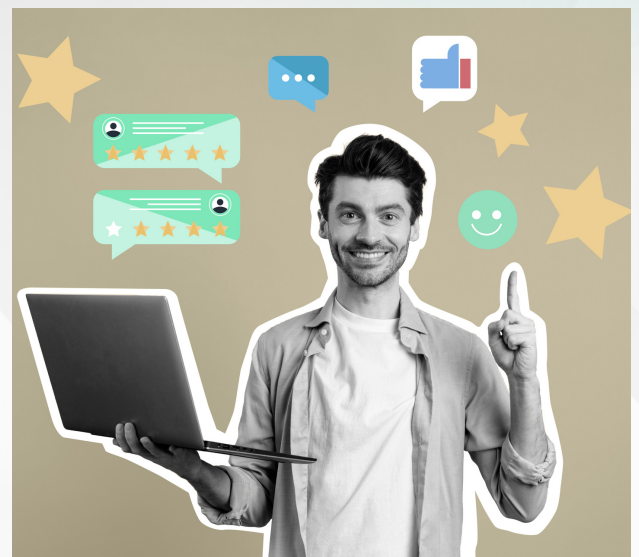
- **Continuous Improvement:**

Use the feedback received to improve the organization's stakeholder engagement and reporting processes. Demonstrating responsiveness to feedback can enhance trust and strengthen relationships with stakeholders.

- **Publication of Feedback and Actions:**

Consider publishing a summary of the feedback received, along with the actions taken or planned, in the next sustainability report or on the organization's website. This demonstrates the organization's commitment to transparency and accountability.

Collecting and responding to stakeholder feedback is an essential part of the sustainability reporting cycle.



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