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# Sustainability Reporting

By Raymond Luchkow and Graham Stephens

The concept of sustainability carries a strong commitment to future resource development capability combined with implicit knowledge about how to capture it. Sustainable development was first officially defined by the United Nations Brundtland Commission in 1987, stating ‘Sustainable development means to meet the needs of the present without compromising the ability of future generations to meet their own needs.’<sup>1</sup> Sustainability emerges beyond the current capacity of resources and flows through the entire chain of impacts that are created by the activities and decisions of an organisation, both internally and externally, now and into the future. In fact, it can be thought of as a decision making mindset.

In 1997, the American not-for-profit group, CERES, working in partnership with the United Nations Environment Programme, recognised the need to create more explicit methods of measuring and reporting on sustainability. The objective of the resulting Global Reporting Initiative (GRI) is to enhance the quality, rigour and utility of sustainability reporting while building a common and shared understanding of its metrics. The GRI provides detailed guidelines and techniques using performance indicators to enhance an organisation’s ability to consistently and comprehensively report on its activities, products and services. The three dimensions of environmental, social, and economic sustainability framing the GRI sustainability report structure is known as the Triple Bottom Line (TBL) approach.<sup>2</sup> Reporting performance using common indicators, allows organisations to more accurately benchmark themselves within

the value chain, thereby enhancing their position with competitors, regulators, the public and consumers.

## TRIPLE BOTTOM LINE AND THE FOREST INDUSTRY

In the forest industry, the three dimensions of sustainability form a critical part of the business model. Environmental performance is a function of forest management regulation, risk management and due diligence. Economic performance indicators correlate strongly with inputs to woodlands and mill operations and the sustainable development of resources. Social performance is a focus of special interest groups and stakeholders and is a direct function of a company’s operational practices and management planning.

Many forest companies struggle with ways to consolidate the integration of values and concerns from special interest groups, aboriginal and First Nations groups, governments, consumers and the public. Employing a triple bottom line (TBL) reporting structure assists in bringing together stakeholders and value chain participants through a common understanding and assessment of key issues and concerns.

## INTEGRATED RESOURCE MANAGEMENT AND ENVIRONMENTAL PERFORMANCE

Embedded in the practice of forestry is the guiding principle of Integrated Resource Management (IRM), where the maintenance of forest resources is closely measured and managed with tools that facilitate sustainable development. Indeed, many tools are available to assist the resource manager in planning for sustainability; tools such as Timber Supply Analysis, Growth and Yield Analysis, monitoring of biodiversity, environmental impact assessment, and development planning based on sustainable allowable cuts. While legislation and regulation guide much of the sustainability efforts undertaken in forest management, there are many additional net benefits to society that can be reported from a firm's activities, including enhanced yields and forest productivity, reclaimed lands, energy management, and environmental impact mitigation.

## COMPETITIVE FORCES AND ECONOMIC PERFORMANCE

The ability of a company to remain economically competitive and offer value to the consumer, enhance market share, manage cost and quality, and increase profit are vital components of sustainability performance. The economic and operational sustainability of a company enlists many tools to assist managers. These tools include financial analysis, cost accounting, operations management, continuous improvement processes, and human resource management. Economic sustainability is dependent not only on the internal management of operational costs, but the external impacts of the firm's decisions and activities on market share and consumer perception. Sustainability reporting allows the firm to quantify economic sustainability performance and use it to manage their value chain of suppliers and buyers, as well as benchmark themselves against external competitors and substitute products.

## CORPORATE SOCIAL RESPONSIBILITY AND SOCIAL PERFORMANCE

Corporate Social Responsibility is increasingly important as organisations seek to attract both investors and customers. Forest companies invest considerable effort to capture and address relevant social concerns. Differences can emerge between stakeholders and forest companies where there is no shared definition or recognition of values. Sustainability reporting offers a common reporting structure that captures shared values of both society and the firm. These values include human resource principles, environmental stewardship, product accountability, climate change, ethical leadership, and sharing of information with those who need it. This area is where sustainability reporting may provide the greatest value to the forest product value chain.

## THE VALUE PROPOSITION

Sustainability reporting creates linkages across the entire value chain. Within an organisation, this identifies strategic performance and trends that can be used to better manage operations and clarify advantages in the marketplace. From the perspective of the forest products value chain, firms can benchmark their position to better define themselves by focusing on sustainability values, and by enhancing the quality and performance of their activities. Finally, through meaningful participation customers, investors, regulators, and stakeholders are far more likely to understand and support how their values can be integrated into the enterprise.

## SKILFULLY APPLIED

Sustainability reporting is emerging as a modern technique to capture and disclose the significant variables that contribute to the long-term viability of an organisation. This viability is a function of the development of industry-specific performance indicators that most accurately reflect the impacts of the company's individual operations. PricewaterhouseCoopers is continuing to work with forest and paper companies to integrate sustainability reporting into their sustainability management systems, so that stakeholders—especially shareholders—will know how the companies are managing risks, optimising performance and protecting long-term shareholder value.

<sup>1</sup> United Nations World Commission On Environment and Development (The Brundtland Commission), *Our Common Future*, 1987

<sup>2</sup> Global Reporting Initiative – 2002 Guidelines:  
<http://www.globalreporting.org/guidelines/2002.asp>

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