

The Sustainability Brief

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zmh
advisors

What Separates a Great Sustainability Report From an Expensive PDF Nobody Reads

Most sustainability reports are produced with real effort and real cost. They pull data from across the organization, go through multiple rounds of review, and take weeks to publish.

The reports that actually move the needle are built differently. Better structured, more credible and precisely calibrated to the audiences that matter.

01.

The Report That Works vs. The Report That Exists

A report that works answers the specific questions your investors are already asking, documents the programs your customers want to verify and gives ratings agencies the evidence they need to move your score.

Most companies have more sustainability activity than their reports reflect. The failure is one of translation: converting programs, metrics and commitments into disclosure a specific audience can find, understand and act on.

This distinction matters because the cost of getting it wrong has increased. Investors now have access to standardized ESG data tools that compare disclosures across hundreds of companies in seconds. Ratings agencies have specific, documented criteria. Customers know exactly what they are looking for. Vague, narrative-heavy reports that lack structure or measurable data do not just fall short, they actively signal lower maturity.

The companies with the strongest sustainability profiles are not the ones doing the most. They are the ones documenting it most precisely.

02.

What Investors Actually Read

Most institutional investors do not read sustainability reports cover to cover. They use them as reference documents, going directly to the data appendix, the GHG methodology note, or the governance section to verify a specific data point or confirm a commitment.

This has a direct implication for how reports should be structured. The question is not *“what story do we want to tell?”* It is *“where will a specific investor look for a specific piece of information, and is it there?”*

Leading companies design their reports with this navigation logic in mind. They front-load quantitative data and align section headers to the frameworks investors already use, GRI, ISSB, SASB, TCFD, so cross-referencing is seamless. A concise executive summary with the key metrics and year-over-year comparisons ensures a reader who spends five minutes with the document still leaves with the right picture.

Practical Tip

Map your report structure against your top five institutional shareholders’ ESG questionnaires before you finalize the table of contents.

If they ask for Scope 3 Category 1 data and your report buries it in a footnote, you have a navigation problem not a data problem.

03.

The Six Elements That Separate Great Reports

After working across hundreds of sustainability disclosure engagements, the highest-performing reports consistently share six characteristics, structural features that determine whether disclosure is credible, comparable and commercially useful.

01 Quantitative targets with baselines

Every material commitment is tied to a baseline year, a target year and a measurable value. “We aim to reduce emissions” is not a target. “25% reduction in Scope 1 and 2 by 2030 vs. 2022” is.

02 Year-over-year comparability

Data is presented with at least two prior years so readers can assess trajectory, not just snapshots. Methodology changes are disclosed and restated data is flagged.

03 Third-party assurance

At minimum, limited assurance on GHG and key metrics. Without it, data credibility is assumed rather than verified. Assurance statements are increasingly a baseline expectation, not a differentiator.

04 Framework alignment tables

A clear index showing where GRI, ISSB, SASB and TCFD indicators live in the report. Not optional for investor-grade disclosure, it is the minimum navigation tool a sophisticated reader needs.

05 Materiality disclosure

A documented materiality assessment, who was consulted, what issues emerged, when it was conducted, is the foundation of the report's credibility. Reports without one lack an evidence base.

06 Honest progress disclosure

The most credible reports acknowledge where targets have not been met and explain why. Investors have seen enough glossy reports to recognize when one is omitting the inconvenient. Candor builds trust.

Practical Tip

Audit last year's report against these six elements before your next reporting cycle opens.

Score each one: fully present, partially present, or absent. This gives you a clear prioritization list and prevents the common pattern of adding new content without fixing structural gaps.

04.

The Materiality Problem Most Companies Ignore

The single most common structural weakness in corporate sustainability reports is a materiality assessment that is absent, outdated or treated as a formality rather than a foundation.

Materiality analysis determines which sustainability topics genuinely matter for your business and your stakeholders. It shapes what you disclose, how much space you devote to it and what targets you set. A well-executed assessment, conducted with real stakeholder input and updated regularly, is what makes everything else coherent.

In practice, many companies conduct a materiality assessment once and treat it as done, using templates that produce similar results across very different industries, or conducting them internally without meaningful external stakeholder engagement. Both undermine credibility with investors who know what genuine consultation looks like.

The consequence is a report where emphasis is misaligned, where a services company devotes four pages to water stewardship and one paragraph to data privacy, or where labor practices get a policy mention but no metrics. It signals that disclosure is driven by what is easy to document rather than what is actually material.

A materiality assessment is not a checkbox. It is the architecture of your entire sustainability strategy and your report should make that visible. ZMH offers cost-effective materiality assessments to enhance your sustainability program and reports.

05.

The Real Issue: A Lack of Data Infrastructure

The most common reason sustainability reports underperform is not poor writing or weak design. It is fragmented data.

When environmental metrics live in one system, HR data in another, governance in legal and supplier data in procurement, each reporting cycle becomes a manual extraction exercise. Teams pull from different sources, methodologies are inconsistent, and figures from the report do not match the sustainability questionnaire response sent to a customer six months later.

This creates compounding credibility risk. Sophisticated investors and ratings agencies cross-reference disclosures. When the numbers do not align across documents, it raises questions that are harder to answer than the original data gap.

Practical Tip

Build a “single source of truth” document before your next reporting cycle.

A master data file with every metric, its methodology, its source system, its boundary and the name of the person who owns it. ZMH can build this out for you so that reporting efforts are reduced in subsequent years.

06.

The Ratings Agency Gap

Most companies treat sustainability ratings, ISS, EcoVadis, MSCI, Sustainalytics, CDP, as outcomes of their disclosure rather than inputs to it. This is a structural mistake.

Each major ratings methodology has documented criteria that determine what evidence is needed, what weight is assigned to different topics and what distinguishes a high score from a median one. This information is largely public. And yet most sustainability reports are not written with these criteria in mind.

The result is a persistent gap between what companies are doing and what they receive credit for. A strong climate program may score poorly on CDP because the Scope 3 inventory uses an inconsistent methodology. Excellent labor practices may rank below peers on EcoVadis because policies are not formatted as standalone documents with stated objectives. These are fixable problems, but only once the gap is diagnosed.

The same logic applies to investor ESG questionnaires. The most common reason companies score below their actual performance is documentation that does not match what the questionnaire is asking for. Mapping disclosure to specific criteria, question by question, is the single highest-leverage activity most companies are not doing.

Practical Tip

Before publishing your report, run a gap analysis against your top three ratings methodologies.

Identify where your disclosure does not provide the specific evidence those frameworks require and treat the gaps as edits, not future work. ZMH offers gap analysis and benchmarking services to maximize the ROI of your program and reporting.

07.

A More Practical Approach for Companies

As reporting cycles open, use this checklist to identify where your report is strong and where it is leaving credibility and score points on the table.

Sustainability Reporting Readiness Checklist

- **Materiality assessment current**
Conducted within the last two years, with documented stakeholder engagement.
- **Quantitative targets in place**
All material topics have targets with baseline years and target years.
- **Two prior years of comparable data**
Year-over-year comparability disclosed for all key metrics.
- **Third-party assurance**
At minimum on GHG and primary labor metrics.
- **Framework alignment index**
ISSB, GRI, SASB, TCFD mappings included in the appendix.

- **Mapped to investor ESG questionnaires**
Report structure aligns with how top investors actually read.
- **Standalone policies with named objectives**
Policies exist as documents, not only embedded in reports.
- **Full Scope 1, 2 and 3 disclosure**
Boundary, methodology and reporting year clearly stated.
- **Honest progress against targets**
Including missed targets, with explanation.
- **Single data owner per metric**
A named owner accountable for every material figure.
- **Consistent figures across channels**
Report, website, questionnaires and investor presentations match.
- **Pre-publication ratings review**
Reviewed against top ratings methodology criteria before publishing.

08.

The Strategic Opportunity

Sustainability reporting is one of the most direct ways companies communicate with the investors, customers and partners who matter most to long-term value.

Organizations that treat their sustainability report as a strategic document, built on reliable data, calibrated to specific audiences and structured for how readers actually use it, are doing more than improving ESG scores. They are reducing friction across every subsequent disclosure request, building credibility with investors and creating infrastructure that makes next year's report faster, cheaper and more accurate.

The companies that get this right are not doing more work. They are doing the same work with a better system behind it.

ZMH Perspective

At ZMH, we view sustainability reports as a critical intersection between regulation, investor expectations and commercial strategy. The pattern we see repeatedly is companies with strong programs whose reports do not reflect that strength, not because of what they are doing, but because of how it is documented, structured and communicated.

We help companies close that gap by:

- Cost-effective end-to-end sustainability reporting: from concept, data collection, drafting, and final design
- Conducting pre-publication gap analyses against ISS, EcoVadis, MSCI, Sustainalytics and CDP criteria, question by question, not in general terms
- Mapping report structure and data against the specific ESG questionnaires your top investors are using
- Building centralized ESG data infrastructure so metrics are consistent, traceable and reusable across reports, questionnaires and investor presentations
- Developing standalone policy documents that meet ratings agency evidence requirements, not just narrative references
- Designing materiality assessments with genuine stakeholder input that hold up under investor scrutiny
- Creating standardized response libraries for your top 25–50 most frequent ESG questions, reducing response time and improving consistency across teams

Our focus is not helping you write a better report. It is helping you build a system that makes every disclosure more credible, every score more accurate and every engagement with an investor or customer more productive.

Strategic Advisory for Evolving Disclosure Expectations

ZMH helps companies right-size sustainability reporting by aligning disclosures with what investors prioritize, not just regulatory mandates or peer benchmarks.

We combine **20+ years of corporate governance and sustainability advisory experience** with **AI-powered investor intelligence** that tracks your specific shareholder base in real time: their voting behavior, engagement priorities and evolving disclosure expectations.

Wherever you are in your sustainability journey, ZMH helps you focus on what matters to your investors, not just what regulations require.

Contact us at info@zmadvisors.com | www.zmadvisors.com

Additional ZMH Resources

- ZMH's recent Roundtable Discussion Webinars are now available on our website <https://www.zmadvisors.com/webinar> - **Preparing for Shareholder Activism in the Current Political & Economic Environment and Sustainability's Next Chapter: Navigating the Shift from Mandates to Investor Expectations**
- Our Deep Dive podcast covers the latest proxy season insights and analysis. Listen here on our website at <https://www.zmadvisors.com/media>