Disclosure of sustainability information is increasingly the basis of good business conduct. Financial reporting alone is insufficient as a measure of value. It needs to be complemented with sustainability information – on economic, social and environmental performance – so that companies and investors can properly price risk, measure performance, and identify market opportunities.

This theme – central to discussions at the UN Conference on Sustainable Development (Rio+20), and beyond – underpins the Report or Explain principle.

Leading companies already recognize the value of sustainability reporting. Research shows that 95 percent of the Fortune Global 250 companies currently provide information on their sustainability policies and performance\(^1\). Most of these use the Global Reporting Initiative (GRI) Framework to facilitate this transparency. The number of reports from companies in developing countries increases every year.

The core proposition of the Report or Explain principle is that all large companies – listed, private, and public – should disclose their sustainability performance, or explain why they don’t. Companies would still retain the choice of reporting frameworks and indicators, and even whether to report.

The Report or Explain principle can be introduced in several ways, for instance through smart ‘soft’ regulation, mandatory measures, or stock exchanges requiring listed companies to report. Making sustainability reporting the expected practice, it would increase the number of reporting companies, enhance the volume and quality of data available, raise awareness about sustainability issues among investors and the public, and generally ensure a more level playing field.

Add your voice to the calls from Rio+20 and of others - to make the principle of disclosure of sustainability information standard practice.

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1) The KPMG International Corporate Reporting Survey 2011
Sustainability reporting – developed by a worldwide community of companies, organizations and their stakeholders – is an indispensable tool for companies, markets and society to make progress towards a sustainable Green Economy. Like financial reporting, it adds vital information.

The effective functioning of the world’s capital markets depends on the sharing of complete, accurate and timely material information, whether financial or non-financial. Doing so allows risks, opportunities and management quality to be properly assessed by investors and other stakeholders. As sustainability information becomes more material to performance, investors and information providers are calling for greater sustainability disclosure.

Tested and proven, the value of sustainability reporting can be strengthened, and directors’ responsibilities properly defined. Smart. Sustainability reporting has been developed by pioneers and is now ready and fit for mainstream use. Whether encouraged by government legislation, policy initiatives or stock exchange listing requirements, the Report or Explain approach offers all large companies the clarity and guidance needed to progress towards sustainability and create value, while removing the uncertainties and confusion surrounding purely voluntary reporting.

The emphasis should now be on non-reporters to explain why they don’t share sustainability information.

Governments, international organizations, stock exchanges and a number of private initiatives have developed policy, regulation, requirements and guidelines to promote sustainability reporting and disclosure, while others are considering doing the same.

Among others, Australia, China, Denmark, the European Union, France, India, Germany, Norway, Spain, Sweden and the United States have developed governmental policy initiatives to promote sustainability reporting and/or Environmental, Social and Governance (ESG) disclosure, while stock exchanges in Brazil, China, India, Malaysia, Singapore, Pakistan and South Africa are playing a pivotal role in requiring or recommending listed companies to disclose sustainability/ESG information.

Examples of policy approaches:

**BRAZIL** São Paulo stock exchange BM&FBOVESPA recommends that listed companies provide information on whether they publish a regular sustainability report, or explain why if they do not. BM&FBOVESPA believes that the implementation of the report or explain model will encourage listed companies to report on environmental, social and governance issues, which will improve sustainability actions and create greater transparency for investors.

**CHINA** The Guidelines for State-owned Enterprises set the main corporate social responsibility (CSR) criteria and the main measures for their fulfillment, such as establishing CSR reporting systems. The Shanghai and Shenzhen Stock Exchanges encourage listed companies to disclose certain environmental information and prepare social responsibility reports on a regular basis.

**DENMARK** Large businesses (including state-owned companies) are required by law to include information about CSR policies and practices in annual reports, or explain why if they don’t. An impact assessment study published by the government concluded that the requirement to report helped motivate more businesses to develop and report on sustainability.

**EUROPEAN COMMISSION** The European strategy on corporate social responsibility encourages all organizations to improve disclosure of social and environmental performance. The communication recognizes that improved disclosure of this information can facilitate stakeholder engagement and the identification of material sustainability risks, foster accountability, and contribute to building public trust in enterprises. The European Commission is currently considering regulation on the disclosure of non-financial information by companies.

**INDIA** The Ministry of Corporate Affairs’ National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business provide a basic framework that may be adopted voluntarily by companies. The Guidelines encourage companies to disseminate information on CSR policy, activities and progress in a structured manner. The Securities and Exchange Board of India has mandated that listed companies submit Business Responsibility Reports describing measures taken along the key principles in the Guidelines.

**SOUTH AFRICA** Over 450 companies listed on the Johannesburg Stock Exchange (JSE) are required to apply, or explain non-application, of the King Code of Governance (King III). The King Code recommends that organizations produce an integrated report in place of their annual financial and sustainability reports. As King III now falls within the listing requirements of the JSE, listed companies have to produce an integrated report, or explain why they have not.

**SWEDEN** Since 2007 the Guidelines for external reporting by state-owned companies are mandatory. Based on a principle of ‘comply or explain’, all state owned companies must present a sustainability report in accordance with GRI’s Guidelines.
Read the materials on the Report or Explain Campaign Forum web pages (see below). There are several ways that you can support the Report or Explain principle:

• Encourage your organization to consider how a Report or Explain approach might create greater clarity and predictability around sustainability disclosures;

• Practice sustainability reporting, and communicate its value to other players in your sector or region;

• Write articles or convene discussions to explore how a Report or Explain approach can help create greater momentum towards a Green Economy and sustainable development;

• Call on your government and business association representatives – for Rio+20 and beyond – to support calls for endorsement of the Report or Explain principle.

How to support the Report or Explain principle?

About GRI

The Global Reporting Initiative (GRI) produces a comprehensive Sustainability Reporting Framework that is widely used around the world, to enable greater organizational transparency. The Framework, including the Reporting Guidelines, sets out the Principles and Indicators organizations can use to report their economic, environmental, and social performance. GRI is committed to continuously improving and increasing the use of the Guidelines, which are freely available to the public.

www.globalreporting.org

90 regulatory policies for corporate sustainability reporting are in place worldwide. Join the call for more – in the Report or Explain Forum.

Contact: Reportorexplain@globalreporting.org

GRI is part of

• the Green Economy Coalition (GEC). A multi-stakeholder coalition whose vision is ‘A resilient economy that provides a better quality of life for all within the ecological limits of the planet.’ The coalition’s mission is to accelerate the transition to a new green economy. Visit www.greeneconomycoalition.org.

• the Corporate Sustainability Reporting Coalition. Led by Aviva Investors, the coalition - convened for the Rio+20 Conference – calls on United Nations member states to commit to develop a global policy framework that requires listed and large private companies to integrate sustainability information throughout their annual report and accounts – or explain why if they do not do so.