The Economy
Six tigers stalk the global recovery—and how to tame them

Explorations
The Transparent Economy
Six tigers stalk the global recovery—and how to tame them

Global Reporting Initiative
PO Box 10039
1001 EA Amsterdam
The Netherlands
Tel: +31 (0) 20 531 00 00
Fax: +31 (0) 20 531 00 31

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Further information on the GRI and the Sustainability Reporting Guidelines may be obtained from:
www.globalreporting.org
info@globalreporting.org

GRI is a Collaboration Centre of the United Nations Environment Programme.
What is the future for sustainability—sometimes called ‘non-’ or ‘extra-financial’—reporting? This is the question addressed in The Transparent Economy, the product of a project developed by Volans and the Global Reporting Initiative (GRI). The task: to begin looking out to the year 2020, analysing the trends that will drive or constrain greater transparency and accountability. The study included an online survey of the GRI community, focusing on seven major trends—subsequently boiled down into the TIGERS agenda (Traceability, Integrated Reporting, Government Leadership, Environmental Boundaries, Rating and Ranking, and Shadow Economies). Recommendations are made for business, financial institutions, governments and individuals.
Foreword: Global Reporting Initiative

Capitalism is at a tipping point and, consequently, there is everywhere an urgent need for change and for sustainable economic solutions. In parallel, we can see a clear relationship between transparency and these solutions.

This connection is evident when one thinks, for instance, about corporate fraud or about the financial crises, which revealed what can happen when economies are dominated by the opaque rules of the financial market. Links between transparency and sustainable development are also critical when talking about the common management of natural resources, pollution, social rights, violence and wealth.

All organizations can contribute to the management of these issues in a transparent way by preparing and publishing a sustainability report. It has increasingly become common to issue such reports. But what type of sustainability report will offer the necessary transparency to build sustainable economic solutions? What content is useful? And in what format(s)?

To facilitate this vital dialogue in a creative way, GRI is launching a new research program called “Future Trends in Sustainability Reporting” (see www.globalreporting.org/futuretrends).

To begin this new research program, GRI presents The Transparent Economy – the first publication under GRI Explorations Series. This report offers the instigating findings of research led by Volans, in collaboration with other organizations and individuals, to whom GRI is deeply grateful. This lively publication shows that the collaboration with Volans offered the fertile context GRI was looking for to promote this important debate.

We hope you find the report enjoyable and engaging!

Dr. Nelmara Arbex
Director Learning Services
Global Reporting Initiative

Foreword: Volans

This is not yet The Integrated Reporting Report. Instead, it’s a survey of some of the trends driving greater integration of business reporting. We summarise the findings, conclusions and recommendations of the first foresight project covering transparency and reporting in the next decade—including an outline vision of a radically more transparent economy.

The project has been undertaken by Volans, at the invitation—and with the support—of the Global Reporting Initiative (GRI). Financial support and other inputs were provided by The Dow Chemical Company, Novo Nordisk and SAP, and collegial inputs by SustainAbility.

To declare an interest, I have been involved with GRI more or less since its inception, helping move it to a triple bottom line format—and now sit on the GRI Board. That said, my Board membership was agreed subject to the right to provoke—and The Transparent Economy was originally conceived as an opportunity to probe the future reporting agenda, with a fairly free brief.

With what follows, we hope to spur an ongoing set of conversations about the future of transparency, reporting, accountability and sustainability. Please join us at www.transparenteconomy.com or at the Integrated Reporting group on LinkedIn.

John Elkington
Executive Chairman
Volans
Foreword: The Dow Chemical Company

Dow’s values are simple, yet powerful: Integrity, Respect for People, and Protecting the Planet. These values, along with our culture, compel us to be leaders in transparent reporting. We welcome the “TIGERS” vision proposed in this breakthrough report because we believe that the challenges and opportunities humankind faces today will only be conquered by increasing transparency and cooperation among stakeholders.

So besides our own rigorous voluntary reporting disciplines, which include quarterly progress updates on our 2015 Sustainability Goals, we are pleased to work with GRI. Our participation involves writing an annual validated GRI report but also contributing ideas for improving the framework. We believe that GRI is the leading organization that can help point the way toward greater transparency that will result in more fruitful collaboration.

This report will become a critical catalyst for the conversations in which we must all engage to bring about sustainable transformations in business models, behaviors, and performance.

Dr. Neil Hawkins  
Vice President of Sustainability and EH&S  
The Dow Chemical Company

Foreword: Novo Nordisk

As a company committed to reporting innovation and transparent disclosure, Novo Nordisk saw great value in this project and its implications for the corporate reporting agenda. Long-time champions of integrated reporting, we support the report’s recommendation that businesses use integrated reporting not just for external reporting but to transform internal management reporting systems—which will in turn transform the way companies make decisions. Integrated reporting should be more than combining financial and sustainability reporting, it should support a new innovative form of performance management.

There is no doubt that the future will bring transformative change. The Transparent Economy offers thoughtful consideration of trends which are potential drivers of transformation. We have found the report and the research behind it informative and inspiring.

Susanne Stormer  
Vice President, Global TBL Management  
Susan Blesener  
Director of Corporate Accountability  
Novo Nordisk
Foreword: SAP

This report outlines a vision for the future of sustainability reporting—now at a crossroads, with new pressures for transparency from without and new demands for value creation from within. Indeed, C-Suite executives increasingly understand the competitive importance of the sustainability challenge in terms of driving strategies for business models and process innovation.

Historically modeled on financial regulatory compliance, sustainability reporting frameworks have instructed companies on how to identify and disclose their impact. Progress has been made—yet the urgency for sustainability performance improvement and the crisis of public trust is as great now as at any time in the past.

As firms pursue sustainability goals, they seek more ‘integration’ in their approach to sustainability reporting and to better leverage available sustainability information to identify operational performance improvements. Integration of sustainability management information across the enterprise can also enable more effective collaboration with stakeholders at every phase of the life cycle from ideation, to production distribution, consumption and recycling.

GRI has long argued that sustainability reporting is not about compliance, rather, it is starting point for sustainability transformation. This vision of sustainability reporting has never been more urgent for firms that seek to create value while transforming their sustainability impact.

James Farrar
Vice President Sustainability
SAP

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The primary author of The Transparent Economy has been John Elkington, working closely with Nelmara Arbex and Maggie Lee of GRI, and Amy Birchall, Sam Lakha, Alejandro Litovsky and Charmian Love of Volans.

We have also drawn on work that SustainAbility has done in the reporting field since 1987. Their contributions to the project went well beyond the call of collegiality, with key inputs from Alex Hammer, Geoff Lye, Jean-Philippe Reno and Patrin Watanatada. Alex and Patrin were particularly helpful in relation to the potential future impact of social media and networks.

The project would not have been possible without the support of the GRI Board, particularly Ernst Ligteringen, nor without the support of our three corporate sponsors. We warmly thank The Dow Chemical Company (particularly Neil Hawkins, Adam Muellerweiss, Mark Weick and Mike Witt), Novo Nordisk (Susanne Stormer and Susan Blesener) and SAP (James Farrar).

We thank Bob Massie for his profoundly insightful feedback on a late draft and Michael Margolis for his wise words on storytelling—and all those who have contributed their views during the course of the study.

Accountability and transparency are fundamental underpinnings of sustainable markets. Sustainability reporting, however, has clearly not created the scale of change and engagement we need.

SustainAbility’s collaboration with Volans and the GRI allows us to stretch our mindset. The Transparent Economy takes us on a provocative journey through experiments in disclosing, communicating and analysing data by players from government to business and civil society. Most importantly, it reminds us to keep an eye on the destination: a more transparent, just and sustainable economy.
1. Introduction

It’s time for transformative change towards greater market transparency

As this short report was racing to completion, Harvard Business Review published a cover story called ‘Leadership in the Age of Transparency’. The caption was designed to worry many in the Boards and C-suites of major corporations: “Consumers know everything about your company,” it ran, “not just its carbon emissions but its countless other ‘invisible’ effects on the globe. That has changed the rules of business forever.”

More than 50 percent of executives consider sustainability—the management of environmental, social, and governance issues—“very” or “extremely” important in a wide range of areas, including new-product development, reputation building, and overall corporate strategy, according to a recent McKinsey survey. Yet the uncomfortable, inconvenient truth is that most companies are not taking a proactive approach to managing sustainability: only around 30 percent of executives told McKinsey that their companies actively seek opportunities to invest in sustainability or embed it in their business practices.

This is the context for the current project, which explores how sustainability reporting fits into the drive for a transparent economy. But it’s worth asking, right at the beginning: If sustainability reporting is the answer, what was the question?

The original intent wasn’t to provide work for report-writing consultants and designers. It wasn’t to boost the number of entries to sustainability reporting award schemes. And it wasn’t to provide a justification for CSR and sustainability departments. Instead, it was designed to open business thinking up to a wider societal agenda, to spur the introduction of the necessary management systems, to create information-rich connections across global supply chains, to transform cultures and paradigms, and, ultimately, to better inform the global push towards more sustainable forms of development.

“To this I would add that it was meant to make visible certain previously invisible effects or costs,” commented Bob Massie, a key pioneer in the field, “and thus to enhance the power of market forces to distinguish between superior and inferior performers in multiple domains.”

Much progress has been made, but we are still a long way from the desired Transparent Economy sketched in Panel 1. So why is this important? In headlines, sustainability will not be achieved without broader and deeper forms of accountability (across companies, sectors, economies and generations), and these new forms of accountability cannot be achieved without new forms of transparency and stakeholder engagement.

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1 The top executives of a business, whose titles typically include the word ‘Chief’.
**Panel 1 2020 Vision of Transparent Economy**

Within the next decade, market and business transparency is universally accepted across the G20 countries and beyond as critical to economic resilience and sustainable value creation. Sustainability news and performance updates rank alongside financial news and performance. Terms like triple bottom line (TBL) and environment, social and governance (ESG) have played their roles as booster rockets and fall away as new forms of integrated accounting and reporting take over.

Growing political and government involvement, driving new rules, regulations and incentives with sustainability objectives, have spurred intensive innovation not only in corporate reporting and engagement but also in areas like cleantech—and in crowd-sourcing approaches to many areas of innovation. Web 2.0 approaches are endemic—and Web 3.0 (Semantic Web) strategies are widely used across the leading edge of business. Companies increasingly expose critical internal data sets to selected stakeholders.

Data aggregation and analysis have reached levels unimaginable in 2010, with the performance of individual technologies, products, value webs and even entire economies readily and powerfully visualized against the background of global limits, footprints and targets. Common platforms—evolved from the likes of Google Earth® and IBM’s Smarter Planet initiative®—are widely used to track progress in system level change, to connect and support innovators, and to inform, engage and motivate citizens.

There is continuous access to real-time information on products, companies, supply chains and economies. And people use it, when buying, investing and deciding which organisation to work with.

**Capitalism is sick—and trust more crucial than ever**

A damning picture of the top management and probity of Lehman Brothers emerged earlier this year in the 2,200-page report by Anton Valukas, appointed by a US court to examine the bank’s failure in September 2008. In the same way that the collapse of Enron in 2001 became iconic as the first crash of the decade, the Lehman saga summed up the extraordinary malpractice that had become more or less endemic in financial markets. “I almost threw up when I read the report,” a senior Wall Street executive told the Financial Times®. “It makes me sick of (the banking) industry.”

Nor was he the only one to react in this way when confronted with the ugly underbelly of capitalism. The scale of the financial subterfuge brought Enron to mind. Using disparities between UK and US law, Lehman had managed to keep $33 billion off its balance sheet. While a huge effort is needed to clean up these Augean stables, there is growing concern that businesses...
around the world have been actively encouraged by economic theory, accounting rules and established auditing practice to ignore potential areas of even greater risk and liability in relation to sustainability issues, notably climate change.

At times, we almost seem to be in reverse gear. Although global trust in business was up modestly when the annual Edelman Trust Barometer was presented in Davos at the 2010 World Economic Forum, we were warned that “the overall rise is tenuous, with nearly 70 percent [of respondents] saying business and financial companies will revert to business as usual after the recession.” Trust in banks, however, fell dramatically in most Western countries, plummeting 39 points (68 to 29 percent) in the U.S. and 20 points (41 to 21 percent) in the U.K. from 2007-2010.

Critically here, and for the first time, this year’s survey found that trust and transparency are as important to corporate reputation as the quality of products and services. In the U.S. and in much of Western Europe, those two attributes ranked higher than product quality—and far outranked financial returns, which sat at or near the bottom of 10 criteria in all regions. “This is in stark contrast to 2006,” said Edelman President and CEO Richard Edelman, “when financial performance was in third place in a list of 10 attributes shaping trust in the United States. We’re seeing a vastly different set of factors driving reputation than we did 10 years ago. Trust is now an essential line of business to be developed and delivered.”

2010: Year of the Tiger

Sometimes transparency can breed distrust, as has been the case on Wall Street recently. But the transparency agenda is moving centre-stage. In what for the Chinese is the ‘Year of the Tiger’, it has sometimes seemed that every major news story coming out of the Middle Kingdom had a transparency angle. However, such years are known to be turbulent and there have been growing concerns about the signals coming out of China. Will the giant country commit to more open markets and greater levels of transparency over time, or not? GRI’s growing presence there is based on the optimistic assumption that real progress can—and will—be made.

As China gains increasing influence in countries around the world, with its growing pursuit of minerals in Africa or its acquisition of iconic global brands like Volvo, the chances are that Chinese business will have to deliver much greater levels of transparency. And if we push forward solutions to the six great challenges (the TIGERS agenda) identified in Section 4, our chances of achieving desirable outcomes grow by many orders of magnitude.
After two decades of sustainability reporting, the foundations appear to have been laid for a continuing expansion of GRI-based reporting. If the best of current practice were to spread—for example Denmark’s “report or explain” requirement of companies—things could move both fast and far. Much, however, will depend on the wider economic and political contexts.

The GRI community—according to a new survey—wants to see “a few but critical environmental, social and economic impacts” disclosed in the reports (47% of participants chose this combined answer). Most interestingly, respondents want to know where a reporting company thinks it needs to collaborate and partner. In Figure 1, we see that—individually—environmental issues (22%) and social issues (21%) still slightly eclipse economic issues (17%). Happily, a spectacularly low result (1%) was recorded for the suggestion that only areas that can be related to financial results should be included. The response to the option that a company should disclose areas where it needs external help (11%) was intriguing. And visionary was the total of 16% for the option on “reporting on the sustainability performance of their supply chain”.

In the remainder of this brief, we look at: the economic context of the past decade—and of the next one; progress made in the first two decades of sustainability reporting; the implications of the emergence of the new world of social networks and media; six major trends likely to power and shape the transparency agenda for the private, public and citizen sectors; and the implications for those planning to promote greater transparency across these three sectors.

**Figure 1: GRI community on what reporting should disclose**

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A few, but critical environmental impacts</td>
<td>25%</td>
</tr>
<tr>
<td>A few, but critical social impacts</td>
<td>20%</td>
</tr>
<tr>
<td>A few, but critical economic impacts</td>
<td>15%</td>
</tr>
<tr>
<td>As much as possible of everything</td>
<td>10%</td>
</tr>
<tr>
<td>The sustainability performance of your supply chain</td>
<td>5%</td>
</tr>
<tr>
<td>Areas your organization needs external help to improve on</td>
<td>5%</td>
</tr>
<tr>
<td>Only the areas that can be related to financial results</td>
<td>0%</td>
</tr>
</tbody>
</table>

**Question posed:**
What do you think sustainability reporting should disclose?

Participants were invited to choose 3 options. The chart displays the percentage for each option individually, considering a total of 1341 possible hits – for 447 total participants.

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ii The survey was conducted online during March 2010. 2,292 survey invitations were sent out, with 447 respondents completing the survey—a 20% response rate.
2. The next upwave

We are entering an era of creative destruction—and reconstruction

Every so often, economies undergo periods of convulsive change, driven by new science, technologies, resources, business models or, unfortunately, wars. Creative destruction was the term used by the Austrian economist Joseph Schumpeter to describe what goes on in such times, where old economic orders melt down and new ones evolve.

Typically, such periods have been characterised by radical innovation and economic transformation, with incumbent companies and industries challenged and often displaced by new players. The process is rarely painless—typically being associated with major economic, social and political shock-waves. The challenge today, as Nike CEO Mark Parker puts it, is to “prototype the future, not retrofit the past.”

Interestingly, the Great Depression, which started in October 1929, triggered the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws created the US Security and Exchange Commission, which required public companies to file financial statements—and, critically, make them public. It still wasn’t easy to get at the data—you had to go a SEC reading room to get access—but at least it was a start.

New context for reporting

Now, in the wake of what some have dubbed “the Decade from Hell”, perhaps—once again—there is a real chance of creating new market and business transparency rules fit for a new century. Unexpectedly, some of the key actors are major retail chains, like Marks & Spencer with its Plan A and Wal-Mart Stores with its supplier questionnaire issued to 100,000 suppliers, linked to its sustainability index. This is what SustainAbility’s Patrin Watanatada calls the “Wal-Mart Reporting Initiative”.

Properly understood, sustainability is not the same as corporate social responsibility (CSR)—nor can it be reduced to achieving an acceptable balance across economic, social and environmental bottom lines. Instead, it is about the fundamental, intergenerational task of winding down the dysfunctional economic and business models of the nineteenth and twentieth centuries, and the evolution of new ones fit for a human population headed towards nine billion people, living on a small planet which is already in ‘ecological overshoot’.

The period from 2000 to 2010 saw two financial crashes. The first, from 2000, followed the boom of the dot-com years; the second, from 2007, proved far more serious. Early in 2008, in the gathering gloom, Volans launched a report called The Phoenix Economy, arguing that, beyond the obvious global recession, a new era of creative destruction has begun. As a result, we concluded, the next decade is likely to see both creative destruction and reconstruction.
What Volans aimed to do was to demonstrate that “a new Phoenix Economy is self-assembling—focused on providing social and environmental solutions, where markets and governments have failed.” Disproportionate effort, we regretted, was being invested in shoring up the “dinosaurs of the older order, rather than investing in the new pioneers, who are working hard—and often against the odds—to incubate and scale up market solutions essential for a sustainable future.”

The study identified 50 pioneers in “the business of social innovation”, as nominated by several hundred leading social and environmental innovators and entrepreneurs. These ranged from governments (e.g. the US Obama Administration and the State of California) and major corporations (e.g. GE, Google, GSK and TNT) through to social and environmental enterprises (e.g. Aravind Eye Care System, Better Place, CellBazaar, Good Energy and the Marine Stewardship Council).

Interestingly, however, when we looked into the question whether our 50 pioneers were producing GRI-based reports, the answer was that just 8 (16%) were. That, in turn, raised a number of major questions, among them:
- Do such innovators foresee a shift to GRI-based reporting as they grow?
- Whether or not they do, how are they innovating in the fields of disclosure, reporting and accountability?
- And how, within a GRI reporting framework, is the whole area of innovation best covered?

Case study: Oxford Catalysts

Some would argue that a lead indicator of the economy heading in innovative new directions would be spreading islands of stealth. The ‘Bloom Box’ energy technology that launched with such excitement in California early in 2010, for example, was “in stealth” for nearly ten years. So we asked the CFO of a leading cleantech start-up—focused on cleaner fuels, clean power and energy from waste—to describe the reporting challenge as she sees it—having just emerged from the latest round of financial reporting15.

“Having just completed a near final draft of our 2009 report and accounts,” said Susan Robertson of Oxford Catalysts16, “it’s certainly very topical to sit back and think about this whole subject of reporting. The first thing that strikes me from the exercise is how little time was actually spent by our management (and in a small company this is mainly me and our CEO) in thinking about who this report is designed for and what they want out of it.”
“The vast majority of our effort was spent ensuring we complied, force-fitting the things we want to say into the structure we had to deal with. Even for a relatively small and simple business structure like Oxford Catalysts, the amount of detail thrown at us on what we need to cover and the reams of tick box check lists helpfully provided by auditors mean we spend long hours diligently ensuring that our report contains everything it has to and we end up with primarily a financial report.”

So what about the social and environmental dimensions? Her reply: “When I think of the people we want to communicate to and the things we want to communicate—potential investors, partners, customers and suppliers who want to understand who we are, how we do business, whether they want to do business with us, and potential employees who want to understand what kind of employer we might be and whether they want to work for us—I see little to help them in the report. That’s not to say we couldn’t put this in but the overwhelming nature of what we do need to have in and the rigour to which it gets audited and checked, stretches us enough that we don’t have the resources to do any more at this stage.”

Partly this has to do with the fact that a small company is in closer touch with its key stakeholders. “This is very much about being a small growing business though,” Robertson noted. “Now it is easier for us to communicate to these groups of people directly. As we expand, we will undoubtedly need to use our reporting as a means of communication and not just compliance.”

On the other hand, it is clear that many small and medium-sized enterprises find GRI-based reporting useful, if complex. There is a growing need to engage such enterprises, particularly those with a good chance of shaping key elements of tomorrow’s economy, and to evolve GRI-based reporting methodologies well adapted to their needs and resources.

**Disruption required**

It may seem strange to link the concept of sustainability with transformational change, when many business leaders who have signed up for what many dub “the sustainability journey” see the main goal as protecting and conserving things—be they ecosystems, natural systems like energy, water or fisheries, or indigenous cultures. But the uncomfortable fact is that the current economic order is not only socially inequitable but also environmentally unsustainable. So whatever many business leaders thought they were signing up for, sustainability, increasingly, is likely to be an agenda of transformative—and often disruptive—change.

If you are in any doubt, take a look at the *Vision 2050* report produced by the World Business Council for Sustainable Development (WBCSD)—and signed off by the CEOs of many leading
corporations. The report is remarkably positive, by design, sketching a future “in which 9 billion people live well, enjoying health, food, shelter, energy, mobility, education and other basics of life.” As Syngenta CEO Michael Mack put it, “humanity has largely had an exploitative relationship with our planet; we can, and should, aim to make this a symbiotic one.” In the Vision 2050 scenario, global society attains this standard of living at a sustainable rate, without further harm to biodiversity, climate and ecosystem services—but there is a catch.

Vision 2050 spells out the ‘must haves’—things that must happen over the next decade to make a sustainable global society possible. These include incorporating the costs of externalities, starting with carbon, ecosystem services and water, into the structure of the marketplace; doubling agricultural output without increasing the amount of land or water used; halting deforestation and increasing yields from planted forests; halving carbon emissions worldwide (based on 2005 levels) by 2050 through a shift to low-carbon energy systems and; improved demand-side energy efficiency, and providing universal access to low-carbon mobility.

Beyond citizenship

However you look at it, the business agenda seems set to move way beyond citizenship and CSR reporting in the next decade—and reporting will evolve in parallel. Ceres, which did so much to shape the reporting agenda, published a business roadmap for sustainability earlier in 2010, called The 21st Century Corporation. Ceres President Mindy Lubber stressed that, while the reporting of performance in relation to ‘material’ issues will be increasingly important, the spotlight will switch to the extent to which particular companies, supply chains and economies are moving towards economic, social and environmental sustainability.

A shift toward sustainability is expected to trigger trillions of dollars in new investments in infrastructure, technology and human services, creating new opportunities for business to thrive and grow. A study commissioned for the WBCSD project and prepared by PricewaterhouseCoopers indicates that this investment could reach US$ 3-10 trillion per annum in 2050. So how will business innovators report their progress in related areas—and to whom?
3. Transparency 2020

Social networks and media will revolutionise business communication

One of the most interesting post-crash apologies from the world of high-octane capitalism came from Shoshana Zuboff, a former professor of business administration at Harvard Business School and author of *The Support Economy: Why Corporations are Failing Individuals and the Next Episode of Capitalism*. She argued that “much of what my colleagues and I taught has caused real suffering, suppressed wealth creation, destabilized the world economy, and accelerated the demise of the 20th century capitalism in which the US played the leading role.”

Worse, the old rules taught by business schools “are poorly suited to the values of today’s new consumers, who want help to live their lives as they choose, with personal control, voice, and a practical sense of connection.” None of these are provided by GRI-based reporting on its own. Instead, Zuboff concluded, we now need to build “economies of trust”—where business abandons the “us–them” mentality and increasingly treats consumers and other stakeholders as insiders.

So how can this be done? When SustainAbility first looked at corporate reporting and engagement over the Internet, back in 1999, it quoted New Economy guru Kevin Kelly on the report’s cover, to the effect that, “The network economy is founded on technology, but it can only be built on relationships. It starts with chips and it ends with trust.”

If anyone read that as a prediction that hardware, software and websites would automatically merge the worldviews of business and society, they misunderstood, badly. Every new disruptive technology can be both an ally and an enemy for business—and with much more interactive Web 2.0 technologies now erupting all around, it’s time to take another look at those fast-moving objects and trajectories on our radar screens.

New technologies offer new ways of doing old things—and open up the possibility of doing new things. Printed financial and non-financial reports use a technology that goes back to the 1400s, with Gutenberg’s invention of mobile type. We live in a different age. Five or ten years from now, how will we be using tablet computers like Apple’s iPad to track business performance and behaviour? Is legendary venture capitalist John Doerr wrong in seeing this latest development as another once-in-a-lifetime revolution in how we interact with the world of data, information and intelligence? What new services—and controversies—will erupt into these new opportunity spaces?

These are questions we will touch on throughout what follows. The requirement to disclose, communicate and report on sustainability-related issues has intensified across the developed world since 1990—and is now beginning to spread to the BRIC economies and beyond.

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iii Brazil, Russia, India, and China: GRI has a presence in all these countries.
As the waves of transparency spread, it is worth asking the questions: Where did the corporate transparency movement start? What does it want? To what extent is it getting what it needs? And where will it head next?

The urgency of some of these questions is intensified by the fact that very considerable sums are now spent on reporting—and, if the champions of greater corporate transparency have their way, the level of effort and associated expenditures will grow rapidly in the coming decade.

As context, recall that these new flows of data, information and intelligence are flowing into a world already choked with data. Everywhere you look, The Economist noted earlier in 2010, “the quantity of information in the world is soaring. According to one estimate, mankind created 150 exabytes (billion gigabytes) of data in 2005. This year, it will create 1,200 exabytes. Merely keeping up with this flood, and storing the bits that might be useful, is difficult enough. Analyzing it, to spot patterns and extract useful information, is harder still.”

That is the problem we now have with sustainability data gathering, information processing, accounting and reporting. So, before looking at where the next decade will take us, let’s briefly review the extraordinary story of how this field has evolved over the past two decades.

GRI under the microscope

The Global Reporting Initiative (GRI), developed by Ceres to boost business disclosures and reporting, was formally launched in 1997. These days, itself a reflection of its central role, the GRI is becoming the subject of intensive academic study. One particularly interesting investigation was carried out by Dror Etzion of McGill University in Canada and Fabrizio Ferraro of IESE Business School in Spain. They investigated how institutional entrepreneurs try to disrupt traditional practice in their field—but also “disguise the radical nature of their enterprise to engage supporters and evade the wrath of incumbents.”

They track how GRI first emphasised the similarity between sustainability reporting and the best of current financial reporting, as illustrated by the early alignment with such institutions as the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB). This drove the adoption of principles such as materiality, comparability, completeness and timeliness. Over time, however, Etzion and Ferraro note that GRI began to separate itself from purely financial sector analogies, increasingly emphasizing areas of difference rather than alignment, reflecting an embrace of an ever-expanding agenda.
Tracking IT?

So, building on the Etzion-Ferraro study, what sorts of analogies and metaphors will best guide the future development of sustainability reporting in general—and GRI in particular? One way to look at the evolution of this field is to compare it with the evolution of information technology.

As with IT, sustainability reporting will move from monolithic ‘push’ strategies driven by small elites to more open broadcast approaches (mass-market push), to consumers pulling out customised data (‘pull’) and, finally, to multi-way dialogue—which some style ‘co-production’. The evolution has gone something like this:

1. **Phase 1**: In the 1950s and 1960s, information was closely controlled by companies, which ran huge, ‘Big Iron’ computers in temperature-controlled rooms supervised by white-coated assistants. More or less in the same way, corporate communication was in the hands of PR and advertising people—as sustainability reporting still is sometimes. This was very much a ‘push’ world, in which business told the rest of the world what it wanted them to know.

2. **Phase 2**: In the 1970s, computing burst out of the lab, with personal computers—though it took a while to link these up to local area networks and, from the mid-1990s, the Internet. Now, in Stage 3, we use laptops wirelessly linked to the Internet. Companies produce a range of information products, from free-standing GRI-based reports to interactive websites and podcasts. But this is still largely a ‘push’ world.

3. **Phase 3**: Enter the age of ‘pull’, with a growing number of companies formed around new IT-based business models, including Amazon, eBay and Apple’s iTunes. Most reporting has yet to make the transition into this stage. Transferring current reports onto iPads or other tablets would be one step in this direction, ensuring a much more personal, “pull” process.

4. **Phase 4**: From hardware and software, we are moving into a world of social networks and media, of apps and of consumers-as-producers. This is the direction that sustainability reporting must also now head. This, finally, gets us into the vital next stage of culture change and paradigm shifts (see Section 4).

**Markets as conversations**

The new social technologies, media and networks promise—or threaten, depending on your viewpoint—to transform the reporting landscape. They will simultaneously accelerate and deepen market conversations between business and its current stakeholders, and, potentially, bring totally new people and interests into the conversation—with dramatically more powerful information and intelligence resources at their disposal.
Broadcast is out, dialogue in. Web 2.0 technologies change the rules of the transparency game. Which is just as well, given the highly conspicuous failures of the older order. Fully a decade after that first adventure in the hype-saturated, soon-to-crash world of the New Economy, SustainAbility returned to the fray in mid-2009, focusing on the implications and applications of the new wave of Web 2.0 social networks, including Facebook, YouTube and Twitter. The conclusion was that, from a business perspective, the business case for the adoption of these new tools was still emerging—with the clearest case to be made in relation to risk management.

But the study also warned that the Web 2.0 revolution is levelling the playing field—giving a broad range of stakeholders the opportunity to initiate and drive conversations with (or around) companies.

Once again, as with printed sustainability reports and websites, the keys to building interest and trust are honesty, transparency and candour. Hardest for many companies to grasp, however, was the advice that they should accept some loss of control, allowing the conversation to evolve unedited, ensuring unfiltered—and often self-balancing—feedback from advocates and critics.

Meanwhile, the world is becoming more connected, with Sweden having just overtaken Denmark as the most connected country—closely followed by Singapore and Denmark, which was in the number one position for the last three years. Switzerland (4), the United States (5) and the other Nordic countries together with Canada, Hong Kong and the Netherlands complete the top 10.

At the same time, leading companies are opening up to the world of social media and networks in ways that would have seemed extraordinary only a few months back. Almost painfully honest, Björn Edlund, a former senior executive at oil giant Shell, told participants in the first Justmeans conference on social media and stakeholder engagement that “large corporations are obsessed with control, rather than conversation.” But, he added, there is a growing recognition that “open is good, closed is bad.”

He recalled The Cluetrain Manifesto, a pivotal website and book launched in 1999 that, crucially, saw markets as conversations. That’s the critical wake-up message that many business people have still not quite grasped. As the pace of change accelerates, so the risk of corporate mishaps grows. There’s a new dynamic at work: just as new social media are going mainstream, the old media are stretching every sinew to go social. Media tycoon Rupert Murdoch of News Corporation may have stumbled slightly with his purchase of MySpace, but he knows a new world order when he sees one coming.
Of apps and open data

When we asked the GRI community which reporting formats would be important in the future, web-based and downloadable reports (91%) came significantly ahead of printed reports (51%)—which, in turn, were way ahead of traditional media (27%), product labels (24%), social networking sites (23%), XBRL-style reporting (20%), or blogs and tweets (14%). It will be very interesting to see how this question will be answered in 2-3 years from now.

One man who has a pretty good idea of what happens when markets, industries and companies switch from a ‘push’ to a ‘pull’ approach is David Siegel. His latest book, *Pull*ª, describes the emerging Pull Era as a world where “customers pull everything to them on demand—products, services, information, knowledge, and advice. Much of the foundation for pulling is called the semantic web, which will help our information systems respond much more intelligently to our needsº. Over the next ten to twenty years, it will change business from a lead-push model to a pull-follow model of interacting with customers.” Worryingly, he says, “the way we solve problems today won’t scale up to meet the ever-increasing demands of our customers.”
Over time, the impact on the reporting industry is likely to be profound. But the pace of change will very much depend on how quickly the semantic web infrastructure is put in place. Siegel calls for “a group like the Clinton Global Foundation or George Soros’ Open Society Institute or the Electronic Frontier Foundation (to) put together a platform for bringing people from many countries and many industries together in the spirit of cooperation to build the public-private partnerships that will accelerate the building of a global infrastructure for semantic data.”

The resulting standards, he notes, “will become national and global assets upon which much of our twenty-first century economy will be based.” Surely there is a crucial role for GRI here in the coming years?

Meanwhile, as Section 4 notes in discussing the changing role of governments, some of the transparency experiments being conducted by national and local governments are light years ahead of what most companies are currently doing. There are powerful lessons to be learned in areas like the publication of raw data sets for public use, the visualization of data and information, and the use of mashups and mobile apps to make sustainability-related information available to those who want it in more useful formats.

‘Transitioning to a sustainable global economy requires that we recognize and shift the market from its incessant short-term focus. Comparable and high-quality disclosure from all businesses on material sustainability issues will be at the core of this transition, as it will allow investors to explicitly account for “short- and long-term” sustainability issues in their assessments, benchmarking and investment decisions.’

Mindy S. Lubber,
President of Ceres and Director of the Investor Network on Climate Risk (INCR)
4. Riding tigers

The TIGERS agenda groups key areas of risk and opportunity

2010 is the Year of the Tiger in China. And the animal is powerfully symbolic in the Middle Kingdom, representing turbulence—but also energy, strength, courage and power. The gathering shift in the world’s centre of economic gravity, coupled with tougher trading conditions, means that these four characteristics will be much in demand in business. No accident, perhaps, that a growing number of US companies are turning to the military to find new generations of leaders fit for the coming market battles.

Listen to Doug Raymond, a former army captain who is now head of monetization at Google in China—not an easy posting. He sees a number of critical strengths in people with military experience, arguing that, “the people who are doing interesting stuff in the military are very much entrepreneurial in mindset. And they don’t look for approval and permission to do stuff. They just are doing it, and then after a while, the chain of command recognizes what they’re doing has value, and they kind of put a veneer of respectability around it.”

The same characteristics will also be needed in the battle to win acceptance for new transparency, accountability and sustainability strategies in the business world. Rather than being soft nice-to-haves, key elements of this agenda will be make-or-break for companies and for economies alike.

When we boiled down the data from our desk and online research and interviews, key transparency trajectories emerged. These were: (1) traceability of products through their entire lifecycles; (2) integrated reporting; (3) the role of governments in leading change towards the Transparent Economy; (4) the need to aggregate information on social impact issues across nations, cities, industries, companies and supply chains; (5) the need to aggregate information on environmental impact issues across nations, cities, industries, companies and supply chains; (6) the growing importance of environmental boundaries; (7) the role of ranking and rating schemes in driving competition; and (8) the continuing—and in some areas growing—presence of shadow economies involved in drug or sex trafficking, the weapons trade, illegal waste dumping and corruption.
To test our initial conclusions, we invited 2,292 members of the GRI ‘ecosystem’, including many of the world’s leading reporting organisations, to complete an online survey. By the time we closed the survey, 447 respondents had completed all the questions, representing—for such online surveys—a reasonable 20% response rate. The geographical distribution of respondents is shown in Figure 3, showing a strikingly high response from Latin America (40%). The results are not definitive for the GRI community, indeed may be conservative given the likely pace of change, but we see them as an interesting litmus test of current opinion. And the strength of that opinion across all seven challenges is striking.

Figure 3: Geography of the GRI survey responses

Working through the results—in this Year of the Tiger—we began to discern the outlines of a TIGERS agenda for the next decade, an acronym created by combining the first letters of six identified trends.
We will discuss each of these trends in the rest of this section as follows:

4.1 **Traceability** — Pages 22-24
4.2 **Integrated Reporting** — Pages 25-27
4.3 **Government Leadership** — Pages 28-30
4.4 **Environmental Boundaries** — Pages 31-33
4.5 **Rating and Ranking** — Pages 34-36
4.6 **Shadow Economies** — Pages 37-39

The six TIGERS are far from isolated trends: they already interact energetically with one another. For instance, three of the challenges analysed (environmental boundaries, the aggregation of social impacts and shadow economies) are systemic, one (governments) addresses how global, regional, national and local governance frameworks and processes might address those systemic challenges, and three focus on the linked business transparency trends of traceability, integrated reporting, and ranking and rating. Another potential interaction is that two trends (involving the aggregation of social and environmental impacts, reported by nations, sectors, companies and cities) are becoming part of a third, the integrated reporting trend.

Behind all of this is a megatrend that has been building for decades. As Don Tapscott puts it in the foreword to *One Report* (See Section 4.2), “an old force with new power is rising in business, one that has far-reaching implications for almost everyone. Nascent for half a century, this force has quietly gained momentum through the last decade and is now triggering profound changes across the corporate world.” The force, he concludes, “is transparency.”

In an ultra-transparent world of instant communications, he notes, “every step and misstep is subject to scrutiny.” So what is needed is “a comprehensive, networked, real-time, living-and-breathing system that, through integrated reporting, provides a single version of the truth to all concerned parties, inside and out. When viewed in this context, rethinking reporting is not a bore—it is at the very heart of the success and survival of companies and even our economy.”
By 2015, and probably sooner, expect leading companies to be using new forms of crowd sourcing\textsuperscript{iv} to build market intelligence and improve their capacity to sense where the future is headed—and to get ahead of the trends. Leading this transformation are a new breed of innovators, a small sample of whom we spotlight in the following pages.

\textbf{The GRI community survey:}

The survey was conducted online during March 2010. 2,292 survey invitations were sent out, with 447 respondents completing the survey—a 20% response rate.

Several topics related to the future of reporting were explored as follows:

1. What do you think sustainability reporting should disclose?
2. Which reporting formats do you see as important to effectively communicating companies’ sustainability performance in the future?
3. Which communication technologies is your organization currently using, or planning to use as part of your communication strategies?
4. Please rank the following identified trends against how important you think they will be in the future of sustainability reporting.

Each question offered multiple-choice answers.

Question 4 was designed to test our initial conclusions on possible future trends in sustainability reporting, following early desk, online and interview-based research by the Volans team. The eight key transparency themes identified at the beginning of this section were offered for ranking by the participants. This section analyses answers received to question 4 only. A more detailed summary of the results can be found at www.globalreporting.org/futuretrends.

\textsuperscript{iv} See, for example, James Surowiecki, \textit{The Wisdom of Crowds: Why the many are smarter than the few}, Doubleday, New York, 2004.
Consumers and retailers want transparent global supply chains

Traceability will be central to the Transparent Economy—and delivered on a scale unimaginable today. As books like The Travels of a T-Shirt in the Global Economy have shown, globalised supply chains are generally both complex and opaque. As a result, even sophisticated companies have been wrong-footed as controversies have blown up deep down in their supply chains.

Once it was just big brands like Nike and Shell in trouble, but as globalisation has continued, a growing range of companies—and even countries—have become embattled in similar scandals. Recall the contaminated milk disaster in China, where melamine was added to milk to give the impression that it was a higher protein product. At least 300,000 children were affected, six of them dying. Various other countries were impacted and two of the alleged perpetrators were executed in 2008. Even so, there was evidence that the problem continued into 2010.

None of this breeds trust. So it’s interesting to recall that the history of brands and branding had a good deal to do with the need to ensure quality and reassure consumers over extended trading links. One of the first sectors to use branding, literally burning producer logos into the wooden casks, was Portugal’s port wine industry. In recent times high-profile brands have often led the charge in such areas as environmental and social auditing, lifecycle management, reporting and stakeholder engagement. Traceability is next.

Traceability: 86% say ‘important’ or ‘very important’

The basic idea behind traceability is fairly easy to explain, but much tougher to execute. The number of companies that do this really well—as Patagonia does—remains small. It involves the provision of verified information about every step in a business production chain. So companies like Nike have now put in place systems to track materials, components and products through their supply chains, wherever possible. In some cases, the inability of suppliers to provide such traceability has led to a failure to win—or in some cases, terminations of—contracts.

When we asked the GRI community to rate the importance of the ability of businesses to trace products through their entire lifecycle, a substantial majority saw it as a critical element of the forward agenda. Small percentages of respondents thought it ‘unimportant’ (2%) or ‘not very important’ (11%), with 35% seeing it as ‘important’ and 51% seeing it as ‘very important’—a total importance rating of 86%.
But how is traceability linked to the future of reporting? In several ways. First, stakeholders will expect to see reporting companies providing greater coverage of how they are managing traceability through their supply chains. Second, they will be interested to see comparisons of how a given company is performing in this field in terms of its competitors. But, third, and most importantly, traceability is part of a radically new transparency agenda for business. The implication is that within a few years growing numbers of companies will need to provide online, real-time information and intelligence on their activities and performance in this area.

Innovators in traceability

As the first of our two case studies demonstrates, the pressures for traceability are now coming from major retailers like Wal-Mart Stores or Marks & Spencer, who increasingly play a crucial role as market gatekeepers and ‘choice editors’. The second gives a sense of how new mobile technologies could help link consumers with huge new fields of data and information about product—and corporate—performance.

Historic Futures

Trying to get major companies to wake up to traceability, says UK-based Historic Futures co-founder Tim Wilson, has been like “shouting into a hurricane for seven years.” But now the business is gaining real traction. “Branding used to be about opacity,” he explains, “but increasingly transparency is going to have to be baked into the business.”

The company makes it possible for “brands and retailers to visualise their entire supply-chain, from finished product to primary production and to communicate good practice to their customers.” Their String process is a secure, online service allowing batch-level product information to be shared easily throughout the supply-chain. Among its applications are country of origin management, and the collection of information against key performance indicators, including ‘product miles’, water use and energy consumed.

For some product types, there are now standard ‘global’ datasets, ensuring that the same information is captured in different supply chains. Where a customer or industry has specific data requirements, users can build their own customized data sets about their processes, products, and organization. The platform can include certificates, images and video— with output delivered through the internet, intranet or any web-enabled business application.
GoodGuide

So how can consumers engage with all of this? One way, thanks to US-based GoodGuide, is to use their mobile phones, personal computers and other technologies to interrogate products, brands or even suppliers when they are deciding what to buy.

GoodGuide aims to provide “the world’s largest and most reliable source of information on the health, environmental, and social impacts of products and companies.” Starting out as a UC Berkeley research project, GoodGuide has developed into a totally independent ‘for-benefit’ company. The company’s iPhone app helps consumers find safe, healthy and sustainable products while they shop. They simply scan the barcode of the product and immediately see detailed ratings for health, environment and social responsibility for more than 60,000 products and companies. Information about personal care, household chemical, toy and food products is provided for free—and thousands of products are added every month.

“We have had a great response from the public,” founder Dara O’Rourke told us. “With zero marketing or PR, we have had over 4 million people use GoodGuide to help make purchasing decisions. Our iPhone app is being used by over 250,000 people in the US.” And what use does GoodGuide make of GRI-based reports? “For our analysis of publicly traded firms we license data from four leading Socially Responsible Investment research firms, who all draw on Corporate CSR reports. For our research on privately held firms, our research team also looks to CSR reports (where they exist).”

Historic Futures  www.historicfutures.com
GoodGuide  www.goodguide.com

C-Suite agenda

Traceability has implications for everybody in the corporate C-suite, but few people will be more actively involved than the Chief Operating Officer (COO) and the Chief Procurement or Purchasing Officer (CPO). The challenge will be to evolve the tracking and traceability functions in close cooperation with leading customers and suppliers, helping to co-evolve the necessary market standards on the way.
Integrated reporting means embedding sustainability system-wide

The push towards truly integrated business reporting—across the economic, social, environmental and governance agendas—will be a bit like the quest for the Holy Grail. Great adventures will be had, but the outcome in this case is not in dispute, indeed has been clear for some time. In 2008, for example, KPMG and SustainAbility produced a ‘2020 Vision’ for reporting in which sustainability reports merged with mainstream reporting and corporate communications37.

If you want to get a book-length sense of where this part of the agenda may be headed, read One Report38, by Bob Eccles and Mike Krzus. Their thesis is spelled out on page 3 of the book. And it is that the recent economic crises—and the looming demographic, resources and environmental crises—demand radically different policy and market responses. They also believe that:

“… integrated reporting is a key part of the solution. Today, more and more companies are publishing voluntary ‘Corporate Social Responsibility’ or ‘Sustainability’ reports to supplement their annual reports, which contain the financial statements that every listed company must file. In most cases, there is very little linkage between the information published in these separate reports. To have a real impact, these separate reports need to be integrated with each other, thereby demonstrating that the company has a sustainable strategy based on a commitment to corporate social responsibility that is contributing to a sustainable society that takes into account the needs of all stakeholders, of which shareholders are one type.”

Be sceptical, however, of the early cases offered as examples of integrated reporting. UTC, advanced as such a case by Eccles and Krzus, jumps regulatory hurdles to integrated reporting by disconnecting financial and sustainability materiality. As Bob Massie warns, “Integrated reporting must not become a backdoor method for reintroducing discredited models of shareholder primacy under the guise of pursuing sustainability.”

Connected, combined, integrated

The critical driver behind integrated reporting will be the cultural change as business actively seeks sustainable business opportunities. Happily, there are a number of initiatives that aim to bridge the divide between where we are and where we need to be. One is Accounting for Sustainability (A4S), which is developing a ‘connected’ reporting approach, “for use within Annual Reports and Accounts, within investor presentations, or as part of internal reports to management.”39
These pioneers are all clear on one thing: however much they want to see a single report covering everything, it isn’t going to happen soon. As Eccles and Krzus advise, “One Report doesn’t mean Only One Report. It simply means that there should be one report that integrates the company’s financial and nonfinancial information. It by no means precludes the company from providing other information in many different ways that are targeted to specific users.”

In their report Integrated Reporting: What does your reporting say about you?, PricewaterhouseCoopers list five critical elements in integrated reporting: (1) enhanced market insight; (2) delivering a long-term strategy; (3) revealing the behavioural triangle; (4) how the business model works; and (5) rethinking measurement and presentation.

So how many companies are reporting on an integrated basis? It depends on what you mean by integrated. KPMG say it is around 3%, which seems high, if we adopt the sort of definitions outlined above. But the numbers—and proportions—seem likely to soar.

One key forum for this work is likely to be the new International Integrated Reporting Committee (IIRC), convened by The Prince of Wales, Accounting for Sustainability, GRI and others.

Integrated reporting: 89% say ‘important’ or ‘very important’

When we asked the GRI community for their views on the integration of economic, social and environmental accounting and reporting into a single set of indicators and a single annual report, the response was the most positive of all. A big majority considers integrated reporting to be a critical element of the future business agenda. Small percentages of respondents thought it ‘unimportant’ (2%) or ‘not very important’ (9%), with 30% seeing it as ‘important’ and no less than 59% seeing it as ‘very important’—for a total importance rating of 89%.

But it is important to note that “company-level” integrated reporting will only be one part of the story. We also need to integrate accounting and management systems across companies and their supply chains, and ensure a greater degree of integration of government policies, frameworks and incentives, nationally, regionally and globally.

Figure 5: GRI community on integrated reporting

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Question posed: Rate the importance of the integration of economic, social and environmental accounting and reporting into a single set of indicators and a single annual report.
Innovators in integrated reporting

Among early pioneers of the new form of increasingly integrated reporting are companies like Novozymes (seen as the first to make the move, although it could be argued that the Body Shop’s 1996 Values Report was another precursor), Novo Nordisk, Philips, Natura and United Technologies (UTC).

Natura

Founded in 1969, the Brazilian cosmetics company Natura has been a pioneer in integrated reporting. It first considered issuing an integrated report as long ago as 2000, and the idea was discussed by the board, but the financial side of the company advised against—arguing that Natura’s financial control systems were not up to the task at the time.

Eccles and Krzus dig into Natura’s 2008 annual report, a “slim” 91-page volume which meets many of their One Report objectives. But they also quote the company’s government affairs and board communications manager, to the effect that they look forward to the day when “society will speak for companies”—and when external stakeholders will co-write chapters in the report, “or maybe the whole report.”

Bloomberg

Aggregation of data is critical in all of this, to make sense of the information contained in individual company reports. Governments have a key role, too, as argued on pages 28-30, but so do the financial markets. One of the most interesting recent developments has been the launch of Bloomberg Professional, a leading source of data, news and analytics to financial markets, which opened for business in 2009. This integrates ESG information with the financial statements, valuations, and ratio analyses used to evaluate equity investments. Bloomberg already provides clients with data on more than 100 key performance indicators (KPIs) for a global set of 3,500 companies.

C-Suite agenda

Reading One Report, it is hard to miss the implication that Chief Financial Officers (CFOs) will be the longer-term owners of all this. Which raises a number of questions: (1) Will CFO ownership help or hinder? (The likelihood is that many CFO-led initiatives will lose critical sustainability-oriented market intelligence as they try to force-fit the results into pre-existing management, accounting and reporting frameworks.) And (2), Is the typical CFO up to the task? (If, as seems likely in most companies, the answer is no, how can we help these people to raise their game?)
They lagged for years—but governments must now lead

Governments must get actively involved in markets, shaping them towards the linked goals of transparency and sustainability. Neither dictatorship nor impotence will serve us well. In March 2009, the GRI Board issued its Amsterdam Declaration, calling on governments “to take leadership by introducing policy requiring companies to report on ESG factors or publicly explain why they have not done so.” GRI has also developed a Governments Advisory Group, to build stronger public sector engagement.

In a critical assessment of EU CSR and ESG disclosure and reporting requirements, the GRI noted significant steps by countries like India and China in this field. The Indian Government had created the Indian Institute of Corporate Affairs, among others, to drive ESG disclosure, while the Chinese State-Owned Assets Supervision and Administration Commission of the State Council (SASAC) issued a CSR reporting guideline that includes ESG requirements.

**Government leadership: 78% say ‘important’ or ‘very important’**

Fine, but you wouldn’t expect companies to have much enthusiasm for greater government activity. Strikingly, though in our 2010 survey of the GRI community, a big majority saw greater government involvement as crucial. Small percentages of respondents thought it ‘unimportant’ (4%) or ‘not very important’ (19%), with 35% seeing it as ‘important’ and 43% seeing it as ‘very important’—for a total importance rating of 78%.

So what should governments do? There are three areas where action is urgently needed in all countries: disclosure rules; data aggregation; and open government.

**Disclosure rules:** After a great deal of experimentation, governments now need to regulate to force higher levels of market transparency. They are often nervous about imposing new requirements on business, but growing numbers are waking up to the fact that ESG disclosure requirements will be integral to healthy markets. As the *One Report* authors noted, “integration occurs in degrees.” They point to the example of Denmark, where the government issued a call for companies to produce voluntary environmental reports in 2001, with the broadest of guidance. Then, late in 2008, the government adopted a bill making it mandatory for some 1,100 of the largest listed companies and state-owned public limited companies to report on CSR in their annual financial reports. A key feature of today’s Danish disclosure regime is that companies have to report—or explain why they do not do so. Other countries are heading in the same direction.
Data aggregation: Governments must get into the data aggregation business, a necessary condition for real progress towards sustainability. At the moment, many companies report into something of a vacuum. Until very recently, the best they could hope for was that their reports would be picked up by award schemes. But if these reports are to be useful for the purpose of sustainable development, the data need to be aggregated and reported against wider benchmarks and targets—something that individual companies cannot do. National, regional and global government agencies must get involved—among other things, including new social and environmental impact metrics in their measures of GDP. Social impact aggregation is covered in Figure 7, environmental impact aggregation in Figure 8.

Open government: Governments must model transparency. The Obama Administration’s ambition, for example, is to “usher in a new era of collaborative democracy and open government.” The day after he took office, Obama signed the Open Government Memorandum calling for government to be more transparent (to promote accountability), participatory (to strengthen decisions by tapping the wisdom of the crowd), and collaborative (to enable citizens to lend a hand or a brain—and thus, to participate). In the USA and elsewhere, we see a few governments experimenting with the public release of data sets that would once have been closely held, to allow citizens to get involved and add various forms of value.

One critical area of innovation that will become increasingly important for governments—and for business—was identified by our GRI community survey respondents. This was the aggregation of social impact data, as shown in Figure 7. Here again the proportions of respondents seeing this area as not important or not very important was low (2.2% and 10.4% respectively), while 39% saw the agenda as important and 48% very important—for an overall importance rating of 87%.

Question posed: Rate the importance of greater efforts to aggregate social impact issues such as poverty, access to health and human rights, across nations, cities, industries, etc.
Innovators in government leadership

As political leaders look around the world for clues on where next, there are a growing number of interesting experiments to observe and draw upon. For example:

Carbon Disclosure Project (CDP)

Launched in 2000, CDP collates, analyses and distributes the information needed to motivate investors, corporations and governments to tackle climate change. 2,500 organizations in some 60 countries around the world now measure and disclose their greenhouse gas emissions and climate change strategies through CDP, so they can set reduction targets and make performance improvements. The data are made available for use by a wide audience including institutional investors, corporations, policymakers and their advisors, public sector organizations, government bodies, academics and the public. CDP acts on behalf of 534 institutional investors, who hold $64 trillion in assets under management and some 60 purchasing organizations such as Cadbury, PepsiCo and Wal-Mart Stores. Next up: the CDP Water Disclosure Project.

Onvia: Recovery.org

Most of the government stimulus packages were rushed through in frantic haste, with little attention to future transparency or accountability. How might it have been done better? Well, Recovery.org47, a service provided by Onvia, is tracking American Recovery and Reinvestment Act (ARRA) spending by Federal, state and local agencies and offering detailed information about what is happening in US states and municipalities, from the moment ARRA funds are approved, to a government agency’s issuance of a bid or RFP, through to contract award to a business. More countries should go this route.

C-Suite agenda

Government relations are handled by specialists, among them Chief Legal Officers, Chief Compliance Officers and, when the going gets interesting or tough, CEOs. A growing number of CEOs and other leaders have been joining forces to lobby governments for effective, early action on issues like climate change—through initiatives like the US Climate Action Partnership and UK Corporate Leaders Group on Climate Change. We need a similar corporate lobby for the Transparent Economy.
Climate change isn’t the only great environmental change we face

While the focus was largely on climate change in the run up to the COP15 UN summit in Copenhagen late in 2009, the evidence suggests that our current population is already pressing up against environmental limits on multiple fronts—and the problem can only become substantially worse as the global population heads towards 9 billion people by mid-century.

In the front rank of a new breed of institutions that are exploring the nature and scale of the challenge, one of the clear leaders has been the Stockholm Resilience Centre (SRC), a joint initiative between Stockholm University, the Stockholm Environment Institute and the Beijer International Institute of Ecological Economics at The Royal Swedish Academy of Sciences. The Centre is funded by the Foundation for Strategic Environmental Research, Mistra.

Behind Mistra’s commitment was the Millennium Ecosystem Assessment, a UN-led study on the world’s ecosystems which was released in 2005. In it, 1,400 experts state that the critical ecosystems that are the basis for human welfare and economic development are deteriorating. Today, 60 per cent of the free ecosystem services that we use are exploited in an unsustainable manner.

Crucial ecosystem services such as air and water purification, the pollination of crops and the seas’ capacity to produce fish are in serious decline. The changes are occurring so rapidly today that society is unable to adapt to the new environmental circumstances and thus cannot effectively develop strategies and frameworks for sustainable use of the ecosystems.

Nine boundaries identified

In the central piece of work for which the Centre is now known, a team of leading scientists first identified the ‘Earth System’ processes and potential biophysical thresholds, which, if crossed, could generate unacceptable environmental change for humanity. They then proposed the boundaries that should be respected in order to reduce the risk of crossing these thresholds.

The nine environmental boundaries identified were climate change, stratospheric ozone, land use change, freshwater use, biological diversity, ocean acidification, nitrogen and phosphorus inputs to the biosphere and oceans, aerosol loading and chemical pollution.

The study suggests that three of these boundaries (climate change, biological diversity and nitrogen input to the biosphere) may already have been overshot. In addition, it emphasizes that the boundaries are strongly connected, so that crossing one boundary may seriously threaten the ability to stay within safe levels of the others. A critical part of future work, across all forms of reporting, must be to link output measures (KPIs) with impacts, or outcome measures.

**Environmental boundaries: 80% say ‘important’ or ‘very important’**

When we asked the GRI community to give their views on the need for greater efforts to aggregate total environmental impacts reported by nations, industrial sectors, companies, cities and other key actors, the result was very clear indeed (Figure 8). While almost a fifth of respondents see greater efforts to aggregate environmental information as either ‘unimportant’ (2%) or ‘not very important’ (18%), 45% see it as ‘important’ and 35% see it as ‘very important’—for an overall importance rating of 80%.

**C-Suite agenda**

Key C-suite players in terms of the environmental boundaries challenge are, most obviously, the CEO and COO, actively aided by Chief Responsibility Officers, Chief Sustainability Officers and, where they exist, Chief Science Officers. Most companies, however, do not have the internal resources to do this sort of work, which underscores the importance of working with organizations like GFN, TEEB and the World Business Council for Sustainable Development (WBCSD).
Innovators in boundaries and footprinting

The key question here is what business can do to better link its reporting activities with initiatives that track and seek to manage the wider environmental system. Emerging platforms like Google Earth provide clues as to where system-linked reporting may take us in the coming decade. Initiatives like the Green Economy Coalition will help to set the frameworks. Two other innovative organisations that give a sense of where things may be headed are the Global Footprint Network (GFN) and TEEB (The Economics of Ecosystems and Biodiversity).

Global Footprint Network

Most people in business have heard of the Ecological Footprint, the metric that allows us to calculate human pressure. Founded in 2003, the Global Footprint Network's aim is to create a critical mass of powerful institutions using the Footprint to put an end to ecological overshoot. The methodology is already used by some governments and cities—a trend that will grow in the next decade.

Today, GFN calculates, 81 percent of the world's population lives in countries that use more resources than are renewable within their own borders. By comparison, in 1961, the vast majority of countries around the globe had ecological surpluses. By providing a common unit, GFN believes, "the Footprint helps business to establish benchmarks, set quantitative targets and evaluate alternatives for future activities."

TEEB (The Economics of Ecosystems and Biodiversity)

The TEEB study is led by UNEP, with financial support from the European Commission, the German Federal Ministry for the Environment, and the UK Department for Environment, Food and Rural Affairs. It is led by Pavan Sukhdev, a senior banker from Deutsche Bank. The final synthesis will be released in October 2010, analyzing the global economic benefit of biological diversity, the costs of the loss of biodiversity and the failure to take protective measures versus the costs of effective conservation.

TEEB argues that "business and enterprise have a huge role to play in how we manage, safeguard and invest in our natural capital." The outputs are designed to be useful for "a wide array of enterprises, including those with direct impacts on ecosystems and biodiversity, such as mining, oil and gas and infrastructure; for those businesses that depend on healthy ecosystems and biodiversity for production, such as agriculture and fisheries; for industry sectors that finance and undergird economic activity and growth, like banks and asset managers, as well as insurance and business services; and for businesses that are selling ecosystem services or biodiversity-related products such as eco-tourism, eco-agriculture and bio-carbon."

Global Footprint Network www.footprintnetwork.org
TEEB www.teeweb.org
4.5. Rating & ranking: on your marks

We need to do more to spur competition around sustainability reporting

Rating and ranking surveys did much to promote the spread of reporting in the early days of the movement—with leading surveys including SustainAbility’s Global Reporters bi-annual benchmark and KPMG’s surveys of sustainability and CSR reporting. Such surveys have helped catalyse considerable progress in corporate transparency—at least in some areas.

By 2008, KPMG found that 80 percent of the Global Fortune 250 were releasing corporate responsibility information in stand alone reports or integrated with annual financial reports, up from 50 percent in the three years since KPMG had last conducted its survey in 2005.

In addition to the Global Fortune 250, the sample that year also included the 100 largest companies by revenue in 22 countries. National level companies trail the Global 250 with an average of 45 percent issuing reports, but numbers vary widely from country to country. For example, less than 20 percent of large companies in Mexico and the Czech Republic issue reports, but well over 90 percent of companies in Japan and the United Kingdom do so.

Interestingly, too, half of the Global 250 in the 2008 survey had detected business opportunities linked to corporate responsibility, reporting on the business value created. One third of the companies cited shareholder value as a driver for reporting.

Rating and Ranking: 78% say ‘important’ or ‘very important’

When we asked the GRI community for their views on the importance of mainstreaming regular ranking and rating surveys of the sustainability performance of major companies, we saw a slightly higher vote in terms of those thinking this ‘unimportant’ (3%) or ‘not very important’ (19%), with 44% seeing it as ‘important’ and 34% seeing it as ‘very important’—for a total importance rating of 78% (Figure 9): an indication, perhaps, that at least some reporting companies are perfectly happy to stay in the citizenship space, rather than having an appetite for being pressured towards genuinely sustainable development.

‘One caution from the perspective of those who report and respond to requests for reporting: We are concerned about workload and our ability to respond appropriately to the growing proliferation of databases and methodologies. Commonly accepted and accessible databases would help.’

Mark Weick,
Director, Sustainability Program,
The Dow Chemical Company
The leading edge

Over time, it seems that the spotlight has shifted from ratings and rankings of companies, which nonetheless continue and are important, to ratings and rankings of countries. As we begin to tackle the systemic challenges of the new century, this makes sense—as long as we can move back and forth between the different levels of the system.

In some areas of the world, the implications of ecological deficits can be devastating, leading to resource loss, ecosystem collapse, debt, poverty, famine and even war. Hopefully, the Global Footprint Network’s mapping of creditor and debtor nations will become significantly more important over the coming decade.

Innovators in rating and ranking

It is GRI’s policy not to be a judge of performance, but it is clear that there is a need for the development of powerful new ratings and rankings—covering progress (or lack of it) against several or all of the priority challenges identified by the TIGERS agenda. We are beginning to see real heavyweights like Standard & Poor’s, Nasdaq and the New York Stock Exchange (NYSE) moving into this market. Few of them, however, yet do much to measure their own ecological footprints.

Global Impact Investing Network (GIIN)

One of the most interesting initiatives in this space, GIIN is building a data engine that quantifies the social benefits associated with investment opportunities. Among the projects under way are GIIN’s Impact Reporting and Investment Standards initiative (covering the social performance of companies, bonds or funds), the Global Impact Investment Rating System (GIIRS will help entrepreneurs, investors and fund managers in the same way that a Standard & Poor’s credit risk rating does), a data aggregator and Pulse (a web-based portfolio management software application that will help money managers track the socially positive impact of investments—by plugging directly into a customised taxonomy and database, known as IRIS).
As an indication of the momentum building behind GIIN, organisations now involved include the Rockefeller Foundation, Deloitte, PricewaterhouseCoopers, Hitachi, Citigroup, Deutsche Bank, JPMorgan and the Bill & Melinda Gates Foundation. Among the companies developing Pulse with Acumen Fund are App-X, Google and Salesforce. Apart from the ratings, the tools will be free to access.

**Bovespa’s Social Index**

Emerging economies are now beginning to get involved, too. In Brazil, the Bovespa Corporate Sustainability Index (Índice de Sustentabilidade Empresarial, or ISE) is the first index tracking the economic, financial, corporate governance, environmental and social performance of leading companies listed in the São Paulo Stock Exchange.

Originally financed by the International Finance Corporation (IFC), the private sector arm of the World Bank Group, ISE was developed by the Center for Sustainability Studies of Fundação Getulio Vargas, a leading business school in Brazil. The Index spotlights companies that deliver solid economic results and incorporate environmental, social and corporate governance elements in their business model.

Based on the triple bottom line, the methodology was evolved after a study of other key actors in the space, among them IBASE, ETHOS, and the Global Reporting Initiative (GRI), as well as the questionnaires used by DJSI, FTSE4Good, and the Johannesburg Stock Exchange (JSE).

**Global Impact Investing Network**  [www.globalimpactinvestingnetwork.org](http://www.globalimpactinvestingnetwork.org)

**Bovespa Social Index**  [www.bmfbovespa.com.br](http://www.bmfbovespa.com.br)

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**C-Suite agenda**

Chief Responsibility Officers and the new breed of Chief Sustainability Officers have handled most rating and ranking surveys in their field—though when the Dow Jones Sustainability Indexes first appeared in 1999 it was notable that CFOs suddenly wanted to be involved, largely because of the Dow Jones association. CEOs also tend to take seriously surveys run by Dow Jones, FTSE and similar heavyweights. Even if they disagree with the methodology, rankings tend to be effective in opening Board and C-suite doors and minds. To tidy up this space, C-Suites should consider supporting efforts that rate the raters and rank the rankers.
We forget the illegal side of the economy at our peril

Darth Vader encouraged us to embrace the ‘Dark Side’, whereas the real challenge will be to let the sun shine in on parts of the economy it rarely if ever reaches. However much of the economy we manage to make transparent, substantial slices will remain in stealth, shadow or deep darkness.

Stealth may sometimes have positive connotations, however, as where companies like Bloom Energy6 go into “stealth” as a way to protect their intellectual property to the point where they are ready to launch. But the bribery and corruption targeted by groups like Transparency International (TI) is a negative form of stealth, part of a much bigger shadow—or underground—economy.

Russia’s shadow economy may have grown to about one-fifth of output, according to the head of their statistics service, as illegal trade in everything from guns and drugs to gardening and tuition grew67.

Tutoring and gardening without paying taxes are one thing, but the nature and scale of the global shadow economy should give both politicians and business leaders serious cause for concern.

Few people know more about the underside of the economy than Moisés Naim, whose interest in illicit trade “comes out of more than a decade of work on the surprises of globalization. As editor of Foreign Policy magazine, “he says, “it has been my job to track and understand the unanticipated consequences of the new connections between countries and world politics and economics.” 58

“Pick up a newspaper anywhere, any day,” he notes, “and you will find reports of illegal migrants, drug busts, smuggled weapons, laundered money, or counterfeit goods. Illicit trades are booming and so are the traffickers’ revenues—and their political influence. Black-market networks are stealthily transforming global politics and economics.”

Shadow economies: 74% say ‘important’ or ‘very important’

So how serious a threat does the GRI community see all of this as being? Perhaps surprisingly, the answer is very serious (Figure 10). We specifically asked respondents for their views on transparency efforts designed to tackle shadow economies related to drug trafficking, the weapons trade, illegal waste dumping activities and corruption. Almost a quarter saw this area as ‘unimportant’ (2%) or ‘not very important’ (24%), but—contrary to our expectations—a substantial majority sees this set of challenges as ‘important’ (33%) or as ‘very important’ (41%)—for a total importance rating of 74%.
NGO and media activity, coupled with the efforts of whistleblowers, can help shine a light on the shadow economy, but its capacity to mutate and evolve is astonishing. The visualisation techniques, from basic maps like those used by Transparency International through to the sort of display technologies shown in the film Avatar, some of which we were told by HP Labs are remarkably close to market, will be crucial. But so will accuracy of information and intelligence—something that the Business & Human Rights Resource Centre has built into its operating model since the outset.

Transparency International

The Corruption Perceptions Index (CPI) measures the perceived level of public-sector corruption in 180 countries and territories around the world. Developed by Transparency International (TI), CPI is a “survey of surveys”, based on 13 different expert and business surveys. The outputs, as shown in Figure 11, are clear—and have the power to motivate both low-scoring countries and those wanting to engage in a race to the top.

Figure 11: Corruption Perceptions Index 2009

The uncomfortable reality, as TI puts it, is that “the private sector uses bribes to influence public policy, laws and regulations”—according to over half of those polled for the 2009 Global Corruption Barometer. Interestingly, the Barometer, with more than 73,000 respondents drawn from 69 countries and territories around the world, also found that half of respondents expressed a willingness to pay a premium to buy from corruption-free companies.

Business & Human Rights Resource Centre
The Business & Human Rights Resource Centre has become the world’s leading independent resource on the subject. Its website is updated hourly with news and reports about companies’ human rights impacts worldwide—both positive and negative. Unusually, the team seeks responses from companies whose activities, issues and misconduct are covered. This helps ensure that the coverage is balanced and encourages companies to address concerns raised by civil society.

The website covers over 4000 companies, across 180 countries. It receives over 1.5 million hits per month. Topics include discrimination, environment, poverty and development, labour, access to medicines, health & safety, security, and trade.

Transparency International [www.transparency.org]
Business and Human Rights Resource Centre [www.business-humanrights.org]

C-Suite agenda
Bribery and corruption issues can have impacts right across the Board and C-suite roster, as illustrated by the recent controversies around companies like Daimler, Rio Tinto and Siemens. Chief Legal Officers and Chief Ethics Officers are often closely involved, as are Chief Security Officers, particularly in troubled parts of the world. Over time, however, the shadow economy has the potential to damage a surprising range of companies—and therefore should be a regular item on the leadership agenda.
The next decade will see enormous progress—but only if we push for it

2010 is the Year of the Tiger—and a powerful set of drivers, the TIGERS agenda, looks set to shape the Board and C-suite agendas over the next decade. Rethinking transparency, accountability, reporting and business–society engagement, as Don Tapscott puts it in the foreword to the book *One Report*, “is at the very heart of the success and survival of companies and even our economy.”

Disclosure and reporting are only part of the answer to the sort of problems that have dogged global brands like Toyota and global institutions like the Vatican or the Intergovernmental Panel on Climate Change. But 20 years on from the first voluntary sustainability reports, enormous progress has been made. Even so, the process has only just begun—and the pace of transformative change may be much greater than our survey respondents imagine. With the world increasingly seen to be in ecological overshoot, the next decade looks like being make or break.

Governance, disclosure and stakeholder engagement are all critically important in what comes next, but the next five years are going to be about performing against new standards and expectations—and, centrally, about the evolution of scalable solutions to the great environmental, social and governance challenges of our time.

Governments will play a central role in promoting, incentivising and steering the Transparent Economy. The broad mass of government stimulus packages have not reached anything like appropriate levels of transparency, but a few—particularly the US packages—offer possible models of how transparency could be handled by governments in future.

Regardless of the impact of the stimulus packages, a new economy is in the process of self-assembly, though on very different lines than might have been imagined even 10 years ago. It will be profoundly shaped by a new phase of globalization, in which Americanisation increasingly gives way to a multi-polar world—with all that this implies for transparency, accountability and sustainability.

Reporting failed

Conventional forms of reporting have failed badly in the latest crisis of capitalism, seriously undermining trust—a form of social and political capital that will be needed to drive transformative change. Simply handing over the mainstreaming of the sustainability agenda to the same regulators, auditors and accountants who missed all the signs of the economic meltdown would be a dereliction of duty.

Instead, just as in the midst of the Great Depression, there is now an unparalleled opportunity to create the new rules, institutions and forms of corporate disclosure that improve the way that markets work—and, simultaneously, help advance the sustainability cause.
Although the GRI community scored them relatively low, the new social technologies, media and networks promise—or threaten, depending on your viewpoint—to transform the reporting landscape. They will simultaneously accelerate and deepen market conversations between business and its current stakeholders, and, potentially, bring totally new people and interests into the conversation.

By 2015, and probably sooner, expect leading companies to be using new forms of crowd sourcing to build market intelligence and improve their capacity to sense where the future is headed—and to get ahead of the trends. Leading this transformation is a new breed of innovators, a small sample of whom were mentioned in the report.

Business is starting to explore new routes to transparency and engagement. As Dara O’Rourke of GoodGuide told us: “Interestingly, we have heard repeatedly recently from a number of firms that they feel they spend large sums investing in sustainability practices, they then write about them in their CSR reports, and they are never heard of again. One of the things we are now discussing with several firms is how to get that same information out to the public—not through 100 page reports—but via web and mobile apps like GoodGuide when consumers are making decisions about products.” The question for pioneers in more established forms of reporting is how to get ahead of this new trend?

Meanwhile, a shift toward sustainability is expected to trigger trillions of dollars in new investments in infrastructure, technology and human services, creating new opportunities for business to thrive and grow. A study commissioned by WBCSD indicates that this investment could reach US$ 3-10 trillion per annum in 2050. So how will business innovators report their progress in related areas—and to whom?

Whether we are focusing on the upside or downside of all this, we must develop the confidence, the resources and the tools to rate and rank the progress made at all levels: nation states, cities, businesses and financial markets.

The business of business in this new world order will include developing, maintaining and extending new types of market conversations—even if it often means diving into uncomfortable, alien areas like open data and apps. Whatever the technology, however, honesty and transparency will be critical.

To drive the levels of transformative change now required, we need not just a shift to integrated accounting and reporting, though they are important, but an integrated, multi-sectoral and long-sighted social movement to push for a new Age of Transparency—which Jeremy Rifkin is heralding as the “Empathic Civilization”

— Shoshana Zuboff, former Harvard Business School professor

‘The bad news: There are no maps. The good news? You are the mapmaker.’

5. Conclusions & recommendations
“More research needs to be done into definitions of anticipated materiality,” Bob Massie commented during the project, “so that companies are asked to reflect and comment on matters that have the potential to become influential within a medium time horizon.” He encourages reporters to include a few “emerging critical arenas for sustainability” that will impact their businesses, either for good or ill.

Social challenges are becoming much more important—as is the need for social innovation. Data can be enormously powerful. But for this information to have the level of power we urgently need to transform our economies, businesses, financial institutions and governments must improve the value of the data.

**Business: Aim for creative reconstruction**

- Recognise the inevitability of transformative change—and help drive it.
- Co-evolve initiatives to aggregate data from your markets—and help turn them into useful, sustainability-oriented market intelligence.
- Connect performance indicators (intrinsically focused on the output or performance of a single company) with impact metrics (focused on the impact of the company in the context of environmental limits or a broader social community).
- Collaborate with industry peers or value chain partners to develop the necessary impact metrics.
- Integrate sustainability into all management reporting—not just in an external “One Report” but throughout internal business information management systems.
- Remember that numbers and standards are not everything—relationships, partnerships and co-ventures are the other side of the coin.
- Harness the power of social networks and media to better engage stakeholders.
- Lobby for tougher sustainability disclosure requirements.

**Financial institutions: Invest in transformative change**

- Grasp the next market bull by the horns: help finance the great global reconstruction, driving towards a low-carbon, small ecological footprint economy.
- Build environmental, social and governance (ESG) considerations into all products and offerings.
- Support innovative initiatives like the Global Impact Investing Network (see Section 4.5).

**Governments: Regulate, incentivise and experiment**

- Integrate all levels of government and public sector ESG reporting.
- Establish policy frameworks requiring companies to disclose sustainability performance and impacts.
• Aggregate and report data on critical social and environmental trends, such as carbon emissions.
• Support the development of an eXtensible Business Reporting Language (XBRL) equivalent for sustainability issues.
• Release data sets for public consultation and improvement—and encourage business to do the same.

GRI: Prioritise a ‘Big Tent’ approach, integration and BRICS
• Pursue a Big Tent strategy, working with an ever-widening spectrum of partners to develop integrated transparency, accountability and reporting frameworks and processes.
• Seek out and work with leading edge innovators, in transparency and economic transformation.
• Be more specific about the types of indicators suggested under each category, whether policy description, process description, input, output or outcome.
• Encourage the development of outcome indicators for all categories.
• Strengthen engagement of the BRICS economies—whose approaches on transparency, accountability and sustainability will have such a profound impact on the twenty-first century.

… and, finally, Transparent Citizens and Consumers
• Ultimately, a key task for us all is to spread an appetite for greater transparency through our societies and organisations.
• Extend the transparency and accountability imperative to ourselves, linking behaviour with wider impacts and outcomes.
• Support the innovative companies and start-ups that are already working on solutions. Hybrid vehicles like the Prius provide fuel efficiency feedback to drivers. Personal energy meters like Wattson64 and WattzOn65 allow people to see their own energy footprint—and compare it to others. As this report went to press, a coalition of 45 organisations led by Google called on the Obama Administration to make access to energy information a national priority.

Then, finally, back to the question we asked at the beginning of this short report: If sustainability reporting is the answer, what was the question?

Ultimately, every actor in this space simply has to get better at telling an integrated story—linking what is happening at every level of transparency, accountability and reporting to the overarching goal of sustainable development. For this to happen, we all have to get much better at the basic task of integrated storytelling—a theme to which we turn overleaf. This is not an argument for better PR, but for a much more powerful articulation to all stakeholders of how the various transparency, accountability and sustainability strands can weave together to create new forms of wealth.  

‘As national and international regulations require corporations to compute the true costs of their products, external costs that are currently invisible will become apparent. As these costs move onto corporate P&L statements, business models, supply chains and manufacturing, smart corporations and their consumers and stakeholders will help forge the platform for international treaties and national regulation.’

Kumi Naidoo, Executive Director, Greenpeace International, and GRI Board member
2020: Reporting Goes to Hollywood

Expect to see business telling more powerful sustainability stories
One key weakness of most current reports is that they don’t engage the hearts and minds of key audiences. They’re about as exciting as school reports for people you don’t know. As the sustainability debate migrates online, with more companies producing iPad-friendly content, the importance of the underlying narrative can only grow. We asked New York-based storytelling expert Michael Margolis to review 20 recent sustainability reports, picked with the help of GRI®.

Why is storytelling important?
Companies are trying to shift or strengthen how others perceive them. Publishing a sustainability report can be a critical element in that equation. They’re communicating that they think beyond financial performance; that they are carving out a larger role and relationship for themselves—and expanding their definitions of impact and value-creation.

What's different about telling stories today?
Whatever your new vision, turning your message into reality requires a convincing story. Disruptive change is not only forcing corporations to evolve how they do business, but also how they tell their stories, and to whom.

How good is business at doing this?
Some companies—like Apple—excel. Most don’t. As a business storyteller, I’ve advised dozens of companies in the midst of re-branding, re-positioning, or high-stakes change. In every case, perception is king. Too often there is a big gap between the “official story” coming from leadership versus the “real story” told by others (i.e. customers, employees, investors, and stakeholders).

What is business looking for?
Everybody wants to know how to get others to trust and buy in to their message. But, in an age of cynicism and skepticism, you have to stop trying to persuade, sell, or posture. Audiences are discerning, they feel it if you are trying to convince them of something. There’s a new paradigm in corporate storytelling that takes a while to learn.

What hit you when reviewing these reports?
For starters, the common refrain is “Sustainability is core to our business.” Right, Pinocchio. Only a few present a compelling, credible story to substantiate the claim. GE is one example, clearly demonstrating how sustainability is baked into its business model. Others, even amongst this elite group, don’t present a particularly persuasive story. Take Johnson Controls and Henkel. We may be familiar with their culture of innovation, yet their reports came off as staid, dated, and lifeless.

vi Links to these sustainability reports can be found at www.globalreporting.org/grireports.
What were some of the best practices in storytelling that you saw?
For me, the inclusion of a detailed value-chain map and analysis is key, signalling an impressive degree of foresight and integration. Interesting companies here were Stockland, an Australian real estate company, and Shell. Samsung and Westpac are interesting in terms of the mental models.

What were some obvious weaknesses in the overall story?
Too much reliance on statistics to communicate. It’s the story behind the numbers that matter. Don’t imagine that numbers convince people of anything. Your report needs lots of anecdotes and examples that bring the business to life in human terms. That said, testimonials from people and organizations you give money to are not credible endorsements.

Which report did you like best—and why?
No question, Stockland. They demonstrated a deep commitment to transparency and a willingness to discuss the good and the bad. They provided context for their sustainability practices in terms of past, present, and future. They made strong use of infographics that turned boring statistics into digestible takeaways. And they anchored their claims using third-party assurance process.

We can’t all be Spielbergs or Camerons, but any improvement tips?
Skip the self-congratulations. If you only have “good news” to share, we know you’re not telling the full story. We all know sustainability isn’t easy to deliver. A story without creative tension isn’t interesting or believable. Having the courage to discuss “work in progress”, with timelines, is a sign of real transparency. Finally, consider providing a progress score—or publicly testing your progress against external benchmarks.

Michael Margolis is a business storyteller and founder of Get Storied. He is the author of several resources including the recent book, *Believe Me: a Storytelling Manifesto for Change-Makers and Innovators*. Download a free digital version at www.getstoried.com
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About the GRI Learning Series

Aimed at enhancing organizations’ understanding and application of the GRI’s G3 Sustainability Reporting Guidelines and issues related to them, the Learning Services program will include other publications, online case studies and best practices, regional training programs, and online forum for knowledge sharing. The Learning Services program was created to support reporting organizations regardless of size, geography, reporting experience, sector, or organization type.

An educational series that includes content across three themes:

- **Starting Points**: for a general audience and organizations considering reporting for the first time
- **Pathways**: for report makers and report users of all levels and types
- **Explorations**: leadership and innovative issues in sustainability, transparency, and accountability

How does GRI’s Learning Series relate to GRI’s Reporting Framework?

Learning publications are designed to help organizations better understand, apply and use the GRI Reporting Framework. The Reporting Framework consists of the GRI G3 Sustainability Reporting Guidelines, Sector Supplements, and Protocols, and is considered the authoritative guidance on reporting. If you wish to produce a GRI-based report, learning publications should be used as helpful tools to guide or organize the process, but any specific references to use of the GRI Reporting Framework as the basis for the report should be made with respect to the GRI G3 Guidelines, Sector Supplements, or Protocols. When declaring a level of application of the GRI Reporting Framework, reference must be made to the GRI G3 Guidelines, Sector Supplements and Protocols only. Download the GRI Reporting Framework free of charge at: www.globalreporting.org.

About GRI

**GRI’s vision** is that disclosure on economic, environmental, and social performance will become as commonplace and comparable as financial reporting, and as important to organizational success. GRI accomplishes its vision by continually developing, improving, and building capacity around the use of its Sustainability Reporting Framework.

**GRI’s mission** is to create conditions for the transparent and reliable exchange of sustainability information through the development and continuous improvement of its Sustainability Reporting Framework. The Framework is developed based on systematic dialogue with relevant stakeholder constituencies to reflect their evolving understanding of good reporting on key sustainability issues, and to help build capacity for report makers and report readers to use the Framework.
# Executive Summary

What is the future for sustainability—sometimes called ‘non-’ or ‘extra-financial’—reporting? This is the question addressed in The Transparent Economy, the product of a project developed by Volans and the Global Reporting Initiative (GRI). The task: to begin looking out to the year 2020, analysing the trends that will drive or constrain greater transparency and accountability. The study included an online survey of the GRI community, focusing on seven major trends—subsequently boiled down into the TIGERS agenda (Traceability, Integrated Reporting, Government Leadership, Environmental Boundaries, Rating and Ranking, and Shadow Economies). Recommendations are made for business, financial institutions, governments and individuals.
The Economy
Six tigers stalk the global recovery—and how to tame them

Explorations
The Transparent Economy
Six tigers stalk the global recovery—and how to tame them