GRI's Reporting 2025 project looks ahead at what thought leaders expect to be the main issues on companies' agendas – and in their reports – ten years from now. Through a series of in-depth interviews with thought leaders in various fields, GRI is building an open dialogue that will form the basis for meaningful future corporate disclosures.

Edited highlights of these interviews will be posted every month on the Reporting 2025 webpage, along with related references that enrich the discussion. GRI will update and publish an analysis of the main trends identified in these interviews every quarter. In January 2016 the final publication will present a roadmap for the future of reporting.

Material, integrated and timely reporting to drive innovation

Daniel Schmid is Chief Sustainability Officer of SAP SE; his objective is to transform the market leader in enterprise application software into a role model of a sustainable company. Since 2004, Schmid has held various senior management positions around the world, and believes that having a holistic view across the economic, social and environmental dimensions leads to better business decisions and better results. In his current position, Schmid works on evolving the entire organization with its 75,000 employees to embed integrated thinking into the core business and enable holistic steering of each line of business.

Looking to the future, Schmid sees increasingly visible sustainability challenges that will have an impact on stakeholder needs, investors and business operations. He believes that business will take a more integrated approach to operations, considering internal and external impacts and driving innovation. Reporting will reflect this in the next decade, and companies will focus on material issues integrated with financial performance, reporting them on a more frequent basis.

Society: visible challenges will change stakeholder needs

Looking to the future is vital, and it’s also important to realize that 10 years is not as far away as it sounds, says Schmid; many of the challenges will be familiar. “It will be a world that is characterized by having eight billion people living on our planet. The consequences of climate change, water and resource scarcity will be very visible. This will have a huge influence on how businesses in various industries operate, and will also have an impact on how companies respond to changing stakeholder needs and demands.

“I’m pretty sure that in 10 years not only the socially responsible investors but also the mainstream investors will understand that looking at just financial performance is not enough to make a good investment decision. They need to consider non-financial impacts as well.”

Companies: innovation is key to design the business of the next decade

Technology will have an impact on changes in stakeholder needs and demands, and also on the way businesses operate, says Schmid. “Of course there will be more and more need for circular economy, for a shared economy. Think about the world becoming more digital; the power of the Internet. This will provide huge opportunities for companies to be more efficient but also to be innovative and change the business of today.”
“I believe that innovation is key: doing things like we’re doing today and just becoming more efficient is important, but it’s not enough. We need to do things in a different way. This kind of thinking drives and accelerates innovation.”

Companies will need to change perspective, says Schmid. In the next decade, companies will need to look at their value in a more integrated way. “Companies will need to look at the value they create, not only from a financial, but also from a social and environmental point of view. In looking at the impact you create through your solutions, your products or your services, you will draw different perspectives and different views on your offer to the market, and that will lead to innovation, helping companies come up with new business models. We create our impact by enabling our vast customer base to run a more sustainable business.”

With this more integrated view, Schmid believes companies will concentrate more on their external impacts. “Focusing on the social and environmental impact of products and solutions will be a key differentiator in business. This will again lead to accelerated business innovation and transformation.”

**Get ready: reporting will drive dialogue and innovation**

Reporting will follow companies’ increasingly integrated approach, and the lines between financial and non-financial reporting will blur, according to Schmid. “You need to understand the connection between various indicators; we still talk a lot about non-financial and financial indicators, but ultimately, non-financial indicators are themselves financial indicators. In 10 years, I’m sure that many companies will follow the path of SAP and come up with the quantification of these coalitions between non-financial and financial.

“For example, you can see in our 2014 integrated report that a one percentage point change in our business health culture index has an impact of €65-75 million in our operating result. With these figures in your hands, you can bring the conversation to the next level of integrated steering; the business case is obvious.”

Relevance is just as important, says Schmid. “I’m strongly convinced that companies need to report on the indicators that are really relevant for their business: the material ones. Companies need to report on the material issues in a way that their stakeholders can compare the company to others. This needs to be industry-specific and companies need to quantify connections and coalitions.”

Reporting will be further refined by changing in its timing. “In 2025, we will see reporting in a timely manner. Today we still observe that companies publish annual reports on their material indicators, whereas they have reported on their financial indicators on a quarterly basis for many years. At SAP, we publish all these indicators quarterly, and I hope others will do the same.”

“Reporting drives awareness, different perspectives and innovation. It drives dialogue between various stakeholder groups, internally and externally. This is what we need to address challenges, be they about climate change, demographic change or anything else.”