



BSR Conference 2009

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From Voluntary to Legal Disclosure: Should Sustainability Reporting Be Required?

Breakout Session Summary

Friday, October 23, 2009 | 10:15-11:30 a.m.

Speakers

- » **Gary Niekerk**, Director, Global Citizenship, Intel
- » **Jerome Tagger**, Chief Operating Officer, Principles for Responsible Investment
- » **Doug Bannerman**, Senior Manager, Advisory Services, BSR (moderator)

Highlights

- » Some aspects of reporting, such as environmental issues, will likely become mandatory.
- » Whether legally required or not, there is market demand for sustainability reporting.
- » There is value to sustainability reporting beyond the actual report; other benefits include increased internal accountability, more extensive dialogue with key stakeholders, and performance improvement.

Memorable Quotes

"I still struggle with making [sustainability reporting] mandatory because if good companies do it, then good companies will get ahead, and other companies will follow. If it is such a good thing, then it will be rewarded in the marketplace, and we would not need to make it mandatory." —Gary Niekerk, Intel

"That is a great sign that the mainstream is looking at these issues—and at base level. That means that there is a market." —Jerome Tagger, Principles for Responsible Investing

"Companies report to achieve transparency and connect with stakeholders around the issues that are important to them. Whether reporting is voluntary, mandatory, or mixed or hybrid, at the end of the day, reporting is about the quality of dialogue with stakeholders and improving your company's performance." —Doug Bannerman, BSR

Overview

Bannerman kicked off the session highlighting the current business context: Trust in business is low; the number of companies that report is increasing; and there are some constituents that believe that voluntary reporting is not enough, and it is time to embed sustainability reporting into laws. He noted that some countries have already made sustainability reporting mandatory.

According to Niekerk, Intel has been reporting on sustainability issues since 1994, when the company started reporting on environment, health, and safety issues. Today, Intel reports in accordance with the Global Reporting Initiative's (GRI) sustainability reporting framework. Citing an analysis of 20 studies that showed the relationship between performance around environmental, social, and corporate governance (ESG) issues and return on investment (ROI), Niekerk shared that only 10 of the 20 studies showed a positive correlation between the two. Therefore, he argued, it is difficult to make the case for mandatory reporting. Niekerk suggested that perhaps the focus should be on accountability rather than ROI.



Tagger next explained that the Principles for Responsible Investment (PRI) were developed in 2006 through a two-year process involving institutional investors, the UN, and experts. This became an essential framework for institutional investors who wanted to integrate ESG criteria into investment decisions. The PRI is not a compliance framework. The six principles include:

- » Incorporate ESG issues into investment analysis and decision-making processes.
- » Be active owners and incorporate ESG issues into ownership policies and practices.
- » Seek appropriate disclosure on ESG issues by the entities in which you invest.
- » Promote acceptance and implementation of the Principles within the investment industry.
- » Work together to enhance the effectiveness in implementing the Principles.
- » Report on your activities and progress towards implementing the Principles.

The PRI, as an organization, does not take a position on mandatory disclosure; however, many of the signatories do choose to take a position on this issue. Tagger believes that the key questions to ask about disclosure are why, for whom, and at what cost? Tagger recognized that from an investor perspective, there is not always a materiality angle for ESG issues.

During the Q&A session, a participant asked about the costs and benefits of investing resources into reporting rather than into other activities. In response, Niekerk suggested that instead of making sustainability reporting mandatory, which would require a lot of resources, companies should report on their own on a few sustainability topics.

In the next question, another audience member asked who actually reads the reports. Tagger responded that only about 50 percent of investors read GRI reports. However, even though investors may not read the reports, they do want to know what ESG issues are material to the company.

Another participant asked if mandatory reporting would stifle innovation. Niekerk responded that it could actually be the contrary. Sometimes employees are unaware of the company's sustainability activities until they read a sustainability report, which can actually inspire innovation across the company. In addition, Tagger said that sustainability reports can also include emerging risks and issues for a company, which in turn can motivate employees to come up with new solutions.

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