



Five Reporting Trends for 2019: Insights on the Future of Reporting

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Introduction

Sustainability reporting and environment, social, and governance (ESG) disclosures are on the rise around the globe—we've seen [increased regulation in Asia](#), it has become expected practice in Europe, and investors in the U.S. are increasingly using this information to inform their decision-making.

2018 saw some of the first communications in line with the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations, the codification of the Sustainability Accounting Standards Board (SASB) Standards, and a new [draft standard](#) from the Global Reporting Initiative (GRI) on tax and payments to governments. The field—and what is expected of companies—is evolving at an accelerating pace.

The most essential development that we need to see in the coming years, however, will be the alignment and harmonization of reporting standards to enable more efficient reporting processes that result in more user-friendly, comparable reports on the most important sustainability topics. For this reason, we strongly support the continued work of the Corporate Reporting Dialogue.

As one interviewee for our recent report, [Redefining Sustainable Business: Management for a Rapidly Changing World](#), told us, "It is like the wild west out there in terms of what is reported. We would really like to see the reporting standards organizations get together and streamline."

We believe that sustainability reporting should not happen for its own sake but have a clear and compelling purpose. Our vision for the future of sustainability reporting is the achievement of two important outcomes: informed decision-making by stakeholders (including shareholders) and improved sustainability performance at companies.

Over the past year, BSR has been working with over twenty companies to explore and influence this field through our [Future of Reporting](#) collaborative initiative. This group of companies seeks to shape the future of reporting by sharing reporting best practices, exploring ways to improve the decision-usefulness of reports, and informing the work of various reporting organizations.

Please note that the opinions expressed here are those of BSR. While informed by the Future of Reporting group's work and other engagement with our member companies, this document does not necessarily represent the opinion of BSR's members.

Innovations for 2019

Here are the five innovations that we would like to see improve reporting and disclosure in 2019.

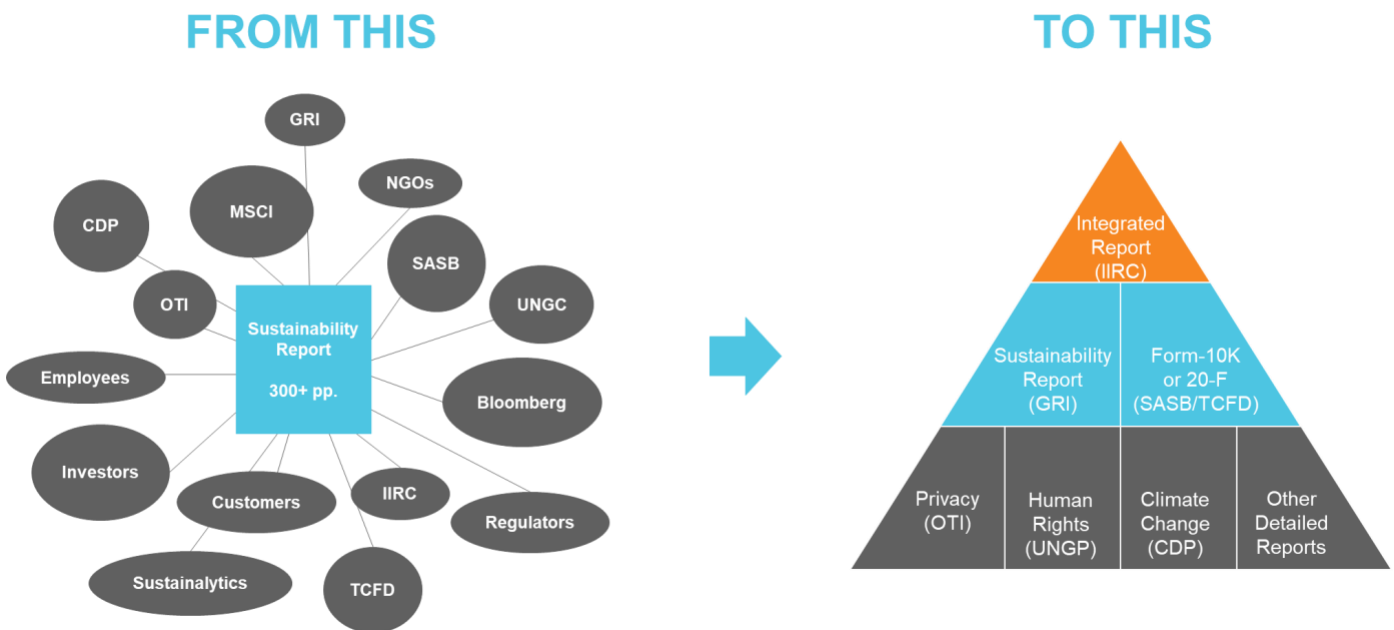
- 1. Reporting practitioners play an essential role in shaping the future of reporting, including through the work of the [Corporate Reporting Dialogue](#).** We heard loud and clear in our conversations with companies that they want to play a role in shaping the future of reporting; practitioners are, after all, the ones who hold the pen when reports are written. Because they are most closely involved in the use of reports to improve performance, they have fundamental insights into how harmonized reporting standards can improve company performance. Standardization across various frameworks should be a central aspect of this work, as this will both help companies disclose the most decision-useful information for their stakeholders and increase efficiency.
- 2. We look forward to continued effort from companies and investors to meaningfully quantify and report on impact, including related to the SDGs.** This applies to both the impact of the company on sustainability, and the impact of sustainability on the performance and direction of the company. Companies should move from mentioning the SDGs and mapping their existing programs to them to prioritizing those SDGs most relevant to their business and measuring their contributions and impacts. Ideally, this measurement should also inform company strategy—it creates an opportunity to link disclosure with performance. Investors are increasingly using this information both in individual decisions and the creation of new funds.
- 3. We hope to see increasing efforts to apply the [TCFD Recommendations](#), including to undertake and report on scenario analysis.** Implementing the recommendations may be challenging for many companies, but companies looking to do so don't necessarily need to implement them all immediately—they can start with those that are most closely aligned with their existing reporting. Those elements that pertain to organizational change are likely to be the most difficult for companies to implement, but this creates an opportunity for them to make progress over time. Companies can also use their sustainability reports and CDP disclosures as a testing ground for information that may ultimately reside in mainstream financial disclosures.
- 4. More involvement and oversight of ESG disclosures at the Board level will help raise the profile of sustainability efforts as a contributor to long-term value for companies and society.** Increasingly, forward-looking companies are appointing Directors with specific sustainability-related expertise, and Boards and Board committees are including aspects of sustainability into their charters to govern ESG issues at the highest levels. Board oversight of sustainability strategy and performance overall is increasingly common; a recent study of the S&P 500, [State of Integrated and Sustainability Reporting 2018](#), found that 212 companies (42 percent) have a formal board committee overseeing sustainability.
- 5. We hope to see more sustainability information included in mainstream financial disclosures (including the Form 10-K), yet we also hope to see more detailed issue-specific sustainability reporting targeted at specific audiences.** The Future of Reporting group had energetic discussions across these aspects. Companies should not try to include all disclosures in one report, but issue different reports focused on the differentiated needs of different target audiences.

Conclusion

The sustainability reporting field has changed rapidly in recent years, and it is likely to continue to evolve quickly in the years to come. Increased alignment and harmonization of reporting frameworks will be essential to achieving the goals of decision-useful information for stakeholders and improved sustainability management and performance by companies.

As we have previously argued, we believe [the future of reporting is triangular](#), with succinct information relevant to multiple audiences at the top, financial and sustainability reports in the middle, and issue-specific disclosures and reports at the base. In other words, the higher up the triangle, the less targeted the audience and the less detailed the information; the lower down the triangle, the more targeted the audience and the more detailed the information.

Our Perspective: The Future of Reporting



If you'd like to be a part of the conversation about the next generation of sustainability reporting, please [contact us](#) to learn more about how you can participate in the Future of Reporting group in 2019.