

How to approach corporate sustainability reporting in 2017

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Thursday, March 16, 2017 - 2:11am



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One reason behind the popularity of sustainability reporting is that transparency not only helps companies tell their story, it also drives improvements in performance. As per the business axiom, "You can't manage what you can't measure." Transparency is a currency that builds trust.

Because of this success, multiple sustainability reporting frameworks have emerged. Companies complain of an increasingly fragmented and burdensome process. Part of this discussion is whether companies should use the standards from the [Global Reporting Initiative \(GRI\)](#) or the [Sustainability Accounting Standards Board \(SASB\)](#). This is often framed as a competition; a choice between rivals.

We're writing to set the record straight: This is a false choice.

At a time when we are confronted with existential threats such as climate change, as well as egregious issues such as human trafficking, we don't have the time or resources to waste on such false distinctions.

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Rather than being in competition, GRI and SASB are designed to fulfill different purposes for different audiences. For companies, it's about choosing the right tool for the job.

Established in 1997, GRI developed the first corporate sustainability reporting framework. Today, GRI's standards are used by the majority of companies reporting sustainability information. The standards are designed to provide information to a wide variety of global stakeholders ranging from civil society to investors. Consequently, the GRI standards include a very broad scope of disclosure. Typically, companies use them to develop and design their sustainability or corporate responsibility reports.

SASB, established in 2011, develops standards for the disclosure of material sustainability information to investors in mandatory filings (financial disclosures). SASB standards, available for 79 industries, identify material sustainability factors that are likely to impact financial performance.

Investors have their own unique needs, different from those of suppliers, customers, communities, interest groups and other stakeholders. They demand reliable and comparable sustainability information with clear links to financial performance. Focused on this need, SASB standards identify the subset of sustainability issues that are reasonably likely to be material to investors. In order to preserve a focus on financial materiality as well as to attain comparability among peers, SASB standards are industry specific.

Different audiences, unique needs

As you can see, GRI and SASB are intended to meet the unique needs of different audiences. The GRI standards are designed to provide information to a wide variety of stakeholders and consequently, include a very broad array of topics. SASB's are designed to provide information to investors and consequently, focus on the subset of sustainability issues that are financially material.

As such, deciding between GRI and SASB is a false choice. Companies that produce a sustainability report also should (and in many cases must, when required by law) disclose financially material sustainability information in their mandatory financial reports, such as a 10-K. Conversely, companies that only disclose sustainability impacts that meet a financial materiality test are potentially ignoring issues critical for sustainable development.

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Truly sustainable companies do both. They identify sustainability impacts that are financially material (and therefore compelled to be disclosed to investors) as well as the impacts relevant to a broader range of stakeholders. They communicate their story to investors and other stakeholders in the appropriate reporting channels and ensure consistency.

The bottom line is that the GRI and SASB standards are not mutually exclusive; they are mutually supportive. Transparency is still the best currency for creating trust among investors and other stakeholders, but companies should focus on which stakeholders need which information in which format.

Material indicators

The world needs corporations to understand, reflect and act on a broader range of concerns than those raised by financial stakeholders. Stakeholder concerns are often leading indicators of what may become financially material to a company in the future.

Investors need standardized, high quality information on material factors that can affect price or value. When sustainability disclosure distinguishes between that which is material to the investors (because it may affect price or value), and that which is of interest to stakeholders (because it describes company's impacts and could affect the company trajectory in the long-term), all stakeholders benefit. SASB and GRI are designed to meet these respective needs.

Actions driven through the financial markets and actions driven through a wider range of stakeholders are important in different ways. Both SASB and GRI recognize this and we pledge to support one another in this common quest on improving corporate performance on sustainability issues.

We hope that cooperation between our organizations will further the understanding of the sustainability disclosure needs of different stakeholders and promote the harmonization of the corporate reporting landscape. It is imperative that we all work together. Companies need to better navigate the landscape of multiple frameworks and get on with the business of articulating their sustainability impacts in formats that meet their business objectives and stakeholder needs.

GRI and SASB are both here to help companies move from transparency to performance. There is no time to waste.

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