The future of sustainability reporting – institutional infrastructure and dynamics of the field

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Abstract

In the 20 years since sustainability reporting first became a topic of broader interest in academia, business, and governments, it has rapidly grown to a field of research (e.g. Fifka 2012), with increasing relevance for companies, and more and more also of importance for capital markets and the financial community, even in the eyes of professional investors (FSC and ACSI 2011; Sullivan and Gouldson 2012). At present, sustainability reporting seems to become part of companies’ daily affairs, entering the business mainstream, at least to a certain degree. Hence, for a growing number, not just for some pioneering companies, the question is now how to report on sustainability issues, and no longer whether to report at all. Regardless of national characteristics or other differences in country results and firm size (Fifka 2012), this is not only true for leading edge companies in corporate sustainability and few sector leaders, but also for global players and multinationals, stock-quoted and publicly traded companies, as well as for a number of medium-sized or small companies. This trend is evidently a worldwide phenomenon, with North America and Europe coming first, followed by the Asia-Pacific region, and even spreading to Africa.

Corporate sustainability reporting is a multifaceted, rapidly developing field, affecting companies’ accounting principles, corporate strategies and stakeholder relations profiles as well as organisational structures, human resources and legislation aspects, and in particular, their ICT capabilities (Isenmann et al. 2007). Despite the fact that companies improved reporting practices e.g. in terms of stakeholder engagement, online-dialog, interactivity and features to tailor and customize reports (Isenmann 2011; Isenmann et al. 2011), there is room for improvement, still.

Looking ahead is quite difficult, and predicting how the field may develop in the future is not a simple task. The assessment of how companies are reporting, what report users are expecting, to what extend third parties are involved, and how other stakeholders are making use of reporting instruments varies from opportunities to threats and finally includes strengths but also weaknesses. In this challenging and ambivalent situation orientation seems to be needed. Companies as well as customers, suppliers, legislators, consultants, financial analysts, insurance agents, media representatives, and the public on the one hand as well as (environmental) computer scientists, software developers, database experts, and internet service providers on the other hand will benefit from an outlook. Of course, no one is able to anticipate the future that the field will actually take in all its details, but everyone who is involved in or affected by sustainability reporting may have an idea of going ahead, and, as a rationale consequence, everyone may set the course for success, preferably at an early stage.

This paper contributes to the growing debate on “value” and key underlying issues associated with the emergence of current and forward-looking accounting and reporting practices (Eccles et al. 2010; Guthrie and Boedker 2006), with special emphasis on corporate sustainability reporting. Through this process of reflection, hidden assumptions can be exposed, further visibilities explored, and perhaps competing issues opened up. More precisely, the paper describes an emerging institutional infrastructure that has resulted in the evolution of initiatives such as the Global Reporting Initiative, the social investment movement, and related efforts that place more emphasis on corporate responsibility, accountability, transparency, and sustainability. Using an overall framework that roughly classifies initiatives into (i) state/government, (ii)
market/economic, and (iii) civil society categories (Waddock 2008), the paper illustrates the rapid evolution of a new institutional infrastructure that is pressuring companies to be more responsible.

In a more detailed manner, the paper analyses the developments of three categories mentioned above plus a certain movement focused on ICT:

- The new approach towards integrated reporting published by the International Integrated Reporting Committee (IIRC) – a community bringing together world leaders from the corporate, investment, accounting, securities, regulatory, academic, civil society and standard-setting sectors to develop a new approach to reporting (IIRC 2011).
- The priorities, consultations and early results of the public comment period for the next generation of GRI Guidelines (G4), i.e. the de-facto standard for sustainability reporting proposed by the Global Reporting Initiative (GRI 2012).
- The white paper discussing the impact of internet technologies, especially of the XBRL (Extensible Business Reporting Language), a new internet language for business reporting that has the technical potential to provide significant benefits to producers and consumers of financial and nonfinancial information (PwC 2012; Gräning et al. 2011).

Further to the analysis of state/government, market/economic, and civil society developments, the paper sheds light to consequences and impacts to sustainability reporting, illustrated by examples from practice. In total, the paper could be seen as an update of an outlook that Isenmann et al. (2002) presented around 10 years ago describing the future of its predecessor, i.e. corporate environmental reporting.

References


Financial Services Council (FSC), The Australian Council of Superannuation Investors (ACSI) (2011): ESG reporting guide for Australian companies. Building the foundation for meaningful reporting. FSC.


