Executive Summary

Corporate sustainability reporting remains an evolving practice. It is generally defined as the disclosure of the environmental, social, and economic practices of a company, including related policies, targets, and impacts. For many companies, sustainability reporting represents an important tool for communicating how they serve their multiple stakeholders—made even more important by the recent acknowledgment by prominent US chief executive officers that businesses should serve a purpose beyond shareholder returns and focus on their commitments to various stakeholders.

This year’s analysis of the sustainability reporting practices of global companies finds that disclosure across a wide spectrum of sustainability issues is on the rise, driven by stakeholder pressure and a combination of soft and hard regulation in various jurisdictions. These drivers are shifting sustainability reporting from a largely voluntary practice to one increasingly expected—and in some cases required—of companies. The following are three key insights from the analysis to help companies anticipate what lies ahead as they engage in this evolving practice.

Insights for What’s Ahead:

- **Sustainability disclosure is on the rise, but more disclosure does not necessarily translate into changing practices** While this year’s analysis finds increases in disclosure across most practices, this greater transparency is not always producing significant changes—at least not yet. For instance, globally, more companies are disclosing board diversity figures, but on average women’s representation on boards remains unchanged compared to last year. Despite more companies across regions acknowledging the business risks posed by climate change, the median reported greenhouse gas (GHG) emissions by those same companies has risen over the last three years. This disconnect highlights the fact that disclosure does not necessarily drive performance. It may also reflect the fact that, due to stakeholder pressure and the requirements of various reporting frameworks and rating agencies, companies—many of whom have noted “reporting fatigue”—may be reporting on topics that are not core to their businesses or performance, and thus they do not have an incentive to change their performance. This signals an opportunity for companies to avoid pursuing broad disclosure and instead focus their efforts—disclosure and performance—on the issues that are most material to their business.

- **Regulatory developments in Europe will continue to influence the sustainability disclosure practices of companies in other jurisdictions, but companies should keep an increasingly close eye on developments in Asia as well** The recent implementation of sustainability disclosure requirements in Europe—such as the European Union’s nonfinancial reporting Directive and the UK’s gender pay gap reporting requirements—is resulting in increased disclosure by both European and foreign companies operating in Europe, as the latter are also subject to the requirements. Going forward, companies should anticipate an increased focus by regulators on climate-risk disclosure.
Disclosure of climate-related risks remains largely a voluntary practice, but regulatory developments in Europe will soon require more transparency from asset managers and investors with regard to the exposure of their portfolios to climate risks. As with other nonfinancial disclosure requirements, these developments will likely have an impact on corporate disclosure beyond Europe. Companies should also look to Asia, as a growing focus on sustainability issues will continue to result in the introduction of new reporting requirements.

- **Companies can expect increased pressure to disclose information related to gender equity, such as board diversity and the gender pay gap** For the first time, more than half of companies (53 percent) now report data on the gender makeup of their boards, up from 45 percent last year. And while gender pay gap details are not yet nearly as commonly reported (under 10 percent of companies report this information), the number of companies doing so more than doubled compared to last year. Companies not currently reporting information related to gender equity can expect increased pressure to do so, and in some cases—as in India and a growing number of US states for board diversity, as well as the UK for pay gap—regulations require them to report these details.
Sustainability Reporting

Disclosure of 20 environmental and social practices by ~6,000 companies across North America, Europe, and Asia-Pacific.

Average disclosure by sector

- Energy: 32%
- Utilities: 32%
- Materials: 28%
- Financials: 27%
- Communication Services: 27%
- Information Technology: 26%
- Consumer Staples: 25%
- Health Care: 24%
- Industrials: 24%
- Consumer Discretionary: 22%
- Real Estate: 20%

Average disclosure by company size

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<thead>
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<th>Revenue groups in US dollars</th>
<th>Less than 250 million</th>
<th>250 - 999 million</th>
<th>1 - 4.9 billion</th>
<th>5+ billion</th>
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<tbody>
<tr>
<td>2%</td>
<td>11%</td>
<td>31%</td>
<td>53%</td>
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About the Authors

Thomas Singer is a principal researcher in the ESG Center at The Conference Board. His research focuses on corporate social responsibility and sustainability issues. Singer is the author of numerous publications, including Total Impact Valuation: Overview of Current Practices, Business Transformation and the Circular Economy, The Seven Pillars of Sustainability Leadership, and the comprehensive corporate sustainability benchmarking report Sustainability Practices. Prior to joining The Conference Board, Singer worked with Blu Skye Sustainability Consulting and SustainAbility, helping clients embed sustainability into their core business. Over his career, he has supported engagements with industry leaders across sectors, focusing on strategy development, opportunity assessment, competitive analysis, and stakeholder engagement. He began his career as a management consultant with Kaiser Associates, advising clients on whitespace opportunities, competitive analysis, and benchmarking. Singer holds a B.A. from Tufts University and a MSc from the London School of Economics.

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