

Why Enhanced Securities Disclosures Matter for Long-Termism

Environmental, social, and governance (ESG) reporting provides critical information to investors that helps to guide their investment decisions, and as such is critical for the long-term health and well-being of a public company. These disclosures are essential for companies that want to be seen as good corporate citizens. When a company is transparent around these important issues it often receives a reputational boost and greater access to capital. ***The Securities and Exchange Commission should initiate a rulemaking to ensure that ESG disclosures are comprehensive, consistent, and comparable.***

1) Strong disclosure reporting is the new normal, and a smart business strategy

ESG reporting has become a common practice of the twenty-first century business. In [2013](#), 44% of investors in stock markets worldwide either mandated or strongly encouraged corporate ESG reporting. This drove ESG disclosure to become standard practice – [today](#), 75% of 4,900 companies studied by KPMG issue ESG reports and 78% of the world’s 250 largest companies disclose such data in their annual financial reports. [Some countries](#) also require pension funds to consider ESG factors as a part of their fiduciary responsibilities. Choosing not to align reporting is choosing the path to less competitiveness, or worse, it is choosing to be presumed a laggard in global best practices, which could hurt corporate brands with investors and the consumers. As [Christopher Meyer](#) said: “we now live in the age of transparency where companies that do not own up to their responsibilities will find themselves in the worst of all worlds where they will be *made* responsible and still not *considered* responsible.”

2) Enhanced reporting of environmental, social, and governance risks boosts corporate reputation and creates a competitive advantage

Major scandals such as the Rana Plaza collapse in Bangladesh, Target’s political donations, and BP’s Deepwater Horizon oil spill in the Gulf of Mexico have yielded ever-growing consumer demands that corporations be honest with their consumers and investors, who clearly care about ESG reporting. Nearly [9-in-10 consumers](#) in the richest countries in the world believe corporations should make clear, searchable disclosures and be held accountable for reporting and communicating the findings. Corporations that do are rewarded: [more than 50%](#) of corporations engaging in ESG reporting noticed it helped boost company reputation. ESG reporting indeed permits corporations to brand themselves as [good corporate citizens](#) and ensures that they are not unfairly linked to abuses.

3) ESG information is *material* to a broad range of investors and provides corporations with increased access to capital¹

Today investors worth nearly \$30 trillion in financial assets have signed the United Nations Principles for Responsible Investment, and are [actively looking to invest](#) in companies with high ESG performance - ESG disclosure and financial returns go hand in hand. As the [responsible investment space is growing](#), good corporate citizens stand to benefit from additional access to capital, whereas corporations that do not may miss out. ESG disclosure plays an ever-increasing pivotal role in 320 global investors’ decision-making processes. In [2016](#), 68% affirmed having frequently made an investment decision based on ESG information during the year. [Larry Fink](#), the CEO of BlackRock, with \$6 trillion under management recently strongly encouraged companies to make long-term planning a priority, focusing on ESG factors, and also indicated BlackRock would not hesitate to back activists in proxy ballot fights on these issues if corporations resist. ESG reporting in this context is especially important as responsible investors need [“measurable and comparable”](#) indicators as benchmarks against which to compare a wide range of companies.

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¹ *TSC v. Northway* 426 U.S. 438, 449 (1976): a “reasonable shareholder would consider important in deciding how to vote.”