We are proposing that European policy makers consider provision for a “report or explain” standard for integrated corporate sustainability reporting. If companies claim that reporting is too costly, they simply need to explain why. But we believe that most successful companies will respond positively. By so doing they will encourage others to do likewise and become a force for positive change.

**Putting sustainability at the heart of capital markets**

Investors have a vital role to play in helping to develop a sustainable economy. The role of capital markets is to channel capital to the most productive uses. However, if the information available is short term and thin then these characteristics will define our markets.

To include sustainability in our investment decisions, we need information about the sustainability of companies in which we invest. Today, while investors know about a company’s profits and cash flows, they don’t know about a company’s sustainability.

**Why we need to act now**

At the moment 75% of companies do not report on sustainability issues at all. Without legislation it will be decades before sustainability reporting is common practice. In the meantime, investors are unable to play the part which the international community would like us to play.

There is now an opportunity through the EU Accounting and Company Law Directives for European policy-makers to lead the way in encouraging long term, sustainable business investment. Proposals made in the Corporate Governance Action Plan are welcome but require refinement.

**A US$2 trillion coalition**

The scale of support amongst investors is extraordinary. Managers representing US$2 trillion of ordinary people’s savings have specifically come together to ask for this convention. They are backed by investor groups representing more than US$50 trillion of assets.

It is rare that such a significant grouping has come together to promote progressive sustainability measures.

**Acting in all our interests**

We also believe that such disclosure is in all companies’ interests. Reporting is one of the most important catalysts for changes that contribute to the long-term health of a business.

The world now needs to move from the pioneering approach of a minority of companies to a global benchmark of best practice for all companies.

We are calling on European policy-makers to work toward an agreement on sustainability reporting so that companies can be part of the solution towards a sustainable future. In our view, the Accounting Directive should develop regulations that:

1. Encourage boards to use their reports and accounts to debate the issues and potential consequences for their company and either comply by disclosing or explain why they have not.
2. Focus on issues that are business relevant and potentially material.
4. Focus on the disclosure of corporate performance, with quantified key performance indicators. It shouldn’t just require one-off policy statements.
5. Require sustainability KPIs to be integrated throughout the report and accounts, including strategy, risk, audit and remuneration.
6. Ensure market oversight via the annual report and accounts that should be tabled at the AGM.
7. Applies to all companies with a market capitalisation of at least €2bn.
The CSRC aims to transform the way that businesses report their contribution to environmental and social issues. Our aim is to make sustainability reporting an integral part of companies’ report and accounts and, in the long-term, wish to see this agreed in a global treaty.

Convened in 2011 by Aviva Investors, the CSRC is a unique affiliation of more than 70 financial institutions, professional bodies, NGOs and other relevant stakeholders representing $2 trillion.

Institutions wishing to support the Coalition should contact: steve.waygood@avivainvestors.com