

## The Global Development of ESG reporting and the Implications for India

In 2050 the world is expected to have a population of about 9.2 billion people, 2.5 billion more than now. Yet the world is already in ecological overshoot, requiring 1.4 planets annually to sustain our current level of production and consumption. Furthermore, indications are that inequality is growing and humanity has vastly exceeded certain planetary limits, including atmospheric carbon levels, nitrogen cycle disruptions and biodiversity degradation.

Squaring the contradictions of development requires that we factor in the impact humanity's economic activity has on natural, social and economic capital. This is a fundamental departure from how the fundamentals of the global economy are currently considered. A transition to a sustainable global economy is both necessary and urgent. By 2050 India could be the third largest economy in the world. One in six people will be living in India. The challenge is as relevant in India as it is anywhere.

The complexity of the sustainability challenge makes it important to seek solutions that do not oversimplify the problems. To become part of the solution it is necessary to understand where and how we are part of the problem in our different roles as consumers, workers, managers, investors, policy makers, teachers and analysts. To find a path to a sustainable economy, dialogue between internal and external stakeholders on what is acceptable and what is not is of paramount importance.

This discourse can't exist without accurate information on the environmental and social impact of humanity's economic activity. First, businesses need information on the full spectrum of their performance to get a much better picture of risk and opportunities in an increasingly complex, interconnected, and resource constrained world. Second, investors and analysts need this information to make accurate assessments of a company's viability in a sustainable global economy. Third, the general public is entitled to know the environmental and social impact of business activities and government policies. More importantly still, the public needs this information to help make "real" the vision of a sustainable and equitable global economy.

If we want to move to a sustainable world, we must know how sustainable our economic activities are in order to improve them, yet, more fundamentally, what we measure and communicate frames how we think about our problems. To be effective and successful, stakeholders need to have relevant measurements, but also need to be able to access, understand and trust each-other's information. A common and comparable way of reporting on Environmental, social and governance (ESG) performance is thus important for an organization's governance and management. The GRI Sustainability

Reporting Framework, the most widely used framework for ESG reporting, is a way to create a common language within ESG reporting.

Many of the largest corporations are already communicating their ESG performance. Many more are not yet doing so, essentially “flying blind” by depriving themselves and their stakeholders of relevant information. There is a role for government to ensure that the practice of reporting becomes more widespread. The Global Reporting Initiative (GRI) therefore argues that by 2015 large and medium-sized companies in OECD countries and large emerging economies, including India’s, be made to publicly report on their material ESG performance or explain if they don’t.

Legislation regarding ESG reporting is increasingly being considered by governments and regulators around the world. The intention of such regulation would be to elicit the creation of relevant information by setting a form of minimum expectation while leaving room for best practices that the field of corporate reporting needs to develop further.

Next to steps to make ESG information common, comparable and widely accessible it is important to develop the practice of reporting to facilitate ever better understanding of the impacts of our economic activities. Increasingly, mainstream financial market actors are integrating ESG factors into their analyses. Leading companies and analysts are recognizing that as sustainability ought to be part of their business strategy, they should also integrate their reporting. As the world makes the transition to a sustainable economy, GRI believes we should also have an accepted standard for *integrated* financial and ESG reporting by 2020.

The mainstreaming of integrated reporting is a big step. It means that traditional financial reporting rules must be combined with an ESG reporting framework such as GRI’s. Getting there requires cooperation between sustainability experts, financial specialists, large corporations, investment institutions, regulators and governments, from around the world. In this light GRI will continue to develop the framework to be the best possible framework for ESG reporting, while offering guidance on emerging practices such as integrated reporting.

The key challenge for India, as one of the world’s largest and fastest growing economies, is creating the capacity in Indian organizations to report on ESG performance. Leading companies are already doing so, for the benefit of their stakeholders as much as their own. The challenge for Indian business is to pick up the practice of ESG reporting and make it their own, creating an information infrastructure that connects to the globally developing reporting practice as much as it meets the needs of local stakeholders. Indian organizations need to look at how they can use frameworks such as GRI’s to make ever better business decisions in the transition to a sustainable economy.