

Conference on Standardized Corporate Social Responsibility Reporting

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Corporate Social Responsibility (CSR) disclosure's goal is that corporations operate in socially responsible manners. Stakeholders (in which I include the public) should decide what conduct is responsible through their fully informed decisions expressed in stakeholder markets. To fully inform stakeholders, corporations must disclose their relevant characteristics in accord with standardized reporting protocols. Reporting must be standardized so that corporate performances can be readily compared and ranked.

What reporting standards should apply?

For stakeholders markets to function, the standards must be “double materiality.” Double materiality means that the standards provide the information needed by investors *and other stakeholders*, not merely the information needed by investors (“single materiality”). The Corporate Greenhouse Gas Protocol is a double materiality standard, as are the proposed SEC Rule, the European Union Corporate Sustainability Reporting Directive (CSRD), and the Global Reporting Initiative standards. The SASB and IFRS standards are single materiality. Both deliberately decline to provide the information needed by non-investor stakeholders.

Who should determine the standards?

Governments acting through legislation and stakeholders acting through stakeholder markets should determine what standards apply. Governments can most easily impose standards while stakeholder can most easily accept or reject them. To illustrate, assume that (1) the US adopts the IFRS single materiality standards, (2) the EU adopts the CSRD double materiality standards, and (3) some US corporations also report to the EU standards. US stakeholders could reject the IFRS standards by favoring CSRD reporters in their market transactions. Market pressures could compel the corporations not reporting to CSRD standards to begin doing so.

What role should the standards play in changing corporate behavior?

The standards should define the information the corporation must disclose. Government and stakeholders should compel the necessary changes in corporate behavior.

What constitutes responsible behavior?

Using the information corporations disclose, stakeholders should decide what behaviors they prefer and the relative levels of their importance. Stakeholders will communicate their preferences to corporations through their stakeholder markets interactions. For example, stakeholders whose primary concern is greenhouse gas emissions will favor in their market transactions companies highly ranked on that criterion. Stakeholders with other primary concerns will favor companies highly ranked on other criteria.