# Conference on Standardized Corporate Reporting

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**What is responsible corporate behavior?**

Responsible corporate managers and boards aim to understand and where possible mitigate the effects of their business operations and core strategies on the people within their organization and supply and value chains, on the natural and financial capital inputs necessary for producing the company's products or services, and on the environment, including effects on biodiversity and the climate. While no individual company has the power to solve the most serious problems affecting our stressed world, including systemic racism, growing economic inequality, biodiversity loss, and climate change, responsible managers and boards should aim not to exacerbate these problems, including by foregoing lobbying in the firm's private interests at the expense of society or the environment. To meet these responsibilities, as the EU Commission has stated, "[e]nterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy." Such integration requires the production and use of good data, specific to the social, environmental, and ethical issues relevant to a firm's industry, which data needs to inform standardized corporate reporting.

**What reporting standards should apply?**

Generally, the most well-respected, scientifically informed voluntary reporting standards addressing specific social and environmental issues should be the basis for mandatory reporting. Where there are measurement protocols that address a firm's effects on the environment or society, such as the Greenhouse Gas Protocol for measuring emissions, then a "double materiality" disclosure obligation can be sensible. Firms should be required to disclose facts and data as much as possible, including facts about their governance of pressing social and environmental issues. Firms should not be asked to speculate about long-term (beyond ten years) social, environmental, or financial risks on the company's operations, nor invited by generic disclosure requirements to produce boilerplate.

**Who should determine the standards?**

The SEC should determine these standards, relying on voluntary reporting standards as above and potentially delegating authority over specific issues to such standard setters. Its proposed climate disclosure rule is an excellent model for using voluntary standards as the basis for its proposed rules, in that case the Greenhouse Gas Protocol and the Task Force on Climate-related Financial Disclosures. Investors have been leading advocates of better disclosure of climate data for use in pricing risk, so both market efficiency and investor protection rationales support the SEC's role regarding climate disclosure. As the pricing effects of social or environmental issues become harder to quantify, the SEC's role in requiring such disclosure could become even more controversial than it is today regarding climate, in which case a new institutional framework (agency) may ultimately be required, although difficult to conceive of in today's fraught political environment.

**What role should standardized reporting play in changing corporate behavior?**

Standardized corporate reporting can play a supporting role in changing corporate behavior, at best. Governments need to play a primary role, both mandating expanded social and environmental disclosure but also establishing substantive standards to address the most significant social and environmental challenges in each industry and subindustry.