Integrated Reporting (IR)—that is, organizational reporting for public disclosure, which includes both financial and important nonfinancial information—has been an established, though elusive goal, for at least two decades. Its emergence reflects the growing recognition that the nature of the economies of the United States of America (US) and other advanced nations has fundamentally changed, as have the factors that determine the success or failure of business enterprises in our increasingly information-based society.

Existing US corporate financial reporting standards have their basis in statutes enacted in the 1930s, and are increasingly viewed as inadequate for addressing the full spectrum of issues that affect corporate success. A partial list of these issues includes the importance of intangible assets; corporate impacts on the environment, human health, and societal conditions; and corporate influence on the political process.

The concept of IR is based on the desire to provide a framework under which companies (and other organizations) can be expected to report, at regular intervals, on their strategies, operations, results, and impacts across an array of substantive areas, spanning economic/financial, environmental, and social issues. In practice, IR is very difficult to do, and establishing a framework

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Encouraging Sustainability

The explicit goal of the framework—although it is stated in a subtle way—is for providers of capital to redeploy their investments into businesses that are operated in a more sustainable fashion than is the case with other businesses. Clause 2.39 explains:

[IR] supports broader societal interests by encouraging the allocation of financial capital to reward and support long term, as well as the short and medium term, value creation within planetary limits and societal expectations. (IIRC, 2013, p. 16)

That is, IIRC aims to correct some significant market failures (including externalities and the lack of adequate, comparable information) by providing an approach that, if widely adopted, would enable investors to discern which businesses are in the best position to create value from all important perspectives, and which are not. Rational investors would then redeploy their financial capital from the latter into the former, creating further incentives for sustainable business behavior in a “virtuous cycle.”

The discussion draft of the IIRC framework contains many substantive, intriguing, and thought-provoking features. The framework is drafted using a principles-based approach, rather than presenting a detailed, prescriptive set of requirements: There are no stated expectations regarding the specific content, length, or format of organizational disclosure (see Clause 1.13). Accordingly, it would appear that the framework allows for a good deal of flexibility in terms of how a particular organization might choose to comply with its provisions and intent.

Nevertheless, it also seems clear that adoption of this framework in anything resembling its current form could spark some dramatic changes in the ways that corporations think about and prepare disclosures of sustainability and other data.
Toward Better Sustainability Reporting and (Way) Beyond

(discussed next), which may affect financial returns in either the short or long term in various ways.

Although the implication is somewhat indirect and subtle, it is clear that the intent here is to define value in a way that does not place the providers of capital above all other interests in defining or creating value (see Clauses 2.1 and 2.3). That is, the notion of value espoused in the draft framework presents a direct challenge to the shareholder-driven model of capitalism that has dominated financial markets and corporate behavior during the past few decades.

The other is the dimension of time. The framework states in many places and in many ways that the appropriate perspective includes the short, medium, and long term. This has the consequence of disfavoring strategies that emphasize short-term benefits at the cost of creating long-term risks, liabilities, or adverse outcomes, as well as of discounting the financial implications of such outcomes.

Two Concepts Vital to Understanding the Framework

In thinking about the framework, its elements, and its implications, it seems to me that they can be sorted into four basic categories. I discuss each in turn below. Before doing so, however, it seems appropriate to discuss two very important distinguishing features of the draft framework, not least because they infuse many of the elements spelled out in the framework document and are in some ways a distinct departure from existing norms.

Value

Oddly enough, “value” is not explicitly and clearly defined in the framework, although the document does make clear that value is not limited to financial results (e.g., the change in the present value of discounted cash flows over time). In the context of IR, the concept of value is broadened along two major dimensions. One is interactions with and changes to the “capitals” (discussed next), which may affect financial returns in either the short or long term in various ways.

Although the implication is somewhat indirect and subtle, it is clear that the intent here is to define value in a way that does not place the providers of capital above all other interests in defining or creating value (see Clauses 2.1 and 2.3). That is, the notion of value espoused in the draft framework presents a direct challenge to the shareholder-driven model of capitalism that has dominated financial markets and corporate behavior during the past few decades.

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The IIRC—Its History and the Parties Involved in Developing the Framework

The IIRC was originally convened by the Accounting for Sustainability Project of the Prince of Wales Charities and the Global Reporting Initiative (GRI). It has since attracted the participation of representatives of major entities across a variety of stakeholder interests, as described below.

The IIRC has brought together world leaders from the corporate, investment, accounting, securities, regulatory, academic, civil society, and standard-setting sectors to develop a new approach to reporting. Member organizations represent an interesting and diverse array of stakeholder interests:

- Accounting standards bodies and professional associations (e.g., American Institute of Certified Public Accountants [AICPA], Association of Chartered Certified Accountants [ACCA], International Accounting Standards Board [IASB], Chartered Institute of Management Accountants [CIMA], Institute of Chartered Accountants in England and Wales [ICAEW], International Federation of Accountants [IFAC]).
- Major accounting firms (e.g., PwC, KPMG, Deloitte, Ernst & Young, Grant Thornton).
- Multilateral Institutions (e.g., the World Bank, United Nations Environmental Programme [UNEP], World Economic Forum [WEF]).
- Nonprofits (e.g., Ceres, World Wildlife Fund [WWF], Business for Social Responsibility [BSR], Transparency International, World Business Council for Sustainable Development [WBCSD]).
- Sustainability standards/reporting organizations (e.g., United Nations Global Compact [UNGC], GRI, Principles for Responsible Investment [PRI], Carbon Disclosure Project [CDP], Sustainability Accounting Standards Board [SASB], Climate Disclosure Standards Board [CDSB], International Corporate Governance Network [ICGN]).
- Stock exchanges (e.g., Tokyo).
- Multinational corporations (e.g., Microsoft, Prudential, Nestle, Tata, HSBC).
- Academic institutions (e.g., Harvard).

Although the official Consultation Draft is presented in English, translations in Arabic, Chinese, French, Italian, Japanese, Portuguese, Russian, and Spanish are available through the International Integrated Reporting Council’s website, www.theiirc.org.
The “Capitals”

In the framework, the conventional reliance on financial capital as the sole or primary store of value or indicator of value creation has been broadened substantially. The framework defines six types of capital (Clause 2.17) as shown in Exhibit 1.

Although financial capital is widely discussed and understood in financial reports, and natural capital and some components of social and relationship capital are often addressed in stand-alone sustainability reports, the others tend to be discussed either on a limited basis in a qualitative sense in external reporting, or not at all. The framework reflects a very different set of expectations and a dramatically expanded scope. As defined and used here, the capitals are presumed to be equally important stores of value, which may be owned by the reporting entity, by others, by no one, or by some combination thereof.

Reporting entities are expected to address all six or explain why one or more has not been included (see Clauses 2.17, 2.21, and 2.37). The expectation is, as described below, that the reporting organization will articulate in detail its use of the capitals (all significant sources and ownerships) and any positive or negative impacts that this use or other business interactions impart to them.

So, for example, a company using the framework for reporting would describe not only the funds it used and their source, but also its use of its own manufactured capital (e.g., property, plant, and equipment) and that owned by others, including the general public (e.g., roads, bridges, and airports). It would describe the important relationships it has with its customers, suppliers, employees, regulators, and others—as necessary—to explain how they help it to create value, as well as the impacts (positive or negative) of its use of water, fuels, and other resources and interactions with the ambient environment (e.g., pollutant discharges).

The implications of adopting these two key features of the draft IIRC framework—the greatly expanded definitions of “value” and “capital”—are both immediate and practical for those who might use them for corporate reporting in the near term, and far-reaching and profound in terms of the relationships between large organizations...
The framework offers clear direction on some key issues that have been the focus of much commentary in the overall investment community as well as of shareholder activism among ESG investors and their intermediaries in recent years.

**Short-Termism**

An inappropriate focus on the short term at the (possible) expense of long-term corporate and societal health is a major concern to many investors and other stakeholders. It is also worthy of note that short-term thinking can severely constrain an organization’s ability to make appropriate investments in improving ESG performance and sustainability more generally.

In response to these concerns, the framework stresses at numerous points that the appropriate perspective to be taken in corporate reporting includes the short, medium, and long term. Moreover, it states that long-term impacts on the capitals are a central feature of reporting that complies with the terms and spirit of the framework. An explicit goal of the framework is to encourage long-term thinking, decision making, and capital allocation, and discourage short-term-driven behavior (Clause 2.40).

**Compensation**

In parallel with concerns about short-term thinking and, in the view of some, greatly exacerbating the problem is the issue of executive compensation. In a generally well-intentioned attempt to align the interests of corporate leaders with those of shareholders, many firms have adopted compensation structures that are linked...
to financial results and, in particular, stock price movements. Unfortunately, many such arrangements are based on short-term financial results, producing substantial moral hazard and corporate behaviors that again emphasize short-term benefit rather than long-term strength.

To address this phenomenon, the framework states that executive and other compensation should be linked not only to short-term outcomes but also to medium- and long-term results, and be predicated on “value creation” and use of and impacts on the capitals (Clause 4.11).

**Governance**

The issue of appropriate governance (e.g., structures, accountability, and transparency) has been a sore point among many ESG investors for some time, and it is viewed by some as the fundamental weakness of the status quo. The framework addresses corporate governance in a number of places. It fundamentally asks the reporting organization to address the following question: How does the organization’s governance structure support its ability to create value in the short, medium, and long term? (Clause 4.10)? Clause 5.17 states:

Those charged with governance have ultimate responsibility for how the organization’s strategy, governance, performance and prospects lead to value creation over time. (IIRC, 2013, p. 32)

Those charged with governance are responsible for creating an appropriate oversight structure (Clause 2.6), which should be presented in some detail. Indeed, governance is one of the seven defined content elements that are expected to be present in an integrated report.

Integrated reports should present information describing the organization’s leadership structure, the diversity and skills of those charged with governance, and the specific processes used to make strategic decisions and to establish and monitor the culture of the organization, including its “tone at the top” and attitude toward risk (Clause 4.11). More generally, references to “those charged with governance” appear in many places in the framework, indicating a clear expectation that people holding official governance responsibilities (e.g., members of the Board of Directors) will be intimately involved in many significant aspects of the firm’s policies, strategies, business practices, and public reporting across all important domains, including environmental, social, and economic issues.

**Disclosure of Environmental and Social Impacts**

The disclosure (or lack thereof) of important information on a firm’s environmental and social aspects is another area of longstanding concern among investors and other stakeholders. Such concerns have led to the development and promotion of reporting guidelines (e.g., GRI and industry-specific standards), although their adoption has to this point been incremental and far from complete, particularly in the United States.

The draft of the IIRC framework makes very clear the expectation that integrated reports will contain extensive discussion of the firm’s use of and impacts on environmental resources (natural capital) and social resources (human and social and relationship capital). These discussions of the capitals are interwoven throughout the framework, and neglecting to include environmental and social considerations in an integrated report would render it visibly incomplete and meaningless.
Integrated Thinking

Logically, any framework for “integrated reporting” should in some way embody integrated thinking. As discussed previously, having a way to express the interactions among the firm’s core business activities, environmental and social issues, governance practices, and financial and broader economic outcomes has always been the ultimate goal of those advocating greater corporate transparency and improved practices, and it was an early-stage objective of the GRI.

As used by IIRC, integrated thinking is defined in Clause 1.16 as:

the active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses and affects. Integrated thinking leads to integrated decision-making and actions that consider the creation of value over the short, medium and long term. (IIRC, 2013, p. 9)

The framework promotes integrated thinking, and both stewardship and recognition of the interdependencies among the capitals (Clause 1.5). Many additional clauses in the draft framework provide specific ways in which it is anticipated that integrated thinking will be brought to bear, both in terms of public reporting and in the conduct of business. This latter topic is discussed in more depth below.

Black Swans and Latent Risks

In the wake of the global financial crisis beginning in 2008 and in response to many other large and small capital market upsets, investors have become increasingly concerned about the transparency of corporate activities, the adequacy of governance and risk management practices, and the extent to which corporate senior executives have fully considered the possible adverse consequences of particular potential events or outcomes (e.g., sea-level rise and shifts in regional rainfall from global climate change).

To address these concerns, the framework calls on reporting organizations to consider the resilience and durability of their business models and how important factors may influence them and their organization’s success (Clauses 3.3 and 4.22). The framework also requires reporting organizations to identify low probability–high consequence factors or outcomes and the approach(es) to be used to address them (Clauses 4.15, 4.17, and 5.11). These new expectations augment and generalize several recent developments specific to climate change and its impacts.1

The framework also requires reporting organizations to identify low probability–high consequence factors or outcomes and the approach(es) to be used to address them.

The Mechanics—Improving the Quality, Utility, and Impact of the Reporting Process

In addition to addressing—as expected—the issues noted above, the framework includes a number of provisions that appear to be designed to improve the quality and utility of corporate reporting as well as the internal processes that produce the information that is disclosed.

Frequency

As currently practiced by many organizations, corporate financial and nonfinancial reporting is an episodic activity that has a regular and predictable life cycle (e.g., annual 10-K and [perhaps] sustainability reports and quarterly 10-Q reports). The framework seeks to promote a fundamentally different approach, moving from this type of periodic “snapshot” disclosure to a continuous and more transparent process. External reporting is to cease being an event in favor of becoming
an ongoing process. Note that in Clause 5.2, the framework explicitly states that the:

process is intended to be applied continuously to all relevant reports and communications, including analyst calls and the investor relations section of an organization’s website. (IIRC, 2013, p. 30)

Distinctions between the information provided to investors and analysts, nongovernmental organizations, regulatory agencies, and other stakeholders would disappear, as would the common separations between internal staff working on (separate) annual and sustainability reports.

**Materiality**

Longstanding policy holds that if a matter is “material” it must be disclosed. The US Securities and Exchange Commission has repeatedly declined to issue a specific definition of materiality, but the concept is generally understood to mean that an issue is material if a rational investor would or might want to know about it.

Under the framework, this definition would be broadened to hold that a matter is material if it could substantively influence assessments of the organization’s ability to create value over the short, medium, and/or long term, as indicated by whether it does or may substantively affect the organization’s strategy, business model, or one or more of the capitals it uses or affects in the short, medium, or long term (Clauses 3.23 and 3.24). The framework further stipulates that “materiality assessments need to be performed at least annually” (Clause 3.27) and that the reporting organization must disclose its method for determining materiality (Clause 5.13). Exhibit 2 provides a list of the “newly material” information that must be disclosed according to the framework.

**Value Creation**

The framework is centered around the concept of value creation—how the organization creates value using its business model, taking various inputs and converting them into outputs and producing outcomes. It contains numerous references to and expectations concerning how these elements should be addressed in integrated reports.

To begin, the reporting entity should provide a description linking its mission, objectives, business model(s), and use of owned and external assets to one another and to the creation of

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**Exhibit 2. “New” Information That Must Be Included Under the Draft Framework**

<table>
<thead>
<tr>
<th>The draft framework states that an IR contains seven key elements:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Organizational overview and external environment</td>
</tr>
<tr>
<td>• Governance</td>
</tr>
<tr>
<td>• Opportunities and risks</td>
</tr>
<tr>
<td>• Strategy and resource allocation</td>
</tr>
<tr>
<td>• Business model</td>
</tr>
<tr>
<td>• Performance</td>
</tr>
<tr>
<td>• Future outlook</td>
</tr>
</tbody>
</table>

Although many of these issues are addressed at some level in many recent annual reports (often in the required Management Discussion and Analysis), the framework adds a number of new expectations regarding what they entail and what aspects should be disclosed. A few examples among many include:

• The legitimate needs, interests, and expectations of the organization’s stakeholders (part of Organizational overview and external environment);
• How the organization’s culture, ethics, and values are reflected in its use of and effects on the various capitals, including its relationships with key stakeholders (part of Governance);
• The likelihood that [an] opportunity or risk will come to fruition and the magnitude of its effect if it does (part of Opportunities and risks); and
• The connectivity of financial performance with performance regarding other capitals (part of Performance).
outputs, outcomes, and value. It should articulate specific source(s) of competitive advantage (e.g., innovation, intellectual capital, and environmental and social programs [Clause 4.20]) as well as articulate its culture, ethics, and values (Clause 4.7) and describe how these are reflected in its use of and impact to the various capitals, including its relationships with key stakeholders (Clause 4.11).

The integrated report should also describe how the firm transforms various forms of capital into others, as well as any related adverse impacts on resources used or affected (Clause 2.13). In addition, according to Clause 2.28, an integrated report should show how any inputs used are related to the capitals and/or provide differentiation in the market to:

the extent that they are material to understanding the robustness and resilience of the business model. (IIRC, 2013, p. 14)

Finally, the integrated report should connect financial performance with performance affecting other capitals and the financial implications of any effects on other capitals (e.g., the cost of emissions or value of emissions reductions; Clause 4.29). Interestingly, the framework encourages firms to enumerate positive as well as negative impacts on environmental quality, public health, cultural and civic institutions, and other external stores of value, in keeping with its guiding principle of “balance” (Clauses 3.33 and 3.34).

Clearly, adopting the approaches and conventions outlined in the framework would enable an organization to produce a far more interesting and profound document than a typical annual report or most existing sustainability reports. It would also necessarily involve retooling a number of internal structures, processes, internal reporting relationships, and other aspects of how the organization operates. I discuss this topic more extensively next.

**Pulling the Lever—Using Disclosure as a Catalyst to Improve Corporate Management Practices**

In addition to meeting the basic expectations by addressing a number of longstanding concerns held by various stakeholders and improving the reporting process and its utility, the framework contains provisions and a general approach that clearly seek to promote changes that could lead to better management practices and improved performance in US (and other) corporations.

**IR and Its Role**

As discussed above, IR is not intended to be a periodic disclosure mechanism to comply with legal requirements and investor needs at defined intervals; instead, it involves a new way of thinking about and managing the business. It is to be used continuously across all forms of communications and media (e.g., websites; Clause 1.18).

Responding in any meaningful way to this requirement will require far more extensive and regular interaction among a number of common business functions (e.g., investor relations; environmental, health, and safety; finance; public relations; human resources; energy management; and facilities) than is typical today. New communication methods and processes will be required for both internal and external use, and many organizations will need to develop much tighter and more dynamic linkages between corporate strategy, execution, performance measurement, and reporting.
Breaking Silos

In a similar fashion, the framework contains the explicit goal of promoting integrated thinking, as described previously. Such thinking requires the consideration of connectivity and interdependencies among the various factors that have a material effect on the organization’s value creation potential (Clause 1.17). According to Clause 3.8, connectivity is needed to:

break down established silos in accessing, measuring, managing and disclosing information, and to extend the focus of reporting beyond the traditional focus primarily on financial and historical matters. (IIRC, 2013, p. 18)

So, once again IR is being viewed as a mechanism for bringing about needed change in many businesses and other organizations.

Business Model

As described earlier, the framework requires a detailed description of the organization’s business model in that it is defined as the vehicle by which the organization creates value. The business model serves to link mission and strategy with resources/inputs, and outputs and outcomes. Beyond this crucial role as a key element of an integrated report, the framework anticipates that the business model also explains the organization’s approach to innovation and its responsiveness to change (Clause 2.33).

Given the growing belief that innovation and the capacity to innovate are key determinants of business success, this facet of the framework can be seen as an attempt to encourage corporations and other organizations to explicitly consider innovation (as well as responsiveness and its counterpart, resilience) in enhancing or reformulating their strategies and processes for creating financial and broader stakeholder value.

The Big Reset—Redefining the Meaning of the Modern Corporation and Its Place in Society

If the draft of the IIRC framework is finalized in something resembling its current form, and if it is adopted by major national/international accounting bodies and/or regulatory agencies, its ultimate impact may, in a real sense, be to reinvent the modern corporation and establish new relationships between it and its host society and citizens. Although this statement may seem more than a little bit hyperbolic, consider the following attributes of the framework and what they truly imply.

Value

As discussed previously, the framework presents a very expansive interpretation of “value” and makes clear that:

1. The financial interests of investors (not to mention speculators) do not trump the broader interests of other stakeholders, including a company’s host society;
2. The organization’s business model will be expected to produce net positive value for all or most stakeholders, and any adverse effects on any of the capitals will need to be documented, disclosed, and (ultimately) acceptable to all or most of these stakeholders;
3. Temporal (much less intergenerational) trade-offs between benefits received and costs or negative impacts incurred will be difficult to justify; and
4. Similarly, significant imbalances between those stakeholders receiving financial or other

The implicit goal of the framework is to shift the benefits and the burdens of corporate and other organizational activity through radical transparency and a new set of ground rules.
value from corporate activities and those bearing the costs or other adverse impacts may not be viewed as acceptable.

In other words, the implicit goal of the framework is to shift the benefits and the burdens of corporate and other organizational activity through radical transparency and a new set of ground rules.

**The Capitals**

As defined in the framework, the capitals are an interesting assemblage of very different stores of value. Some are widely recognized and factored into typical investment evaluations, whether or not they are tangible and recorded on company financial statements; these include financial, (owned) manufactured, and intellectual capital. Others often go unrecognized, or at best, are considered primarily in a qualitative sense by some investors and analysts (e.g., human and social and relationship capital), or they are used as part of a sequential or integrated evaluation of ESG performance (some aspects of human, social and relationship, and natural capital). Further, it is very rarely the case that evaluators, particularly those in the financial community, consider (much less report on) companies’ use of “the commons” or forms of capital owned by others.

Expanding the forms of capital and capital ownership that companies are expected to address in their integrated reports—and requiring that they report on how these assets are used to create value and are affected by company operations—would bring about a level of transparency into corporate strategy and operations that is unprecedented. In due course, with the disclosure of this type and depth of information, firms could be subjected to far greater scrutiny and to increased demands for the judicious use of capitals owned by the public, as well as to rising expectations that businesses demonstrate a net positive effect across all forms of capital that they use or influence.

For firms accustomed to disclosing (at most) only financial information, some limited context (Management Discussion and Analysis), and data regarding waste, emissions, energy and water consumption, and philanthropic activity (i.e., most US corporations), this would represent a very profound change indeed. One might also expect that disclosure of detailed information on the use of and impacts on publicly owned capitals would lead to far more frequent conflicts regarding the trade-offs between private gain and public cost as well as discussions regarding how an appropriate balance between these two can be advanced.

**Stakeholders**

The framework places a very great, perhaps unprecedented, emphasis on stakeholder interactions and support as a key element of an organization’s business model and value creation potential. As stated in Clause 3.14 of the framework:

> Value is not created by or within an organization alone, but is created through relationships with others. (IIRC, 2013, p. 19)

In this view of the world, stakeholders are at the center of any rational business strategy, and ongoing consultations with important stakeholders at critical points in the organization’s strategy formulation and execution process are essential.

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the past decade or so, but has also been more widely (and loosely) adopted by other companies, the media, and other observers in recent years. It is unclear, however, that all such users of the concept fully understand its components or accept its basic premise.

That premise is that companies (or entities) come into existence and operate with the implied consent of the societies in which they operate. This consent is contingent upon three attributes:

- Legitimacy—the firm’s activities produce an overall net benefit for society (i.e., the basic principle inherent in the capitals and in defining value);
- Credibility—the demonstrated understanding of stakeholder concerns and the capability and willingness to make and uphold commitments; and
- Trust—the bond established with stakeholders over time, based upon continued demonstration of the first two attributes.

In the framework, the social license to operate is explicitly listed as an element of a firm’s social and relationship capital (Clause 2.17), which implies that it is an asset that should be developed, maintained, and described by the reporting (or any other) company or entity. In particular, policies, activities, or outcomes that might diminish or destroy the entity’s social license to operate could adversely affect its ability to create value in the future and be of keen interest to a variety of stakeholders.

More generally, if the basic concept of the social license—particularly as formally defined here and elsewhere—were to become widely known and accepted across society, business owners and executives could find themselves responding to a very different set of expectations than they face at present. Rather than being accepted or even admired for being “job creators”

The Social License to Operate

This concept has been developed and applied by multinational companies involved in extractive industries (e.g., mining, oil, and gas) during
On the whole, many or most of the changes that are explicitly required or implied by the framework are either needed or are desired by a wide range of external stakeholders. Whether, and to what extent, corporate leaders will find the framework suitable and, indeed, workable, is less clear. Complying with the terms of the framework would pose some challenges. Embracing and taking action on many of its implied goals would require major organizational change for most US companies, and not a small amount of investment. It is my sense, however, that organizations that made this investment would reap many benefits, including substantially improved stakeholder relationships, reputation, and brand value, as well as new insights into how they can best use their resources to create financial and other value, improve their responsiveness and resilience, and compete successfully during a time of substantial volatility and technological change.

Notes
1. For example, the US Security and Exchange Commission’s “clarification” concerning climate change disclosure (February 2, 2010), and the emergence of and broad compliance with the Carbon Disclosure Project reporting framework.
2. For an extensive treatment of this topic, see International Institute for Environment and Development (2002).
3. Product examples might include but by no means be limited to cigarettes and other tobacco products, credit default swaps, and many nutritional supplements.

References
Peter A. Soyka is founder and president of Soyka and Company, LLC, a small consultancy focusing on business strategy and sustainability. He is a prominent sustainability and environmental management consultant, and a recognized expert working at the intersection of environment/EHS and finance. He has performed a number of significant research and analysis engagements addressing corporate sustainability metrics and public reporting, as well as the use of company-level sustainability data by investors, analysts, and other interested stakeholders. More generally, he has successfully designed and executed hundreds of projects, including many devoted to driving sustainability thinking and practices into client organizations at a strategic level. Many of his ideas in this regard are reflected in his two recent, critically acclaimed books on organizational sustainability. He is also particularly adept at devising innovative solutions to very challenging sustainability/business management problems, and has developed and applied many novel approaches, models, tools, and techniques to resolve important issues and deliver value. Prior to founding Soyka and Company, he served in executive roles in two publicly traded consulting/engineering firms. See www.SoykaAndCompany.com for further information.