



Labrador Transparency

Caught Between Compliance and Context:

The Evolving Role of Voluntary Sustainability Reporting

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By Elaine Salewske and Aashka Vora

Introduction

Right now, many U.S.-headquartered companies are caught between **waiting for reporting regulations** to become standardized while **figuring out the role voluntary sustainability reporting continues to play**.

With new regulations on the horizon and updates to existing ones in progress, organizations must navigate several options with no obvious best path: stick to a **single, comprehensive voluntary report**; **prepare a complementary voluntary report alongside regulatory disclosures**; or **work on a transition report** in anticipation of compliance-based reporting.

At the same time, **stakeholder expectations for corporate transparency remain strong**. This raises further challenges: once regulatory reporting becomes commonplace, **how do companies continue to tell their story in an authentic, differentiated, yet aligned manner?** Will regulatory disclosures reach all relevant stakeholders?

The Challenges of Balancing Compliance and Telling the Company's Story

While the long-term goal may be to integrate impacts, risks and opportunities identified through a double materiality lens into financial reports, the current lack of direction and the jurisdictional differences in regulations are creating substantial gaps in how effectively companies communicate sustainability performance to different stakeholders. Key challenges include:

1. Compliance-based reporting lacks narrative depth

Regulations have helped bring more comparability and accountability to reports through a prescriptive, standardized, and audit-catered approach. However, they often fail to capture the “voice” of a company, its challenges and trade-offs, authenticity, strategic narrative and broader stakeholder messaging, resulting in boilerplate disclosures.

2. Catering to different audiences is a challenge

Voluntary sustainability reporting started out as a description of a company's sustainability journey, sharing examples and stories that exhibit true impact. This impact materiality-based approach was adopted for good reason: to reach a broader target audience. Non-financial audiences don't have the time or patience to wade through technical, lengthy financial reports. They expect clear, accessible information that highlights key points and explains why they are important.

3. Financial documents don't meet all business needs

Standardized reporting formats are unlikely to align with the requirements of customer assessments, surveys, or RFPs, which often call for tailored, concise responses.

The Benefits of Voluntary Reporting

This was a key discussion during the [GreenBiz'26](#) conference this February, and we were sold on the argument that **voluntary reporting not only allows you to tell your company's sustainability journey in an engaging way, but it is also an important component of risk management efforts.** And whether it's called a "report," a "highlights summary," or takes another form entirely, the ability to be **intentional and strategic** about how your sustainability story is communicated will remain important.

In fact, we see many benefits to voluntary reporting, most importantly:

Benefit #1: Signaling strong governance and long-term strategic thinking

Large institutional investors continue to embed sustainability and human capital disclosure expectations into their proxy voting guidelines, reinforcing the importance of transparent, forward-looking communication that signals strong governance and long-term thinking.

For example, [State Street](#) expects companies to disclose sustainability-related risks and opportunities relevant to their business in line with applicable regulatory requirements and any voluntary standards or frameworks they adopt. Similarly, [BlackRock](#) encourages companies facing material climate-related risks to explain "how they intend to deliver long-term financial performance through the low-carbon transition, including, where available, their transition plans."

In this context, **regulatory filings alone often fall short.** They tend to be backward-looking and standardized, while voluntary reporting provides the **flexibility** to highlight **emerging sector-specific risks**, delve deeper into the **interpretation of scenario analysis results and decarbonization actions**, explain **strategic thinking in a more dynamic way**, and demonstrate how sustainability initiatives **support long-term business value creation.**

This makes it easier for investors to understand where risks are heading, supporting stronger risk signaling and trust-building beyond what regulatory disclosures can achieve.

Benefit #2: Helping to meet external ratings requirements

Regulatory disclosures alone often fall short of the **broader expectations set by key stakeholders** across the value chain. Platforms such as EcoVadis, Sustainalytics, and MSCI are frequently used for peer benchmarking, reputational positioning, and identifying performance gaps through structured scorecards and dashboards. As a result, **many companies depend on these ratings** to complement formal reporting obligations.

For instance, the **EcoVadis assessment**, widely used to meet business partner sustainability requirements, **draws on publicly available disclosures** for their company assessments. Often, that is largely from voluntary sustainability reports.

Benefit #3: Reaching audiences beyond regulators

Companies earn the **trust and confidence** of their customers, employees, communities, and subject matter experts when their **sustainability commitments are visible and easy to understand**. If your efforts aren't communicated in a digestible, accessible way, these key audiences may assume that sustainability is no longer a priority for the organization.

Voluntary disclosures can help reinforce your strategic priorities and be repurposed for broader stakeholder communications.

Often, companies use **graphics and infographics** from their voluntary report in presentations and **leave-behinds** for customers, **use report language** in letters to key stakeholders and on social media, and photography at trade shows and in talent attraction materials. Aspects can be used as **one-page summaries** across the business, helping translate sustainability performance into practical, audience-ready materials.

Benefit #4: Testing, learning, and preparing ahead of mandates

Voluntary reporting provides an opportunity to **get a head start and take advantage of certain flexibilities** that mandatory regulatory reporting might not allow. This includes **testing new language, metrics, and positioning**; piloting **emerging disclosures** before they become regulated; and **preparing internal teams, systems and controls** ahead of mandated reporting.

Value lies in the act of reporting itself, to help uncover gaps and drive improvement.

[PwC's 2025 Global Sustainability Reporting Survey](#) found that ~70% of companies reporting under mandatory frameworks **extract business value from the process** — using sustainability data and insights to **inform risk management, capital allocation, procurement decisions, and operational efficiency**. Even for companies not subject to mandatory sustainability reporting regulations, the same business and risk mitigation opportunities exist.

Collaborating across many functions, analyzing and collecting information and data, and combing through a company's value chain inevitably **identifies disclosure and performance gaps**, which ultimately **drive operational changes and improvements**.

For example, companies such as [JLL](#) and [Ralph Lauren](#) have published voluntary sustainability reports as a step toward compliance with the EU's Corporate Sustainability Reporting Directive (CSRD), while continuing to follow voluntary frameworks such as the Global Reporting Initiative (GRI), and International Financial Reporting Standards (IFRS).

Looking ahead

Overall, voluntary sustainability disclosures provide an **opportunity to offer context around data and performance, take a more strategic approach to reporting, and create a narrative that fills information gaps** that regulated reporting likely will not.

As stated by Laura Zizzo, Founder & Chief Strategy Officer at Manifest Climate, in an [ESG Today post](#), “Whether they are subject to reporting requirements or not, **companies will still find themselves subject to climate-related physical impacts, transition risks, litigation exposure, and reputational pressures**,” making the case that voluntary reporting remains an important tool to **enhance transparency and accountability**.



Labrador Transparency

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Contact

contact-us@labrador-company.com

Labrador Transparency
1737 Ellsworth Industrial Blvd
NW Suite E-1
Atlanta, GA 30318
(404) 688 3584

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