



CARROTS AND STICKS

Sustainability reporting policies worldwide –
today's best practice, tomorrow's trends

2013 edition



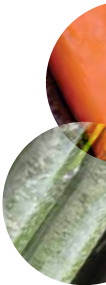


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Project Partners

United Nations Environment Programme (UNEP)

UNEP represents the United Nations' environmental conscience. Based in Nairobi, Kenya, its mission is to provide leadership and encourage partnership in caring for the environment by inspiring, informing, and enabling nations and peoples to improve their quality of life without compromising that of future generations. The UNEP Division of Technology, Industry and Economics (DTIE) provides solutions to policy-makers and helps change the business environment by offering platforms for dialogue and co-operation, innovative policy options, pilot projects and creative market mechanisms. DTIE plays a leading role in three of the six UNEP strategic priorities: climate change, harmful substances and hazardous waste, resource efficiency. DTIE is also actively contributing to the Green Economy Initiative launched by UNEP in 2008. This aims to shift national and world economies on to a new path, in which jobs and output growth are driven by increased investment in green sectors, and by a switch of consumers' preferences towards environmentally friendly goods and services. Leading outreach activities with business and industry, sustainability reporting has for many years been a core subject of its work on corporate social responsibility.

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The Global Reporting Initiative (GRI)

The Global Reporting Initiative (GRI) promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to a sustainable global economy.

GRI's mission is to make sustainability reporting standard practice. To enable all companies and organizations to report their economic, environmental, social and governance performance, GRI produces free Sustainability Reporting Guidelines.

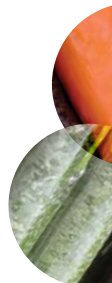
GRI is an international, network-based organization; its activity involves thousands of professionals and organizations from many sectors, constituencies and regions.

GRI was set up in the US in 1997 by CERES, with support from the United Nations Environment Programme (UNEP). Its Secretariat is located in Amsterdam, The Netherlands, and there are GRI 'Focal Points' – regional offices – in Australia, Brazil, China, India, South Africa, and the USA. GRI enjoys strategic partnerships with the Organisation for Economic Co-operation and Development (OECD), the UN Global Compact, UNEP, and the International Organization for Standardization (ISO).

To achieve its mission of making sustainability reporting standard practice, GRI is:

- Standardizing sustainability reporting and providing up-to-date reporting guidance
- Creating capacity through training and outreach
- Promoting a Report or Explain approach to sustainability reporting policy
- Supporting the development of integrated reporting

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KPMG

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. We operate in 156 countries and have 150,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG's Climate Change and Sustainability Services (CC&S) professionals provide sustainability and climate change

Assurance, Tax and Advisory services to organizations to help them apply sustainability as a strategic lens to their business operations. We have more than 25 years of experience working with leading businesses and public sector organizations which has enabled us to develop extensive relationships with the world's leading companies and to contribute to shaping the sustainability agenda.

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The Centre for Corporate Governance in Africa

The Centre for Corporate Governance in Africa at the University of Stellenbosch Business School in South Africa conducts multi-disciplinary research and offers educational activities to improve the effectiveness of corporate governance in African organisations. The Centre's main focus is on developing the performance and compliance aspects of directors' attitudes, knowledge and skills, and on the link between corporate governance, business ethics and total organisational performance. The key research areas of the Centre are responsible investment, board leadership, integrated reporting and values.

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Forewords



Welcome to the third *Carrots and Sticks*, produced by the same project team as the previous editions – UNEP, GRI, KPMG and the Centre for Corporate Governance in Africa.

It is exciting that in the three years since the last edition, the practice of sustainability reporting, and public policy and regulation in the field, have increased sharply. Leadership in corporate reporting goes hand-in-hand with governmental policy and regulation. In June 2012, the 'Paragraph 47' agreement on sustainability reporting was one of the most successful outcomes of the UN Rio+20 Summit.

Thousands of companies worldwide produce sustainability reports. Their quality is improving, thanks to the availability of ever-better reporting guidelines. Many key stakeholders have contributed to the development of GRI's G4 Guidelines, which make reporting easier, better, and more focused on material issues. Despite the many important developments outlined in this publication, we need further action. It took twelve years for the proportion of the world's largest 250 companies practicing sustainability reporting to grow from 35% to 95%. Today, less than 10% of the more than 45,000 publicly traded companies that are required to disclose their annual accounts report on their sustainability performance.

Regulators need to use the current momentum to stimulate or mandate sustainability disclosure. This publication may be one of the many steps needed to make this happen.

Teresa Fogelberg

Deputy Chief Executive, Global Reporting Initiative

With this third report since 2006 on the state of play of regulations for sustainability reporting, we seem to be halfway. The uptake of governments is tremendous since the previous 2011 research was conducted. This is both promising and encouraging. Whereas we see governments taking their role in transparency for a sustainable future, it seems however time to start progressing towards the next phase: further harmonization of reporting, to enable improved comparison of companies' performance on a solid and uniform basis. With the rising attention from stock exchanges to require disclosure and the interest from the financial world in integrated reporting, alignment between regulations would create a level-playing field for business – not just for disclosure, but primarily for what will make the difference ultimately: sustainable businesses for a prosperous society. With the start of the first supranational initiatives in this regard, we are convinced we will see the results in the next research report. Understanding every company's impact on a uniform basis will inform ultimate decision makers – consumers, investors, employees – to continue the relationship with an individual business or cease it. Governments can further facilitate this development. We are pleased to take part in this journey with our knowledge and expertise.

Wim Bartels

Global Head of Sustainability Assurance at KPMG Sustainability, the Netherlands





Word is spreading quickly about the positive effects of corporate sustainability reporting, and governments have been quick to realize that they have an important role to play. After introducing initiatives to promote it, governments have been rewarded with an almost immediate scaling-up of the number of companies reporting.

But volume of reports is not all that the world is looking for. Report quality, the disclosure of information relevant to key stakeholders such as investors and employees, and comparability of reports can and must be improved. Sustainability reporting is a key instrument for further promoting responsible decision making and behaviour, and for driving corporate transparency. Moreover, sustainability reporting plays a critical role, under the right conditions, in ensuring the private sector's contribution to sustainable development.

UNEP has promoted sustainability reporting for private and public institutions along globally applicable guidelines, and works in close cooperation with the GRI, the United Nations Global Compact, the International Integrated Reporting Council, and others, to help companies better understand and address their integrated environmental and social impacts. UNEP supports increased sustainability reporting for investors to use in financial decision-making. UNEP promotes life cycle-based methodologies such as resource footprinting, science-based information on critical resource flows, and capacity enhancement in developing and emerging economies.

UNEP is proud to have been involved with the *Carrots and Sticks* series from the outset. It documents the evolution of voluntary and mandatory initiatives country by country, providing an indispensable learning tool for governments, businesses and civil society organizations interested in developing their own policies and initiatives.

Sylvie Lemmet

*Director, Division of Technology, Industry and Economics
United Nations Environment Programme*



When we listed eight considerations for the regulator in approaching measurement and reporting on financial and sustainability performance in the 2010 edition of *Carrots and Sticks*, the first was the simple question: "What information do I need?" This highlighted the basic fact that regulators are increasingly challenged to consider what information is strategically useful for them and other market players to enable more sustainable economies.

Today, the role of regulation is more critical than ever before. Regulation has to raise the bar in terms of minimum disclosure levels on performance, whilst helping to scale the business case and new standards of integration. The role of stock exchanges in emerging markets in driving self-regulatory standards is also bringing key insights. One is ways of aligning the content and timing of sustainability and financial reporting. Another is the central role of governance, including the fundamental values of honesty and accountability.

The Centre for Corporate Governance in Africa is proud to be a partner in this 3rd edition. We trust that its update on trends in reporting and disclosure requirements world-wide will continue to be of use to regulators, reporters and researchers. It makes an important contribution to ongoing efforts in designing the appropriate mix of carrots and sticks. Evidently, the evolution of sustainability and financial reporting, including integrated reports as strategic addition to these, remains work in progress.

Daniel Malan, Director

Cornis van der Lugt, Senior Research Fellow

Centre for Corporate Governance in Africa

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Executive Summary

In 2010, four project partners published the second edition of *Carrots and Sticks*¹, an overview of global developments in policy and regulation for sustainability and Corporate Social Responsibility (CSR) reporting. In the years since, the practice of sustainability reporting has continued to grow. Many more governments, market regulators and stock exchanges have been initiating reporting policies and regulation.

Our global sustainability challenges need a joined-up response from different actors, and sustainability reporting is key. Governments are increasingly concerned with sustainable development, inclusive economic growth, increasing transparency, and building trust among their constituents. An increasing number of companies and organizations want to make their operations sustainable and to respond effectively to their external impacts. Establishing a sustainability reporting process helps them to set goals, measure performance, and manage change. A sustainability report is the key platform for communicating the performance information – both positive and negative – that is needed by organizations themselves, and by all those who are affected by them. Sustainability reporting is therefore a vital step for managing change towards a sustainable global economy – one that combines long term profitability with social justice and environmental protection.

While it is an increasingly popular practice, the uptake of sustainability reporting can be significantly boosted by policy, regulation, and other initiatives from both the public and private sectors.

This third edition of *Carrots and Sticks* is the result of expert inputs from individuals and the original four core project partners: The Global Reporting Initiative (GRI), the United Nations Environment Programme (UNEP), KPMG Climate Change & Sustainability Services, and the Centre for Corporate Governance in Africa². By providing up-to-date information on governmental and regulatory requirements for sustainability reporting, the project partners hope that *Carrots and Sticks* provides a useful tool for governments and regulators wanting a better understanding of the regulatory environment for sustainability reporting; financial institutions

and businesses wanting to stay informed about the regulatory environment; and stakeholders such as Civil Society Organizations (CSOs), academics, and others interested in the sustainability reporting landscape in their country, region or internationally.

Widespread national and international transparency practices would offer many benefits to governments. These include more stable markets, as a result of companies' non-financial risks being more visible to investors; and faster progress by all organizations towards internationally-agreed sustainable development goals. The increasing faith that many governments have in such benefits is demonstrated in this publication by a matrix and inventory of 180 initiatives from 45 countries and regions.

All items included in this publication's global inventory of sustainability reporting policies and guidance conform to at least one of the criteria below:

1. Governmental or market regulatory requirements and voluntary initiatives for the public disclosure of sustainability information
2. CSR initiatives requiring or providing guidance for sustainability reporting or other forms of public disclosure
3. Requirements or recommendations covering a single topic (e.g., greenhouse gas emissions) or sector (e.g., mining), provided the disclosure has to be public
4. Standards on sustainability assurance³

The first edition of *Carrots and Sticks* covered developments in 19 countries, and the second in 32 countries: This third edition covers 45 countries and regions. In the seven years of the series, the amount of policy and regulation has markedly increased. This includes a notable increase in the number of mandatory reporting measures. In 2006, 58 percent of policies were mandatory; now, more than two thirds (72 percent) of the 180 policies in the 45 reviewed countries are mandatory.

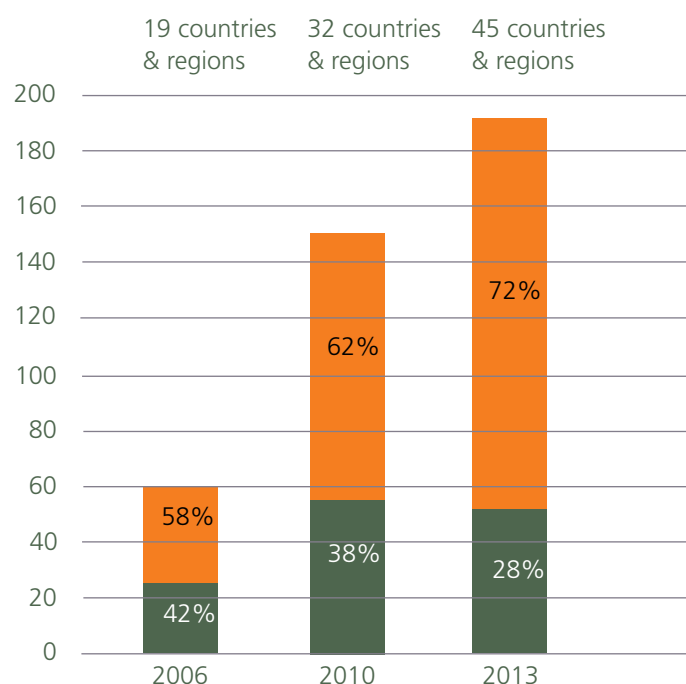
¹ KPMG, UNEP, GRI and Unit for Corporate Governance in Africa, 2010. *Carrots and Sticks* –An update on trends in Voluntary and Mandatory Approaches to Sustainability Reporting. [online] KPMG, UNEP, GRI and Unit for Corporate Governance in Africa. Available at: <www.globalreporting.org/resourcelibrary/Carrots-And-Sticks-Promoting-Transparency-And-Sustainability.pdf> [Accessed on 4 April 2013].

² All project partners have closely collaborated on this publication, with GRI taking the lead in data collection and drafting. An external Steering Committee consisting of eminent persons was created to provide strategic guidance to the core team. Their contribution to the publication has been pivotal.

³ Other tools are also relevant for encouraging a shift towards a sustainable global economy, but have been determined as being beyond the scope of *Carrots and Sticks*.



Trends in mandatory and voluntary sustainability reporting



Carrots and Sticks Publications

		2006		2010		2013	
Initiatives	Mandatory	35	58%	94	62%	134	72%
	Voluntary	25	42%	57	38%	53	28%
	Total	60		151		180	
Countries & Regions		19		32		45	

The trends identified in the last edition have evolved. There is an increasing emphasis on a combination of complementary voluntary and mandatory approaches to organizational disclosure. The gradual integration of organizational performance data is on the rise, with attempts to combine corporate governance, financial and sustainability reporting.

Going forward, it is likely that more governments will issue sustainability reporting policies. As reporting organizations voice their concerns about the various frameworks they may

use or need to comply with, there will be increasing calls for the alignment and harmonization of frameworks. Report readerships will grow, and the discussion of sustainability data – including around its credibility – will continue to increase. This enhanced participation of report users will occur partly due to improvements in the user-friendliness of sustainability reports, utilizing XBRL and other reporting innovations. Reports will increasingly focus on sustainability issues that are material for stakeholders and investors, thereby providing the most accurate and relevant view of organizations' sustainability performance and impacts.

Based on the publicly-available information on policy and regulation related to sustainability and CSR reporting which was collated and analyzed, the major developmental trends were concluded to be:

- Continued and growing interest in regulation, including corporate governance and disclosure requirements
- An increase in the number of countries becoming involved in the sustainability reporting policy arena, including developing countries
- An increasing number of policies inspired by or based on a 'report or explain' approach
- Growing reference to existing sustainability and reporting frameworks, and the continuing emergence of new frameworks
- A consistent focus on large and state-owned companies, yet voluntary reporting by SMEs is increasing
- Sustainability reporting has become a listing requirement on several stock exchanges in non-OECD countries
- The United Nations is now also asking governments to stimulate sustainability reporting by developing best practice and smart regulation
- In their introduction of policies, regulation and guidelines, governments are striving to harmonize the use of multiple frameworks

Introduction

Over the past 15 years, many governments have promoted sustainability reporting in varied ways, including via regulation for sustainability or Environmental, Social and Governance (ESG) disclosure, stock exchange rules, public procurement provisions, safety and health protection laws, financial regulation, political and consultative processes for building consensus, social institutionalized dialogue, and civil dialogue on approaches to effective environmental regulation.

Policy makers and market regulators have attempted to address the global financial and economic crisis by striving to embed sustainability in policy and regulation. This is evidenced by the fact that more and more countries – including developing countries – are issuing sustainability reporting policies and regulation.

In a parallel trend, policy makers and regulators have intensified their cooperation with the private sector. Our economic, social and environmental challenges have confirmed that ‘business as usual’ is not an option. An active role for business is widely considered to be part of the solution.

More advanced scientific research is improving our understanding of the consequences of socio-economic and environmental issues. The United Nations Environment Programme GEO-5 report⁴ urges policy makers to tackle these issues by integrating environmental, economic and social data for a true assessment of environmental impact; by improving environmental governance – including accounting systems – to acknowledge the true value of natural capital and ecosystem services; and by implementing regulatory, market and information-based policies that aim to change human and corporate behavior.

The global economy is still struggling to recover from the crisis of 2008 onwards. The crisis has raised interest in the regulation of financial and corporate activity, particularly regarding governance, accountability and transparency. Financial regulation has been tightened significantly in some regions, with rating agencies playing an important role; they face growing pressure to look beyond calculable risks. Several stock exchanges, in particular in emerging economies, have introduced sustainability reporting requirements for their listed companies. New rules on when and how rating agencies may rate state debts and companies’ financial health were approved in early 2013 in Europe.⁵

Unemployment is another critical issue, also related to the economic crisis. There is increasing consensus that transparency and responsible business practice need to be linked to the modernization of employment structures and fairer working conditions. Other issues, such as human rights and governance – including anti-corruption, executive remuneration and tax avoidance – also demand a high level of transparency from businesses, and are priority issues for civil society organizations.

Moreover, ongoing economic problems mean that developing countries, and the least developed ones, will be affected by a ‘slower pace of poverty reduction,...[a] narrowing of fiscal space for investments in education, health, basic sanitation. These and other critical areas need to be addressed to accelerate progress to achieve the Millennium Development Goals’. LDC⁶s are also ‘highly vulnerable to commodity price shocks and are receiving less external financing as official development assistance (ODA) declines in the face of greater fiscal austerity in donor countries.’⁷

Sustainability reporting is considered to be a vital means for tackling these issues, and there have been significant developments in the field since 2010. Sustainability reporting is increasingly a core topic in international forums and was afforded unprecedented attention at the June 2012 United Nations Conference on Sustainable Development (Rio+20). At Rio, governments agreed on the importance of corporate transparency and sustainability reporting, and that they have a role to play in advancing it, as stressed in paragraph 47⁸ of the outcome document *The Future We Want*.

More reporting guidance is now available and more organizations are reporting. The integrated reporting agenda is shaping up⁹, and climate change reporting is becoming standard¹⁰. Trends in preferred forms of regulation are taking shape: Variations of ‘report or explain’ regulation are being implemented more readily.

⁶ Least Developed Countries <http://www.un.org/special-rep/ohrls/lde/lde%20criteria.htm>

⁷ World Economic Situation and Prospects 2013, Global Outlook: http://www.un.org/en/development/desa/policy/wesp/wesp_current/2013Chap1_embargo.pdf

⁸ “We acknowledge the importance of corporate sustainability reporting and encourage companies, where appropriate, especially publicly listed and large companies, to consider integrating sustainability information into their reporting cycle. We encourage industry, interested governments as well as relevant stakeholders with the support of the UN system, as appropriate, to develop models for best practice and facilitate action for the integration of sustainability reporting, taking into account the experiences of already existing frameworks, and paying particular attention to the needs of developing countries, including for capacity building.”

⁹ More on this can be found under trend 3, International frameworks

¹⁰ See inventory for more information (e.g. UK quoted companies’ GHG reporting)

⁴ United Nations Environment Programme (UNEP). (2012) GEO-5 Assessment Full Report [online] UNEP. Available at: <www.unep.org/geo/geo5.asp> [Accessed on 4 April 2013].

⁵ European Commission, 2013. Rating Agencies [online]. Available at: <ec.europa.eu/internal_market/rating-agencies/index_en.htm> [Accessed on 4 April 2013].



Materiality and boundary-setting are considered to be ever-more crucial elements of the reporting process, as is the external assurance of reports.

Year	Sustainability Disclosure Milestones 2006-2013
2006	GRI G3 Sustainability Reporting Guidelines Amsterdam Global Conference on Sustainability and Transparency <i>Carrots and Sticks</i> for Starters Accounting for Sustainability launched by the Prince of Wales
2007	'Growth and Responsibility in a World Economy', G8 Summit Heiligendamm, Summit Declaration 'Guidelines for GRI based external reporting by state-owned companies' (Sweden) Guidelines on Fulfilling Social Responsibility by State-Owned Enterprises (China)
2008	Financial Statements Act requires CSR disclosure for large businesses (Denmark) Amsterdam Global Conference on Sustainability and Transparency
2009	White Paper on 'CSR in a global economy' (Norway) The Corporate Social Responsibility Voluntary Guidelines in India launched by the Ministry of Corporate Affairs GRI's Amsterdam Declaration on Transparency and Reporting Update of King Code of Governance for South Africa (King III)
2009	SEC shifts policies to incorporate ESG concerns (USA) European Workshops on the disclosure of ESG information (European Commission) Initiation of review of OECD Guidelines for Multinational Enterprises (OECD) Accounting for Sustainability launches 'A Practical Guide to Connected Reporting' Inaugural Sustainable Stock Exchanges Global Dialogue
2010	SEC releases interpretive guidance on climate change risk disclosure (USA) Final EU Workshop on the disclosure of ESG information (European Union) Amsterdam Global Conference on Sustainability and Transparency Revision of OECD Guidelines Launch of ISO 26 000 Johannesburg Stock Exchange requires integrated reports from listed companies United Nations Global Compact: 10 year anniversary, launch of the UNGC Differentiation Framework GRI Guidelines: 10 year anniversary Establishment of the International Integrated Reporting Committee/Council (IIRC)

Year	Sustainability Disclosure Milestones 2006-2013
2011	Updated OECD Guidelines adopted at the 50 th Anniversary Ministerial Meeting GRI G3.1 Guidelines launched, with updates on gender, community and human rights 'A renewed EU strategy 2011-14 for CSR' published by the European Commission, with new definition of CSR and announcement of future mandatory sustainability reporting UNGC women's empowerment principles Launch of the UN Guiding Principles on Human Rights 7 th KPMG global survey on corporate responsibility reporting
2012	Rio+20 summit in Brazil; outcome document The Future We Want adopted, with explicit reference to sustainability reporting in Paragraph 47 The Group of Friends of Paragraph 47 founded by the governments of Brazil, Denmark, France and South Africa Grenelle II passed in France Work on the post-2015 development agenda gets underway
2013	Norway and Colombia join the Group of Friends of Paragraph 47 in the first four months of 2013 ¹¹ European Commission launches proposal amending Council Directives 78/660/EEC and 83/349/EEC as regards disclosure of non-financial and diversity information by certain large companies and groups Amsterdam Global Conference on Sustainability and Reporting Launch of G4, the fourth generation of GRI Guidelines 30 th ISAR conference on Corporate Transparency Accounting IIRC releases the draft International Integrated Reporting Framework for public consultation

The necessity and value of sustainability reporting was boosted by the attention it received at Rio+20. As shown in the 2012 Edelman Trust Barometer, citizens' trust in both government and business has declined. Many people believe that governments do not sufficiently regulate business.¹² Most stakeholders expect governments to play a more prominent role in consumer protection and responsible business practices. This is a call to action that governments are attempting to live up to, while also focusing on growth, job creation, and maintaining economic stability.

¹¹ Membership of Group on 9 April 2013: Brazil, Colombia, Denmark, France, Norway, South Africa

¹² Edelman, 2012. **2012 Edelman Trust Barometer Global Results**. Edelman.

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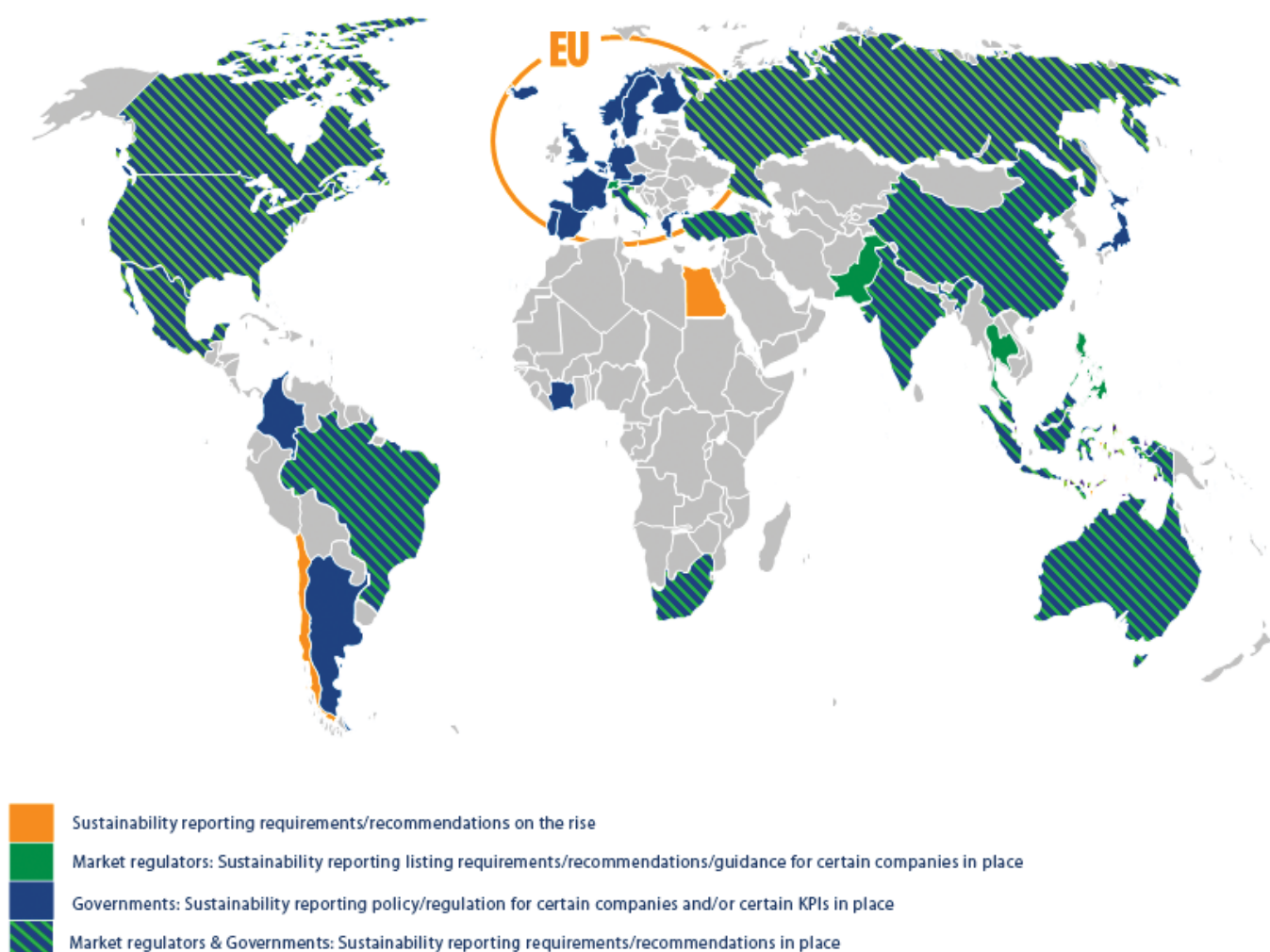
Meanwhile there is increasing acceptance of the proposition that the pursuit of social and environmental goals – including via policy and regulation on sustainability reporting – does not conflict with the pursuit of economic targets. In fact, the intrinsic connections between these aims are becoming increasingly visible.



**Source: GRI, on the basis of IBLF spheres of influence model*

What are the main trends?

Worldwide initiatives



1. A global increase in the amount of policy and regulation for organizational reporting. Mandatory and voluntary approaches create mutual traction; an increase in one tends to lead to an increase in the other.

An increasing number of organizations are reporting their sustainability performance. Various factors are driving this growth, including stakeholder and peer pressure, crises, growing awareness of the strategic importance of sustainability and, of course, new reporting requirements – especially from governments and stock exchanges.

Of the more than 180 national reporting policies and initiatives identified in this publication, approximately two thirds are mandatory. One example is the latest Indian requirement for sustainability reporting by state-owned companies, which complements accounting legislation and generally-accepted accounting principles.

State-owned enterprises, and large companies, are increasingly being required to report. In parallel, there is an increase in mandatory sector-specific reporting, including for the extractives, mining, and financial sectors.

Climate market instruments, and obligations for emissions measurement and disclosure, also appear to be driving broader sustainability requirements being introduced in various countries.

There is often overlap between voluntary and mandatory approaches. In India, voluntary guidelines have been adopted to encourage responsible business, while the top one hundred listed companies are required to report on sustainability. The Danish and French governments have reported positive outcomes in terms of the volume of reports and the quality of reporting since the implementation of their sustainability reporting laws. Like others, these mandatory requirements originate from, or are supported by, voluntary guidance. It is also often argued that due to peer pressure, even voluntary guidance can be perceived as *de facto* mandatory.

An important trend is recognizable in developing countries, where stock exchanges are playing a pivotal role by making sustainability disclosure a recommendation or requirement for listing¹³.

Lower and Middle Income Countries like Ivory Coast and Indonesia have developed their own initiatives. The 2012 Ivorian code of corporate governance¹⁴ aims to ensure companies' sustainable growth through a management system based on transparency, accountability and fairness. The Code promotes awareness of the social responsibility of business, including the environmental and social interests of communities. It aims to improve competitiveness nationally and internationally, and to strengthen market confidence to encourage the flow of investment and the sustainable growth of the national economy.

In Indonesia, companies are required to include the implementation of environmental and social responsibility programs in their annual report. Such responsibilities are obligatory for companies connected with natural resources, such as in the extractives industries. Information about CSR in the annual report must be submitted to the General Meeting of Shareholders for approval, including the CSR budget.¹⁵ Additionally, publicly-listed companies are required to disclose their CSR programs in their Annual Report.¹⁶

The global increase of sustainability reports is illustrated by the chart below, which compares the number of sustainability reports based on the GRI Guidelines between 2008 and 2011 in 25 out of

the 45 countries and regions covered in this publication. Some of the countries show a moderate rise in the number of reports – whereas others a much sharper one. In addition to an actual increase in reports, this jump also occurs as a consequence of better data collection capacity.¹⁷

As shown in the overview, the highest number of reporters per country are in the USA, followed by Japan, South Africa, China, Brazil, Spain, Sweden, Australia, Korea, and a number of other EU Member States. In countries like Denmark or France, where progressive reporting legislation is in place, there is a lower number of GRI reports, partially due to the fact that the total number of large companies in these countries is lower.

2. An increasing amount of policy is inspired by, or based on, a report or explain approach

The relationship between mandatory and voluntary approaches is framed differently today. Instead of presenting mandatory and voluntary sustainability reporting as exclusive options, there are hybrid versions in place. The report or explain approach is gaining traction, using a mix of mandatory requirements (report) and voluntary prompts (the choice to report, and explain why if you do not).

The report or explain principle is based on a minimum requirement that companies need to report on their sustainability performance, or explain why if they do not. Report or explain does not prescribe how companies should report. Companies are afforded space to develop their practice, decide on the scope of their reporting, and decide whether and what disclosure frameworks to use. The approach puts new reporters on the path to developing their competency and practice, with a view for quality and expertise to be developed over time.

Of the 44 countries included in this report, 12 have utilized this approach or make explicit reference to it.¹⁸ The most cited example of report or explain regulation is Denmark's revised Financial Statements Act, requiring CSR disclosure by large companies. Three years of consecutive studies confirm that the Act has significantly increased the number of large companies publishing CSR reports, from about 50 to 95 percent¹⁹. It has amplified the scope of issues addressed – from one or two per report to a broad range of social and environmental topics – and the quality

¹³ The INCR Listing Standards Drafting Committee – A group of leading investors created a Consultation Paper with recommendations for integrating sustainability disclosure requirements into listing rules for global stock exchanges. This document was out for consultation between April and May 2013. <http://www.ceres.org/resources/reports/incr-listing-standards-drafting-committee-consultation-paper-proposed-sustainability-disclosure-listing-standard-for-global-stock-exchanges/view>

¹⁴ Decree 2012-1123, 2012, Abidjan: Republique de Cote d'Ivoire..

¹⁵ HG.org, 2012. *Government Regulation No. 47 of 2012 on Social and Environmental Responsibility of Limited Liability Company – Indonesia* [online] Available at <www.hg.org/article.asp?id=26532> [Accessed on 4 April 2013].

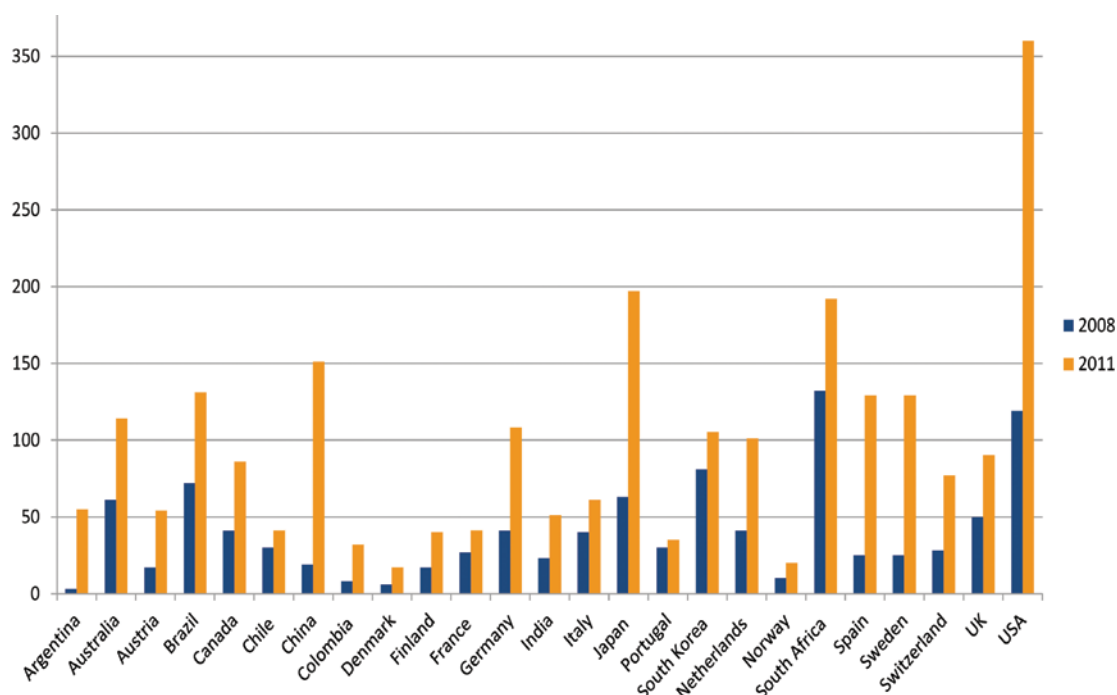
¹⁶ Regulation No.KEP-431/BL/2012 on Annual Reporting for Public Listed Companies which provides additional specifications for annual reporting, Jakarta: Head of Capital Market Supervisory Agency.

¹⁷ The statistics are from the Sustainability Disclosure Database and include information as at 04 April 2013. The Database can be accessed freely at <http://database.globalreporting.org>. The Database includes sustainability/Integrated reports that GRI is aware of through its Data Partners, the GRI Application Level Check process, registration forms and internet searches. GRI cannot guarantee that the information is accurate or complete. All reports included in these statistics are GRI reports (based on the G3 or G3.1 Guidelines and include a GRI Content Index).

¹⁸ The proposal of the European Commission on non-financial reporting, launched in April 2013, also contains a "report or explain" element.

¹⁹ Danish Business Authority. *CSR and Reporting in Denmark: Impact of the third year subject to legal requirements for reporting CSR in the Danish Financial Statement Act* [online] Danish Business Authority. Available at: <www.dcca.dk/graphics/publikationer/CSR/CSR_and_Reporting_in_Denmark_2nd_year_2011.pdf> [Accessed on 4 April 2013].





The statistics are from the Sustainability Disclosure Database and include information as at 04 April 2013. The Database can be accessed freely at <http://database.globalreporting.org>. The Database includes sustainability/Integrated reports that GRI is aware of through its Data Partners, the GRI Application Level Check process, registration forms and internet searches. GRI cannot guarantee that the information is accurate or complete. All reports included in these statistics are GRI reports (based on the G3 or G3.1 Guidelines and include a GRI Content Index).

of reports has improved in terms of their completeness and comparability.^{20 21} Other research has found that as a result of the Act, the number of reports has increased but the quality of reporting can still be improved.²²

Report or explain is perceived to be useful as it has the potential to:

- Create a level playing field by establishing the minimum common denominator of reporting
- Promote transparency and enhance trust through the public sharing of information

- Identify important reporting topics but allow space for companies to focus on topics with material impacts
- Enhance good governance by focusing attention on transparency and transparent practices
- Allow for flexibility, and limit administrative burdens

Report or explain has also been questioned by some groups. The option to 'explain' can be seen as an 'escape route', with companies not required to disclose information. However, a 2013 Working Paper by Stakeholder Forum found that, "*the focus on flexible mechanisms, including the 'report or explain' approach, responds to some governments' concerns around the costs of monitoring and enforcement (as with this approach these responsibilities lie with stakeholders), anticipated opposition to regulate issues associated to corporate social responsibility, and to concerns that stringent legislation would not respond effectively to the diversity of sectors and individual companies and would make reporting a mere tick box exercise that will not drive change in corporate practices.*"²³

²⁰ In this regard, there are ongoing discussions on the need to strengthen the quality and materiality of the reports produced, with some NGO groups following closely the implementation of this Act. (European Coalition on Corporate Justice (ECCJ) and the Danish 92-Group, 2011. *The Impact of The Danish Law of CSR reporting* [online]: European Coalition on Corporate Justice (ECCJ) and the Danish 92-Group. Available at <www.corporatejustice.org/IMG/pdf/danwatch-study-danish-law-on-csr-reporting-november-2011> [Accessed on 4 April 2013].)

²¹ Danish Business Authority, 2011. *The Danish Financial Statements Act: Experiences after 3 Years of Mandatory CSR Reporting* [online] Danish Business Authority. Available at <http://www.dcca.dk/graphics/publikationer/CSR/CSR_and_Reporting_in_Denmark.pdf> [Accessed on 4 April 2013].

²² European Coalition on Corporate Justice (ECCJ) and the Danish 92-Group, 2011. *The Impact of The Danish Law of CSR reporting* [online]: European Coalition on Corporate Justice (ECCJ) and the Danish 92-Group. Available at <www.corporatejustice.org/IMG/pdf/danwatch-study-danish-law-on-csr-reporting-november-2011> [Accessed on 4 April 2013] and Lingán, J and Wyman, L., 2013. *Exploring Civil Society Perspectives on Sustainability Reporting and Sustainability Reporting Policies*, Working paper [online] Stakeholder Forum for a Sustainable Future. Available at: <www.stakeholderforum.org/fileadmin/files/jeannet%20csra%20paper%20february%202.pdf> [Accessed on 4 April 2013]

²³ Jeannet Lingán and Libby Wyman, *Exploring Civil Society Perspectives on Sustainability Reporting and Sustainability Reporting Policies*, Working Paper, <http://www.stakeholderforum.org/fileadmin/files/jeannet%20csra%20paper%20february%202.pdf>

3. Development, growth and harmonization of reporting frameworks

a. International frameworks.

An increasing amount of national policy and regulation builds on or refers to existing international reporting frameworks, such as the UN Global Compact principles, the OECD *Guidelines for Multinational Enterprises*, and GRI's Guidelines. In a globalized economy, reporting instruments that transcend national boundaries can improve the comparability of reports and the efficiency of reporting practice, and also enable the effective assurance of data.

Several frameworks have been significantly updated. The OECD *Guidelines* provide guidance by governments covering all major areas of business ethics, including corporate steps to obey the rule of law, observe internationally-recognized standards, and respond to other societal expectations. In 2010 and 2011, the *Guidelines* were updated; governments adhering to the *Guidelines* were engaged in an intensive consultation process with a wide range of stakeholders.

The UN Global Compact has grown dramatically in terms of the number of companies subscribing to its ten principles. By May 2013 some 7000 companies were signatories, many of them SMEs. The UNGC has adopted an approach to delist organizations that fail to communicate progress on the ten principles.

On 16 June 2011, following the work of Professor John Ruggie, Special Representative on the issue of human rights and transnational corporations and other business enterprises, the United Nations Human Rights Council unanimously endorsed the **Guiding Principles for Business and Human Rights** – the first corporate human rights responsibility initiative to be endorsed by the UN, and a new global standard for preventing and addressing adverse impacts on human rights linked to business activity.

ISO 26000 on social responsibility for businesses and organizations was launched in 2010. The standard aims to clarify what social responsibility is; explain how social responsibility principles can be translated into effective actions; and share best practice for social responsibility.

Moreover, a growing number of organizations choose 'integrated reporting' – a concept which is still in development – to disclose their financial and sustainability information. The forthcoming International Integrated Reporting Council (IIRC) integrated reporting framework will not feature newly-created indicators but instead will offer advice and principles for how companies can integrate financial and non-financial information using existing reporting standards and guidelines, such as those of the International Financial Reporting Standards (IFRS). In this context, the GRI Guidelines will provide the standard for the sustainability reporting element of integrated reporting.

There are also a variety of single-issue principles and initiatives. Initiatives in place before 2010 include the International Labour Organization (ILO) Tri-partite Declaration of Principles Concerning Multinational Enterprises and Social Policy, the Carbon Disclosure Project (CDP) questionnaire, the Greenhouse Gas Protocol, and the Principles for Responsible Investment Reporting Framework.

b. National policies and tools.

In response to increasing calls for transparency and accountability, next to international standards, national codes and guidelines for sustainability reporting are continuing to evolve.

Large economies, in particular emerging ones, are developing their own national frameworks, but there is a chance that they will link them to internationally-accepted sustainability and reporting frameworks. The Indian requirements for sustainability reporting by state-owned companies, which entered into force in April 2013, are an example of this. Similarly, in initiatives in China, frameworks such as GRI's are referenced in addenda to the formal legal text. These are major examples of national developments which may be globally influential.

c. Harmonization.

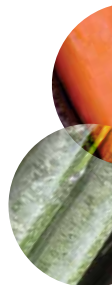
The existing internationally-accepted sustainability and corporate responsibility frameworks have many synergies and complementarities. For example, the complementarity of the UNGC principles, the OECD *Guidelines*, ISO 26000 and GRI's Guidelines is acknowledged in the development approaches of all these organizations.

However, the risk of overlapping, conflicting, and even competing standards is even greater than in 2010. All organizations are cooperating intensely to address this matter. Efforts are being made to identify synergies between the different initiatives, and to enhance their coherence and convergence through linkage documents and mutual participation in development processes. Outcomes include the enhanced linkages between GRI and the CDP, the UNGC, and the forthcoming integrated reporting framework of the IIRC.

4. Developments in the organizations that are reporting

a. The main focus is on large companies

Most policy and regulation tends to focus on large companies as these companies also tend to have the most significant social and environmental impact. These companies often follow their peers' example in reporting and are more frequently scrutinized by stakeholders regarding their responsible business practices. The definition of 'large' varies – in some countries meaning companies with more than 500 employees, in others companies with more than 1000 employees.



b. Increasing voluntary reporting by SMEs

A parallel development regards SMEs. Although SMEs are usually exempt from regulation, there has been a notable increase in the voluntary uptake of reporting by them. Sustainability reporting is perceived to enhance SMEs position in the market, for instance allowing access to multinationals' supply chains: Some multinationals request suppliers to report on sustainability.²⁴ Industry and trade associations also assist SMEs with reporting and addressing new regulation.

c. State-owned companies

Some countries' policies and regulation targets state-owned companies, due to their proximity to government through their ownership structure. State owners argue that they are 'caretakers' of the shares of such companies on behalf of the public, and therefore have to be fully accountable and transparent.

The number of countries in which policy makers target state-owned companies has increased. These include, among others, Sweden, India, and Russia, where a 2011 executive order by the president addressed state-owned companies. The order regulates disclosure by issuers of securities and Russian joint stock companies – including of prospectus, quarterly reports, information on material facts, annual consolidated financial statements, and annual reports. Annual reports should contain a significant volume of non-financial information.²⁵

Countries with policies and initiatives targeted at state-owned enterprises

Brazil	Iceland	South Africa
China	Indonesia	Spain
Ecuador	India	Sweden
Finland	The Netherlands	
France	Russia	

5. Sustainability reporting as a listing requirement for stock exchanges: a popular option for emerging and developing countries

Stock exchanges have reaffirmed their responsibility to encourage corporate accountability for sustainability. Many exchanges require or encourage sustainability disclosure by listed companies.

In some countries, there is a discernible trend to progress from voluntary disclosure to a more stringent report or explain approach. An example is BM&F BOVESPA, the São Paulo Stock Exchange, which launched its own report or explain policy before the Rio+20 Conference. The first results are promising. The number

of companies listed on BOVESPA and adhering to report or explain rose from just over 45 percent in May to almost 58 percent in October 2012. By May 2012, 253 companies published information in their Reference Form about social, environmental and corporate governance factors, or explained why they did not yet do so.²⁶

Some Security Exchange Boards and Commissions have started to reinforce, complement, or create sustainability disclosure policies. These developments are covered by the work and reports of the Sustainable Stock Exchanges (SSE) initiative, aimed at exploring how exchanges can work together with investors, regulators, and companies to enhance corporate transparency, and ultimately performance.

6. The United Nations now requests that governments stimulate sustainability reporting through best practice

The need to shift the focus to implementing sustainability reporting practice – as part of the transition to a green economy – was acknowledged at the Rio+20 Conference.

This focus will provide awareness of the impact that economic models have on the other 'pillars' of sustainability, as well as a means for renewed policy development, international cooperation and support for sustainable development. Several instruments were agreed on in order to quantify implementation. These include the adoption of the 10 year framework of programmes on Sustainable Consumption and Production (2012-2022); the launching of the process to develop Sustainable Development Goals (SDGs); and the Institutional Framework for Sustainable Development.²⁷ On a macro level, wealth indicators and integrated wealth accounting are being developed by the World Bank, UN Statistics, UNEP and other parties as part of the Green Growth Knowledge Platform.

Transparency and accountability are now becoming an intrinsic part of the discussions on the post-2015 development agenda and the Sustainable Development Goals. The establishing of a new development framework is an opportunity to further harness the capacity of the private sector to positively impact sustainable development. As sustainability reporting helps to measure, monitor and manage performance and impacts, it can play an important role in the future development framework.

At Rio+20 corporate sustainability reporting was acknowledged, and governmental action was encouraged in the final outcome document. Many organizations, including those representing civil society, are ready to support governments and other policy makers to take positive steps to implement the agreement. While

²⁴ Microsoft, 2011. *Microsoft to Require Annual Sustainability Reporting by Vendors* [online]. Available at: <www.microsoft.com/en-us/news/press/2011/oct11/10-13VendorPR.aspx> [Accessed on 4 April 2013].

²⁵ Order 11-46/pz-n of 04 October 2011 of Regulation on information disclosure, Moscow: Federal Service on Financial Markets.

²⁶ BM&F Bovespa. *Listed Companies: Sustainability Report or Similar Document* [online] BM&F Bovespa. Available at: <www.bmfbovespa.com.br/en-us/markets/download/Relate-ou-Explique-ingles.pdf> [Accessed on 4 April 2013].

²⁷ United Nations Environment Programme (UNEP). *Institutional framework for sustainable development* [online]. Available at: <www.uncsd2012.org/index.php?page=view&type=12&nr=228&menu=63#> [Accessed on 4 April 2013].



www.SSEinitiative.org

The Sustainable Stock Exchanges (SSE) Initiative is aimed at exploring how exchanges can work together with investors, regulators, and companies to enhance corporate transparency, and ultimately performance, on ESG issues and encourage responsible long-term approaches to investment.

The SSE Initiative is a UN initiative, working as a partnership between the UN, UN-backed organizations, stock exchanges, investors, companies, regulators and governments. The SSE is co-organized by the United Nations Conference on Trade and Development (UNCTAD), the United Nations Global Compact Office, the United Nations-backed Principles for Responsible Investment (PRI) and the United Nations Environment Programme Finance Initiative (UNEP-FI).

In 2013, the SSE is working with UNCTAD's Intergovernmental Working Group on International Standards of Accounting and Reporting (ISAR), to produce best practice guidance for policy makers and stock exchanges on sustainability reporting initiatives. This guidance builds on the work of *Carrots and Sticks*, UNCTAD's extensive research on non-financial reporting rules and practices, and additional research on current best practice. The guidance will provide detailed policy options and recommendations to capital market regulators and stock exchanges around the world.

the overall outcome of Rio+20 was perceived by the public as disappointing, the progress on sustainability reporting – detailed in Paragraph 47 – represents significant innovation and a positive outcome for business transparency, and will help the transition to a sustainable global economy.

Paragraph 47 states that '[w]e acknowledge the importance of corporate sustainability reporting and encourage companies, where appropriate, especially publicly listed and large companies, to consider integrating sustainability information into their reporting cycle. We encourage industry, interested governments and relevant stakeholders with the support of the United Nations system, as appropriate, to develop models for best practice and facilitate action for the integration of sustainability reporting, taking into account experiences from already existing frameworks and paying particular attention to the needs of developing countries, including for capacity building.'

Paragraph 47, which was intensively negotiated, is part of the 'political commitments' section of the outcome document. Its placing is a clear indication of its importance. In comparison to the agreements made at Johannesburg in 2002, there are important new elements in the paragraph:



The Group of Friends of Paragraph 47 is a government-led initiative that was formed in June 2012 following the acknowledgement of the importance of corporate sustainability reporting in Paragraph 47 of the outcome document of the 2012 United Nations (UN) Conference on Sustainable Development (Rio +20). The founding members of the Group of Friends are Brazil, Denmark, France and South Africa. Norway and Colombia joined in early 2013. France has been given the role of Chair. The UN Environment Programme (UNEP) and the Global Reporting Initiative (GRI) support the group in a Secretariat capacity.

The Group aims to advance the promotion of corporate sustainability reporting by working with further governments and relevant stakeholders to develop and exchange best practice models for policy and guidance in this area. In the spirit of Paragraph 47, the Group of Friends recognizes that each Government should choose policy tools that are most relevant to its culture and jurisdiction.

Many Governments have already shown that there are different ways of promoting sustainability reporting, such as a mix of soft and hard law, market regulation, the inclusion of public procurement provisions, and financial regulation. Several have created laws, procedures or guidelines on corporate sustainability reporting. Various stock exchanges and market regulators now require a serious commitment to disclosure of sustainability information from their listed companies.

Based on several national experiences, the Group is of the view that the development of models of best practice policy and market regulation on corporate sustainability reporting is an important step towards making sustainability reporting standard practice. Policy and regulation will level the playing field and create enabling conditions for the business sector to contribute to sustainable development.

The compilation of policy initiatives included in *Carrots and Sticks* offers a good overview of the status of sustainability reporting policy and market regulation around the world, and at the same time represents a solid base on which the Group can base its discussions.

For information: secretariat@paragraph47.org

- It calls on governments, the UN and other relevant stakeholders to engage to further enhance sustainability reporting through policy, which goes beyond a more incremental, voluntary evolutionary process
- It calls for building on existing frameworks
- It recognizes that sustainability reporting is relevant globally, and that developing countries need extra support through capacity building

Paragraph 47 provides governments and market regulators such as stock exchanges with an incentive to develop smart policy and regulation. At Rio, the governments of Brazil, Denmark, France and South Africa joined together in a political group in support of Paragraph 47. These leading governments formed the Group of Friends of Paragraph 47 to advance corporate sustainability reporting. With the technical advice and support of UNEP and GRI – which form the Group's secretariat – the Group of Friends will advance the implementation of Paragraph 47 by developing and sharing best practice models of policy and market regulation to fast track the global uptake of corporate sustainability reporting. Members of the Group intend to build on existing policy and practice, and to inspire other countries. The Group's Charter²⁸, published on 7 November 2012, reaffirms its intention to contribute to the advancement of an international culture of corporate transparency and accountability. The key points are:

- The recognition that governments have a primary role to play in moving society towards a sustainable model of development, given their access to soft and hard instruments that can positively influence corporate behavior
- The intention to bring governments and other stakeholders together to develop best practice examples of policy and regulation for promoting corporate sustainability reporting
- That corporate sustainability reporting should become standard practice to allow for a transparent, well-functioning market economy and for the private sector to contribute to sustainable development
- To promote the use of, and build upon, existing and widely-used sustainability reporting guidance, such as principles, indicators, and frameworks
- Developing countries and SMEs will be given particular attention in progressing on sustainability reporting through capacity building.

7. Other drivers of 'more reporting'

In the aftermath of the financial crisis and tremors in the banking sector, the role of shock events in driving new requirements for improved governance and disclosure has become clear. Twenty years since the concept of sustainable development was born, it is widely acknowledged that society has not made enough progress towards this new model of development.

²⁸ Charter of the Group of Friends of Paragraph 47 on Corporate Sustainability Reporting: Group of Friends of Paragraph 47.

This is confirmed by major indicators: the widening gap between rich and poor; increasing poverty, hunger and malnutrition; further environmental degradation; declining biodiversity; population growth; crises in consumer confidence, particularly visible in the food processing sector; and greater rates of consumption.²⁹

However, there has been progress in the last decade. Significantly, the Millennium Development Goals, established in 2000, have provided the means for renewed focus. There has also been more private sector activity in this field, as well as greater acceptance of the need for sustainable development. In a parallel development, governance has emerged as an equally important 'pillar' of sustainability as the environment, the economy, and society. In addition, internet communication and the increased involvement of the NGO community has increased awareness of environmental and social issues in society at large, and has given civil society a stronger voice.

Civil society organizations (CSOs) have been important drivers of CSR initiatives and associated governments' policies. Many CSOs advocate for corporate transparency and accountability and as such are active users of non-financial information. This information is used to mobilize consumers, communities and interest groups; as well as broadening and enriching the public debate to account for the private sector's positive impact on society and the environment.

Social media now enables widespread participation and engagement. Companies are expected to create sustainability reports that address the points raised by various stakeholder groups, through so-called 360° reporting³⁰. There is also greater awareness of corporate responsibilities, as well as recognition that sufficient technology is available for governments and business to redouble their implementation efforts.

Business is starting to acknowledge that it relies on natural resources, and that natural resources are finite. This is evidenced by initiatives such as the TEEB for Business Coalition, established in the second half of 2012. The Coalition aims 'to achieve a shift in corporate behavior to preserve and enhance, rather than deplete, the earth's natural capital'³¹. It works with companies and governments to establish practices for accounting for natural capital in the corporate sector.

In addition, some corporations have taken the lead and are working on interesting initiatives, such as Puma's 'environmental profit and loss accounting', which was inspired by the work of TEEB and has showed some interesting results. Business commitment to sustainability was also demonstrated at Rio+20 at the Corporate

²⁹ BBC, 2012. *Rio summit: Little progress, 20 years on* [online]. Available at: <www.bbc.co.uk/news/science-environment-18546583> [Accessed on 4 April 2013].

³⁰ Utopies, 2012. *Sustainability Reporting at Crossroads Reporting Trends Survey 2012* [online] Utopies. Available at: <www.utopies.com/IMG/pdf/Utopies_ReportingTrendsSurvey_2012.pdf> [Accessed on 4 April 2013].

³¹ www.teebforbusiness.org



Civil society organizations (CSOs) have been important drivers of corporate social responsibility (CSR) initiatives and associated government policies. Many CSOs are active users of non-financial information and as such, advocate for corporate transparency and accountability. This non-financial information is used to mobilise consumers, communities and interest groups; as well as broadening and enriching the public debate to account for private sectors' positive impact on society and the environment.

Important progress has been made regarding the uptake of sustainability reporting and on the attention paid to non-financial disclosure policies on a variety of issues, such as natural resource use, anti-corruption, supply chain and human rights information. However, it has been expressed in many venues that there are still important steps to be taken towards improving the quality, assurance, relevance and accuracy of what is reported on and disclosed by companies.

This brings new challenges for the development of policies and reporting practices. Accordingly, effort is needed to create an informed and constructive debate to enable corporate disclosure to succeed in aligning companies' activities with good governance, human rights and environmental protection, and develop a space where civil society can contribute effectively and constructively.

More information on: Exploring Civil Society Perspectives on Sustainability Reporting and Sustainability Reporting Policies. Stakeholder Forum for a Sustainable Future. Working Paper, January 2013.
<http://www.stakeholderforum.org/fileadmin/files/jeannet%20csra%20paper%20february%202.pdf>

Sustainability Forum³², convened by UNGC, in which many companies participated and reporting was high on the agenda.

Motivation in the investment community is equally strong. An increasing number of investors and rating agencies already use sustainability report data to make investment choices. The Corporate Sustainability Reporting Coalition, which includes investors such as AVIVA, has recently tabled a proposal for a UN 'Convention on Corporate Sustainability Reporting'. The coalition is calling on policy makers to require more disclosures by companies³³. More and more companies understand that long-

term value is enhanced by embedding long-term sustainability considerations into their business strategy, and by fully disclosing their progress to investors. This will help allocate capital to more sustainable, responsible companies and strengthen the long-term sustainability of the financial system. The availability of sustainability information helps the market and economy to function better; sustainability therefore becomes an element of recovery from the crisis.

The new tougher rules adopted by the institutions of the European Union on when and how credit rating agencies may rate State debts and private firms' financial health are most welcome. A strong attention is dedicated to issues such as independence of the agencies, due diligence and avoiding conflicts of interest. The greater role of the European Securities and Markets Authority is an important step towards better regulation in the area. See http://ec.europa.eu/internal_market/rating-agencies/index_en.htm

Other relevant regulatory changes concern the functioning of "hybrid" private/public investors such as Sovereign Wealth Funds (SWFs). Despite the general need for greater transparency about their holdings and investments strategies, many SWFs have become much more accountable to the public in their home countries, as shown by the so-called Linaburg-Maduell Transparency Index (<http://www.swfinstitute.org/statistics-research/linaburg-maduell-transparency-index/>) and in line with the Santiago Principles, adopted by the Sovereign Wealth Funds International Working Group in October 2008 (<http://www.iwg-swf.org/pubs/gaplist.htm>).

Alongside the corporate and investment communities, company watchers and CSOs are paying an increasing amount of attention to sustainability reports. In the lead up to Rio+20, several NGOs – such as the Stakeholder Forum³⁴ – worked together to bring a stronger and clearer message to the UN and member governments.

Many new civil society organizations work on the sustainability reporting agenda, in local, regional and international settings. Some have been critical about the use and quality of sustainability reporting. Research by SOMO (*Use of the Global Reporting Initiative (GRI) in Sustainability Reporting by European Electricity Companies*)³⁵, highlights systematic, widespread and significant discrepancies between what electricity companies claim to be reporting and the information they actually publish. These discrepancies diminish the accuracy and credibility of sustainability reports, and lead to the perception of 'greenwashing' by businesses.

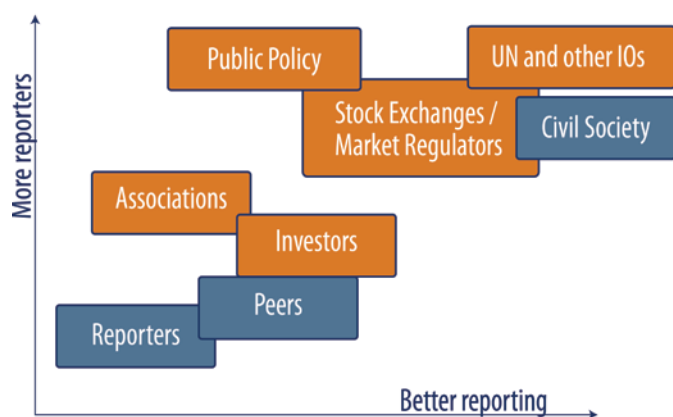
³² Rio+20, 2012. *Overview and Outcomes – Summary Report* [online] Rio+20. Available at: <www.unglobalcompact.org/docs/news_events/2012_CSF/Rio_CSF_Overview_Outcomes.pdf> [Accessed on 4 April 2013].

³³ Aviva, 2013. *The EU in 2013: Embedding corporate sustainability reporting* [online] Aviva <www.aviva.com/corporate-responsibility/programme-updates/15615>, accessed on 4 April 2013.

³⁴ Stakeholder Forum and Brazilian NGO Vitae Civilis convened a dialogue on Corporate Social Responsibility and Accountability and advocated for corporate transparency and reporting during the Rio+20 process.

³⁵ Steinweg, T. and Wilde-Ramsing, J. 2012. *Use of the Global Reporting Initiative (GRI) in Sustainability Reporting by European Electricity Companies* [online] Amsterdam: Centre for Research on Multinational Corporations (Somo). Available at: <somo.nl/publications-en/Publication_3918> [Accessed on 4 April 2013].





As part of its GROW campaign, Oxfam created a scorecard based entirely on publicly-available information on the social and environmental policies of the world's ten largest food and beverage companies. In doing so, it stressed that the provision of insufficient information is a notable limitation of sustainability reporting. Transparency International (TI) too has scrutinized corporate behavior, focusing on the disclosure of anti-corruption information in the financial sector³⁶. The study analyzes the transparency of corporate reporting on a range of anti-corruption measures among the 105 largest publicly-listed multinational companies. The analysis reveals the need for significant improvement, particularly regarding data covering certain countries. TI has highlighted limitations in the disclosure of corporate holdings which operate in the poorest and most vulnerable countries, a decision often based on 'materiality' related issues. According to the study, fuller disclosure 'exposes the link between the parent company and the local jurisdiction, providing accountability in both places'. Again, this is vital in developing countries.

8. Challenges to the momentum

Many organizations do not prioritize sustainability reporting, and some parties are opposed to regulation.

The requirement for companies to disclose sustainability information is seen by some business associations as an increase in red tape, administrative burdens, and increased direct costs.

Yet many companies will find the expenditure on their sustainability report to be far less significant than their expenditure on financial reporting, advertising or PR. The costs of issuing a sustainability report vary. Many elements of the reporting process can contribute to its cost, including:

- Time for senior management and other staff to discuss report contents
- Developing and implementing data gathering systems
- Time for gathering and inputting data
- Implementing new processes, including staff training on data collection
- Time for checking information
- Preparing the report itself, involving internal resources (time, capacity building, etc.), and potentially external resources (consultancy, writing/editing, layout, printing, etc.)
- External verification or auditing, if applicable

Demand for more reliable data on specific issues – such as GHG emissions – will continue to increase³⁷. Yet the issue of whether policy makers will continue to take a longer term view is further complicated by the tension between the lack of trust in governments' regulatory force on the one hand, and the increasing public demand for transparency and regulation on the other. It remains to be seen which force will win. This publication presents the latest development trends through its overview of frameworks, policies, initiatives and in-depth profiles, to give an indication of the future of reporting, policy, and regulation.

³⁶ Kowalczyk-Hoyer, B. 2012. *Transparency in Corporate Reporting: Assessing the World's Largest Companies* [online] Transparency International. Available at: <www.transparency.org/whatwedo/pub/transparency_in_corporate_reporting_assessing_the_worlds_largest_companies> [Accessed on 4 April 2013].

³⁷ "The regulator may take a decision against mandatory legislation requiring comprehensive sustainability reporting. Yet the viability of most regulatory instruments is substantially dependent on the availability and quality of relevant information. The practical application of economic instruments is heavily reliant on information, for example about the quantity of emissions ("Smart Regulation", Gunningham and Grabosky, 1998). Running certain economic instruments may require the introduction of mandatory reporting for monitoring purposes. Examples are pollution taxes and tradable permit schemes. In the case of the latter, government needs to ensure reliable measuring, accounting, auditing and reporting of emissions, as well as accurate record keeping of the location and monetary value of permits. This brings us back to the role of variants of product-based, issue-based and site-based reporting, and the desirability or feasibility of linking these requirements up into a comprehensive reporting framework." (KPMG, UNEP, 2006. *Carrots and Sticks for Starters – Current trends and Approaches in Voluntary and Mandatory Standards for Sustainability Reporting*. KPMG and UNEP)

Sustainability Frameworks. Which one for reporting?

A variety of initiatives assist organizations with their sustainability strategy and reporting.

Some have a comprehensive sustainability scope. Others are aimed at specific sectors, or focus on a single issue such as greenhouse gas emissions, climate change, or the impacts of business activity on forests.

This chapter of *Carrots and Sticks* presents normative frameworks, management standards, and reporting frameworks. Only global initiatives are presented; national initiatives are listed in the inventory of sustainability reporting policies and guidance in this publication under each country, as applicable.

There are several internationally-accepted sustainability frameworks with complementarities and synergies. The UN Global Compact principles and the OECD *Guidelines* provide normative frameworks to help companies shape their sustainability vision and management approach, as well as to measure their impacts. ISO 26000 is a private management standard that provides guidance for organizations on the concept and definitions of corporate social responsibility. GRI's Sustainability Reporting Framework provides organizations with disclosure items and metrics that align with the most important international normative frameworks, allowing them to benefit from each initiatives' complementarities and strengths.

- **Global Reporting Initiative (GRI)**

GRI's Sustainability Reporting Framework, including its Reporting Guidelines, offers the Principles and Disclosures organizations can use to report their economic, environmental, social, and governance performance and impacts. It is designed for use by organizations of any size, sector, or location. GRI is committed to continuously improving and increasing the use of the Guidelines, which are freely available to the public.

Key features of GRI's Framework include its:

- Comprehensive scope, covering the main sustainability issues
- Continuous development, reflecting user experience
- Consensus-based, multi-stakeholder and multi-constituency development
- Universal relevance, including for private sector, public agency and civil society organizations

Reference: www.globalreporting.org

- **The International Integrated Reporting Council (IIRC)**

The IIRC is developing an international Integrated Reporting Framework. Aimed primarily at long-term investors, this framework will not create new indicators but rather offer guidance and principles for companies on how to integrate financial and non-financial information using existing reporting standards and guidelines, such as those of GRI and the International Financial Reporting Standards (IFRS). The framework will create the foundations for a new reporting model which will enable a business to provide a concise communication of how it creates value over time.

Reference: www.theiirc.org

- **United Nations Global Compact**

The UNGC is the largest policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. The ten principles are derived from United Nations Declarations and Conventions. UNGC signatories are required to issue a Communication on Progress (COP), a public disclosure to stakeholders on progress made in implementing the ten principles.

Violations of the COP policy (e.g., failure to issue a COP) result in signatories' status being changed to 'non-communicating', and can eventually lead to expulsion.

Reference: www.unglobalcompact.org

- **OECD Guidelines for Multinational Enterprises**

The OECD Guidelines provide recommendations for responsible business conduct in areas such as employment and industrial relations, human rights, environment, information disclosure, combating bribery, consumer interests, science and technology, competition, and taxation. 44 adhering governments – representing both OECD and non-OECD member countries from all regions of the world – encourage their enterprises to observe the Guidelines wherever they operate.

The latest revision of the Guidelines includes an expanded section on human rights and a new approach to due diligence and supply chains. The disclosure of financial and non-financial information plays a key role in Chapter III.

Reference: <http://www.oecd.org/daf/inv/mne/>



- **ISO 26000**

Published by the International Organization for Standardization, ISO 26000 is a guidance standard on how business and organizations can operate in a socially responsible way. It helps clarify what social responsibility is, helps businesses and organizations translate principles into effective actions, and shares best practice on social responsibility. It is aimed at all types of organizations regardless of activity, size or location. The standard states that an organization should, at appropriate intervals, report about its performance on social responsibility to the stakeholders affected.

ISO 26000 represents broad international collaboration; representatives from government, NGOs, industry, consumer groups and labor organizations from around the world were involved in its development.

ISO 26000 defines 7 'core subjects': 1. Organizational governance, 2. Human rights, 3. Labour practices, 4. The environment, 5. Fair operating practices, 6. Consumer issues, 7. Community involvement and development.

Reference: www.iso.org/iso/home/standards/iso26000.htm

- **Carbon Disclosure Project (CDP)**

CDP provides a global reporting system that collects information from the world's largest organizations about their climate change risks, opportunities, strategies and performance, and the way in which they consume and affect natural resources including water and forests. By leveraging market forces including shareholders, customers and governments, CDP has incentivized thousands of companies and cities across the world's largest economies to measure and disclose their greenhouse gas emissions, climate change risk and water strategies. 4,200 of the world's largest companies reported to CDP in 2012. CDP holds the world's largest database of self-reported climate change data.

Reference: www.cdproject.net/en-US/Pages/HomePage.aspx

- **Greenhouse Gas Protocol (GHG Protocol) Corporate Standard**

The Greenhouse Gas Protocol (GHG Protocol) is the most widely used international accounting tool for government and business leaders to understand, quantify, and manage greenhouse gas emissions. The GHG Protocol, a decade-long partnership between the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), is working with businesses, governments, and environmental groups around the world to build a new generation of credible and effective programs for tackling climate change.

It provides the accounting framework for nearly every GHG standard and program in the world – from ISO to The Climate Registry – as well as hundreds of GHG inventories prepared by individual companies.

The GHG Protocol also offers developing countries an internationally-accepted management tool to help their businesses to compete in the global marketplace and their governments to make informed decisions about climate change.

Reference: www.ghgprotocol.org/

- **PRI Reporting Framework**

The United Nations-supported Principles for Responsible Investment (PRI) Initiative is an international network of investors working together to put the six Principles for Responsible Investment into practice. Its goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision making and ownership practices. The Principles offer a menu of possible actions for incorporating ESG issues into investment practices across asset classes. There are some mandatory indicators which represent the minimum set of public information that signatories are required to report and disclose from 2013.

Reference: www.unpri.org

- **Extractive Industries Transparency Initiative (EITI)**

EITI is a global standard ensuring transparency of profits earned from the extraction of natural resources. Leaders from governments, extractives companies and civil society have been working together since 2003, when they agreed the EITI Principles. The EITI promotes greater transparency as per the disclosure of the payments to the government from oil, gas and mining companies. They affirm that natural resources can be important drivers of economic growth and social development if the revenues are managed well and transparently. These stakeholders have developed the EITI standard which is set out in the EITI Rules.

Reference: www.eitransparency.org

- **International Labour Organization (ILO) Tripartite declaration of principles concerning multinational enterprises and social policy**

The principles laid down in this universal instrument offer guidelines to MNEs, governments, and employers' and workers' organizations in such areas as employment, training, conditions of work and life, and industrial relations. Its provisions are reinforced by certain international labor Conventions and Recommendations which the social partners are urged to bear in mind and apply, to the greatest extent possible.

Reference: <http://bit.ly/qufkuK>

- **Core Labour Standards** (or CLS) are the baseline standards for labor set up by the ILO. The baseline standards include: freedom of association and the right to collective bargaining; the elimination of forced and compulsory labor; the abolition of child labor; and the elimination of discrimination in the workplace. Other standards have been sought by the ILO to

improve worker conditions, but these have been the central few that are widely accepted as customary international law.

Reference: www.ilo.org/empent/Publications/WCMS_094386/lang--en/index.htm

- **UN Guiding Principles on Business and Human Rights**

On 16 June 2011, the UN Human Rights Council endorsed the “Guiding Principles on Business and Human Rights: Implementing the United Nations ‘Protect, Respect and Remedy’ Framework” proposed by UN Special Representative John Ruggie.

These Guiding Principles are grounded in recognition of:

- (a) States’ existing obligations to respect, protect and fulfill human rights and fundamental freedoms;
- (b) The role of business enterprises as specialized organs of society performing specialized functions, required to

comply with all applicable laws and to respect human rights;

- (c) The need for rights and obligations to be matched to appropriate and effective remedies when breached.

These Guiding Principles apply to all States and to all business enterprises, both transnational and others, regardless of their size, sector, location, ownership and structure.

Communication by business enterprises on how they address their human rights impacts can range from informal engagement with affected stakeholders to formal public reporting. State encouragement of, or where appropriate requirements for, such communication are important in fostering respect for human rights by business enterprises.

Reference: www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf



In-depth Profiles

This section contains more detailed information, in alphabetical order, of the following countries and regions: Australia, Brazil, China, Colombia, Denmark, EU, France, India, Norway, South Africa and the USA. Each profile provides a brief narrative on the history and development of relevant sustainability reporting policies and initiatives in the region, and an assessment of the trends.

AUSTRALIA

Since the last *Carrots and Sticks* in 2010, there have been a number of changes to reporting requirements targeted at listed companies in Australia. While they do not relate directly to sustainability reporting, their underlying objectives are increased disclosure and transparency. These developments are in various stages of implementation, and their effectiveness cannot be fully assessed as yet.

Regulatory Guide 247 on operating and financial review (OFR) was introduced by the Australia Securities and Investment Commission (ASIC) in March 2013.³⁸ The Guide addresses the requirements of s 299(1) of the 2001 Corporation Act³⁹, for listed companies to include relevant information in their directors' reports in order for shareholders to make an informed assessment of the organization.

The Guide aims to increase the effective disclosure of OFRs by promoting better communication of relevant and meaningful information, and assisting directors in understanding and complying with the OFR disclosure requirements. In particular, ASIC expects the OFR to elaborate on the financial report by providing insightful narrative and analysis to give a clear understanding of the organization's historical and expected future performance. Specific environmental, social and governance risk is not addressed as part of this guidance document, but non-International Financial Reporting Standards information may be included in an OFR if necessary. Such information enables shareholders and other users to make an informed assessment of the organization's operations, financial position, business strategies, and prospects for future financial years, provided that it is not presented in a misleading manner.⁴⁰

The exemption from disclosing business strategies and prospects for future financial years which may result in 'unreasonable prejudice' towards an organization is not well understood, and has led to instances of misapplication.

Another development is the introduction of the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Bill 2011⁴¹, which responds to growing demands for transparency and accountability in corporate governance and remuneration. The Bill aims to increase accountability for board performance and executive pay, giving shareholders the ability to challenge high remuneration packages relative to poor business performance.

The regulated remuneration reforms, including the 'two strikes' rule⁴², are arguably the most significant corporate governance reforms that Australia has seen since the release of the ASX Corporate Governance Principles and the "if not, why not" regime.⁴³ Shareholders and stakeholders are now equipped to challenge boards that disregard shareholder concerns about remuneration practices.

A third development is the fully-implemented diversity reporting requirements included in the ASX Corporate Governance Council Corporate Governance Principles and Recommendations. These requirements took effect in 2011, utilizing the "if not, why not" regime. Their effectiveness is regularly assessed, and ASX Compliance released a report in 2012 – produced independently by KPMG⁴⁴ – which found that organizations:

- Established a diversity policy – 93% of ASX 200, 85% of ASX201-500 and 58% of ASX 501+
- Established measurable objectives – 82% of ASX 200, 59% ASX201-500 and 28% of ASX 501+

These outcomes are encouraging given the short implementation period, and fit well with the current increased focus on gender as part of human rights disclosure. The report also indicates that maturity and size – the latter linked to the availability of resources – were the biggest barriers to establishing a diversity policy for smaller listed companies.

⁴¹ *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Bill 2011*, Australia: Australian government.

⁴² The 'first strike' occurs when a company's remuneration report receives is opposed by 25% or more of the shareholders, while the 'second strike' occurs when the subsequent remuneration report is also opposed by 25% or more.

⁴³ The "if not, why not" approach applies if a company considers that a Recommendation (of the ASX Corporate Governance Council Principles and Recommendations) is not applicable to its particular circumstances, it then has the flexibility not to adopt it provided it explains why that is the case.

⁴⁴ KPMG, 2012. *ASX Corporate Governance Council Principles and Recommendations on Diversity, Analysis on financial years ended between 31 December 2011 and 30 December 2012* [online] KPMG. Available at: <www.kpmg.com/AU/en/IssuesAndInsights/ArticlesPublications/Documents/asx-corporate-governance-council-principles-diversity.pdf> [Accessed on 4 April 2013].

³⁸ *Regulatory Guide 247, Effective disclosure in an operating and financial review 2013*, Australia: ASIC.

³⁹ *Corporations Act 2001*, Australia: Australian government.

⁴⁰ *Regulatory Guide 247, Effective disclosure in an operating and financial review 2013*, Australia: ASIC.

There are no immediate plans for Australia to develop a national framework for sustainability reporting. However, work is underway that will affect the way all listed companies report in the near future. The third edition of the ASX Corporate Governance Council Corporate Governance Principles and Recommendations will focus on risk, remuneration, and respecting the rights of shareholders. It is also expected to address the increasing focus on environmental and social issues among the investment community and wider society.

These changes may be the closest Australia comes to a national framework for sustainability reporting in the mid-term, unless the Government intervenes to make such reports mandatory.

BRAZIL

The Brazilian experience of corporate sustainability reporting goes back to the 1980s, when FIDES⁴⁵ developed a voluntary reporting model encouraging companies to report on their community involvement, environment, and working conditions. Furthermore, since 2001 the Brazilian Electric Energy Agency (Aneel) has required all energy companies to publish annual social and environmental reports using GRI's Guidelines.

In 2011 the Ministry of the Environment launched a national Action Plan for Sustainable Production and Consumption (PPCS). The Plan, which reflects the debate on Green Economy, aims to be a core instrument for government, manufacturers and society to achieve sustainable development. It covers Sectorial Pacts, Governmental Actions, Voluntary Initiatives, Partnership Shares and Task Forces. Roll-out is expected to be completed by 2020. To be official participants in the Plan, companies must disclose how socio-environmental issues are integrated in their planning schedules and decision-making processes, and their plans for doing so.

Brazil also has a long history of promoting sustainability disclosure in stock market initiatives. In 2005 the São Paulo Stock Exchange, BM&F BOVESPA, launched the Corporate Sustainability Index (ISE), the fourth of its type in the world. This groundbreaking initiative in Latin America was designed to create an investment environment compatible with society's need for sustainable development, and to encourage corporations to be ethically responsible.

The eighth ISE portfolio, effective until 3 December 2014, is composed of 37 companies' stocks. They represent 16 sectors and over BRL 1 trillion (approximately USD 500 billion) in market value: 81 percent of the total value of companies with stock traded in BM&F BOVESPA.

In 2010 the International Finance Corporation (IFC) requested an assessment of its impact on the strengthening of sustainability practices among their member companies. It concluded that the main benefit of ISE compliance is enabling companies to

review their own sustainability practices, resulting in greater competitiveness, and improved reputation.

Following the example of the Johannesburg Stock Exchange and similar initiatives in France, Denmark and Sweden, since 2012 BM&F BOVESPA has recommended that listed companies adopt a report or explain approach, where they explain their reasons for not reporting certain information. The objective is to provide investors and other stakeholders with quick access to this information, while at the same time strengthening a growing movement in the international capital market.

Furthermore, to address the issue of global warming BM&F BOVESPA and the Brazilian Development Bank (Banco Nacional de Desenvolvimento Econômico e Social/BNDES) have jointly created a new market index – the Carbon Efficient Index (ICO2). It is comprised of companies participating in the IBRX-50 index, which have agreed to join by adopting transparent practices regarding their greenhouse gas emissions. It is mandatory for these companies to submit a GHG inventory covering emissions related to production, and indirect emissions from energy consumption and logistics.

The increasing focus on socio-environmental responsibility has created discussion around the regulation and self-regulation of sustainable finance. In the area of self-regulation, in 1995 BNDES and other federal public banks signed the Green Protocol. In 2008 BNDES, the Ministry of the Environment, and federal public banks signed a revised version, titled the Protocol of Intentions for Socio-environmental Responsibility. It establishes political and practical socio-environmental principles and guidelines that promote sustainable development.

In 2012 the Brazilian Central Bank submitted two draft resolutions for public consultation. The first proposed that financial institutions be required to establish and implement environmental responsibility policy compatible with their size, nature, and the complexity of their business. The second concerned the elaboration and dissemination of Environmental Responsibility Reporting. The proposal is based on the principle of transparency, in line with the best recommendations and protocols for self-regulation such as the Green Protocol and the Principles for Responsible Investment. The proposal represents a potential breakthrough in terms of the quality of information; at the time of writing, the Central Bank is working on improving the content.

Despite the many impressive initiatives in Brazil, there is still a need for complementary actions by Government to promote sustainability disclosure and accountability. This process has perhaps already started with the Brazilian Government's participation in the Group of Friends of Paragraph 47. The Group represents an opportunity to share experiences globally, and work on innovative ways to encourage the internalization of sustainability factors in all production systems.

⁴⁵ Fundação Instituto de Desenvolvimento Empresarial e Social.



CHINA

In China, the role of the central government is to set the tone and direction for public policy – including for CSR and sustainability reporting. This lays the foundations of the general regulatory and enforcement system. Local government and industry regulatory bodies echo the vision of the government, while state-owned companies act as pioneers and lead by example. With enough leadership in place, the private sector gradually buys into new trends and voluntary grassroots movements start up.⁴⁶ There is a range of formal regulators and voluntary standard enforcers for sustainability disclosure and reporting in China, shown in the table below:

Government level	Stock exchanges (SE) & indexes	Industry associations	Other standards enforcers
- China Securities Regulatory Commission (CSRC) amendments to the code of governance for listed companies - Amendments to Company Law - SASAC¹ policy on State owned enterprises - CAITEC² CSR guidelines - Shanghai Pudong Government guidelines CSR company awards	- Shanghai SE mandatory disclosure of environmental information and CSR - Shenzhen SE guidelines and CSR index - Hong Kong SE ESG guide - CSI corporate governance index - Hang Seng Corporate sustainability index	- CNCA's social compliance management system for the clothing industry - China's banking association CSR guidelines for financial institutions 11 national industrial federations and associations' CSR guidelines	- China Entrepreneur Club's China Green Companies Top 100 ranking - A-share Listed Companies CSR Report Awards by Rankins CSR Ratings, Hexun.com and Det Norske Veritas (DNV) - ACCA's Hong Kong Awards for sustainable reporting

¹ State-owned Assets Supervision and Administration Commission.
² Chinese Academy of International Trade and Economic Cooperation.

Based on table in Peter H. Y. Wong, 2012.⁴⁷

Additionally, public sector inter-agency partnerships were also set up to introduce targeted mandatory schemes with the aim of driving compliance and disclosure. The green credit, securities, and insurance policies are examples of these partnerships between the Ministry of Environmental Protection and different financial sector regulatory bodies, which restrict financing options for a number of heavy polluters in an effort to force them to comply.⁴⁸

The number of sustainability reports in China has been increasing over the last decade. According to the preliminary statistics of SynTao, over 1600 reports were published in 2012, around 20 times

the number in 2007.⁴⁹ Half of these reports came from large state-owned enterprises and listed companies. The Financial and ICT sectors were the most active.

Business is not alone. Reporting practice has been extended from corporations to other organizations. In 2012 reports were published by hospitals, schools, universities, and other organizations. Yet while assurance or audit can benefit organizations, it is still rare in China. Among all sustainability reports, only 5 percent have independent assurance by third parties.⁵⁰

It is widely recognized that China has a policy-driven economy and this also applies to sustainability reporting. Policies and regulatory initiatives around CSR disclosure have become the strongest drivers. The most influential include the 2006 Social Responsibility Guideline for Listed Companies of Shenzhen Stock Exchange (SZSE), the Notice of Improving Listed Companies' Assumption of Social Responsibilities of the Shanghai Stock Exchange (SSE) in 2008, the requirements of the Stock Exchange of Hong Kong Limited in 2012, and the CSR Guideline by the State-owned Assets Supervision and Administration Commission (SASAC) in 2008. As a result of such policies and regulation, the development of sustainability reporting accelerated significantly after 2008.

Recently, some regional governments and sector-level industrial associations are joining this movement. For instance, in 2012 the Civilization Office of Shanghai Municipal Government made CSR reporting a criterion for organizations and enterprises honored as civilization model units. This will potentially add several hundred reports a year in Shanghai.

At sector-level, China National Textile & Apparel Council (CNTAC), China Banking Association (CBA), and China Federation of Industrial Economy (CFIE) advocated their members to publish CSR reports in 2008 and 2009. Many use GRI's Guidelines as a reference: the Food Processing and Media Sector Supplements have been translated into Chinese-Mandarin, and the Financial Services Sector Supplement will follow. Some reports refer to other frameworks, such as Global Compact principles, CSR-GATES of CNTAC, and CASS-CSR 2.0 of China Academy of Social Sciences.

⁴⁶ Van Der Lugt, C. and Malan, D., 2012. *Making the Investment Grade* [online] Cape Town: United Nations Environment Programme, Deloitte and Centre for Corporate Governance in Africa. Available at: <www.deloitte.com/assets/Dcom-SouthAfrica/Local%20Assets/Documents/Making_Investment_Grade.pdf> [Accessed on 4 April 2013].

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ SynTao. *China Sustainability Reporting Resource Centre* [online] Available at: <www.SustainabilityReport.cn> [Accessed on 4 April 2013].

⁵⁰ Ibid.

Although there are several world-class sustainability reports in China, average report quality is still fairly low. About 25 percent of reports consist of five pages or less, often with insufficient disclosure. In addition, many reports do not address quantitative indicators on key issues such as GHG emissions, energy efficiency, and occupational health and safety. But the growth of sustainability reporting remains strong. New or updated policies and standards around reporting are expected, particularly at regional and sector level. Given the pressure from peer state-owned enterprises, the percentage of reports by MNEs and SMEs is likely to increase.

However, this growth will only be healthy and sustainable if the value of reporting is truly discovered and utilized. On one hand, Chinese companies need to learn how to apply reporting practice to management processes, and how to use reports as a tool to conduct stakeholder engagement. On the other hand, report users such as NGOs, rating agencies, responsible investors, etc., need to find a way to reflect report information on corporate values. This will be a long journey of a decade or more.

COLOMBIA

Recently, Colombia has shown interest in the topics of sustainable development, sustainable consumption and production, sustainable public procurement, and Green Economy. Traditionally NGOs and civil society organizations have driven the Corporate Responsibility agenda, including sustainability reporting. Colombia has been gradually incorporating the environmental variable to improve performance in the productive sectors, with an approach that seeks to prevent and minimize impacts and risks to the environment and human health, and to ensure environmental protection, economic growth, social welfare and business competitiveness as long-term concerns. By 1997 one of the main objectives of the government environmental strategy was to work towards a Green Economy as an opportunity for Colombia to incentivize sustainable development and encourage healthy national and international competitiveness.⁵¹

The 2002 National Strategic Plan for a Green Market⁵² is a national framework related to green markets. Covering all institutions, the Plan aims at the consolidation of the production of environmentally-sustainable goods, and to increase competitive ecological services, to contribute to the improvement of the environment and social welfare.

Following the same trend, the 2010 'National Policy of production and consumption: towards a culture of sustainable consumption and changing production,'⁵³ issued by the Ministry of Environment,

Housing and Territorial Development, aims to provide guidance on changing patterns of production and consumption in the Colombian economy. It seeks to influence behavior change among different actors – entrepreneurs, industry leaders, environmental authorities, government officials, universities and NGOs, among others – so that they move towards more sustainable production and consumption models/patterns. The objective is to promote a self-managing and regulating culture by formulating and circulating public information on sustainable production and consumption with the participation of civil society. Elements of the strategy include the implementation of a national program of self-regulation for companies, the promotion of the disclosure of sustainability information following GRI's Framework, and developing a public platform for disseminating information about sustainability matters.

The Government sees sustainability reporting as an important tool to be used in working towards the strategy's objectives on sustainable consumption and production. The policy has led to changes in patterns of production and consumption in the country, in alignment with the broader overall goals of the Policy for Sustainable Production and Consumption for 2014 and 2019. In terms of sustainability reporting, the goals are to see an increase of 10 percent by 2014 and 40 percent by 2019 in the number of companies reporting social and environmental indicators, using verifiable and internationally-recognized reporting systems.

The Government is also developing a National Program for Voluntary Reporting on GHG Emissions⁵⁴. It is designed for enterprises to account for, report and identify strategies to control their corporate GHG emissions, through technical support and the subsequent recognition of their voluntary actions that contribute to climate change mitigation. The program will be led by the Ministry of Environment and Sustainable Development, the National Business Association of Colombia, and The Colombian Business Council for Sustainable Development (CECODES).

DENMARK

It is the Danish Government's ambition that both human and natural resources in Denmark should be used in a way that is both sustainable and competitive. This requires the right framework conditions, including meeting the demands from consumers, investors and the public sector.

In this context, sustainability reporting is an evolving policy area that continues to stay high on the agenda. Transparency is considered important in securing a well-functioning market economy, as well as facilitating competitiveness and sustainable growth.

⁵¹ Colombian Ministry of Environment, 1997. *National Policy for Cleaner Production*. Bogota: Ministry of Environment.

⁵² Colombian Ministry of Environment, 2002. *National Strategic Plan for a Green Market*. Bogota: Ministry of Environment.

⁵³ Colombian Ministry of Environment, Housing and Territorial Development 2010. *National Policy of production and consumption: towards a culture of sustainable consumption and changing production*. Bogota: Ministry of Environment, Housing and Territorial Development.

⁵⁴ El Consejo por el Desarrollo Sostenible (CECODES) *National Program for Voluntary Report on GHG Emissions* [online] Available at: <www.cecodes.org.co/index.php/component/content/article/9-frontpage/1605-cecodes-programa-nacional-de-reporte-voluntario-de-emisiones-de-gei-en-colombia.html> [Accessed on 4 April 2013].



Danish businesses can choose whether or not they wish to work on CSR. However, in terms of reporting, as from 2009, large businesses in Denmark must take a position on CSR in their annual reports and must account for their work on CSR in future annual reports. This requirement was introduced in 2008 when the Danish Parliament adopted the proposed 'Act amending the Danish Financial Statements Act'. The statutory requirement was part of the 2008 Government's action plan for CSR, and is intended to inspire businesses to engage more actively and strategically in CSR in line with international principles, and communicate their policies and actions; and consequentially, to contribute to improving the international competitiveness of Danish trade and industry.

The Act covers large businesses in accounting class C, and listed companies and state-owned companies in accounting class D.⁵⁵ Subsidiaries are exempt from having to report on social responsibility if the parent company does so for the entire group.

The same reporting requirement has also been introduced for institutional investors, mutual funds, and other listed financial businesses not covered by the Danish Financial Statements Act. For these organizations, the requirement has been introduced in Executive Orders issued by the Danish Financial Supervisory Authority. Businesses covered by the statutory requirement must report on their performance on a number of metrics but are afforded a high level of flexibility to address their specific situation. Thus, businesses are required to 1) give information on their CSR policy if they have one, or 2) expressly state that they do not have a CSR policy. Although companies do not have to explain why they do not have a policy, this 'quasi' comply-or-explain type of approach to sustainability reporting ensures that CSR is still voluntary but incentivizes the development of such policies. If a company has a CSR policy, it must also explain how it is implemented and give an evaluation of what has been achieved through its initiatives during the financial year, and any expectations regarding future initiatives.

In 1996 Denmark also implemented a Green Accounting Scheme (revised in 2010) with two primary purposes: making information about large businesses and heavy polluters' environmental impact publicly available, as well as encouraging businesses to address environmental matters. The Scheme is mandatory for more than 400 companies and it requires a statement from senior management level, and accounts of material input, emissions and waste. Recently the Danish Minister for the Environment has also shown interest in developing new methods for environmental accounting and reporting. This has resulted in a pilot project on

the methodology – "Environmental Profit & Loss" – which focuses on assessing the costs across the supply chain of environmental impacts of a company.

In 2012 the Danish Government launched a new action plan for CSR to provide guidance and create shared value for business and society through innovative partnerships between the private sector, the public sector and civil society. It also laid out the plan to strengthen accountability through the implementation of the UN Guiding Principles and transparency requirements. In addition to the reporting requirements in place since 2009, the new requirements on human rights and climate issues require disclosure on whether or not the company has policies to ensure respect for human rights and/or to reduce the climate impact of its activities. Companies must report on these two issues and list policies, activities and results.

Annual assessments of reporting practices have been conducted in Denmark for the financial years 2009-2011, undertaken by the Copenhagen Business School (CBS) for the Danish Business Authority. The assessment of the third year with the reporting requirement (2011) showed that 97 percent of companies complied with the requirement, either through their own reporting or through their parent company. As such, the law has had a mobilising effect on large companies' sustainability reporting in the sense that 93 percent report on CSR on their own behalf, and of these 94 percent report that they work actively with CSR, while only 6 percent report that they do not. In overall terms, the data show that the quality of the businesses' information on CSR in the financial statement is steadily increasing. However, there are still some businesses that do not fully meet the legal requirements. This means, overall, that the Act has served as an incentive for large Danish businesses to be more open about their CSR initiatives.

In Denmark, legislation has been an important trigger for increased sustainability reporting according to international guidelines. Encouraging companies to sign up to the UN Global Compact also resulted in an increase from 30 to 187 Danish signatory companies (at 1 November 2010)⁵⁶. The Danish example shows that it is possible to combine mandatory reporting with the possibility of leaving the way open with regard to how reporting is implemented by companies.

The Danish Government has also implemented rules, effective from 1 April 2013, on improving the gender balance in the management of large Danish companies. The rules state that the 1100 largest companies in Denmark are obliged to set a target figure to address the underrepresented gender on the board of directors. Furthermore, they have to establish policies on how to improve the representation of the underrepresented gender in

⁵⁵ The requirements in the law are divided in four accounting groups or classes in the Financial Statements Act. Class A – D where A is the small-sized personally owned business and D is for the big listed public companies. The restrictions and obligations increase in each group. European Commission. *Annex 1.D Denmark* [online] Available at: <ec.europa.eu/enterprise/policies/sme/business-environment/files/annexes_accounting_report_2011/denmark_en.pdf> [Accessed on 4 April 2013], p.4.

⁵⁶ The Danish Council on Corporate Social Responsibility, 2010. *Promotion of Responsible Growth – Recommendations from the Danish Council on Corporate Social Responsibility* [online] The Danish Council on Corporate Social Responsibility. Available at: <http://www.csrcouncil.dk/file/311022/promotion_responsible_growth_recommendations.pdf> [Accessed on 4 April 2013].

the management in general. Similar to the rules concerning the largest Danish companies' engagement in CSR, the rules state an obligation to report on the target figure and policies, including the status on meeting targets and implementing policies. The report must be contained within the annual report. The new rules differ in that a company will be sanctioned for not establishing a target figure or policy, or not reporting on them. Thus, companies must comply with the new rules but are free to set a target figure and establish policies suitable for the company.

EUROPEAN UNION

In the last decade the EU has been very active on CSR. This has paved the way for more sustainability reporting and produced several initiatives and instruments. These instruments are directly in force at the Member State level. Regulation refers to voluntary and mandatory systems with elements of reporting sustainability information: the Accounts Modernisation Directive⁵⁷, the European Pollutant Release and Transfer Register (PRTR)⁵⁸, the Integrated Pollution Prevention and Control Directive (IPPC)⁵⁹, the EU Eco-Management and Audit Scheme (EMAS)⁶⁰, and the EU Emissions Trading System (ETS).⁶¹

Sustainability reporting has grown, but is not yet mainstreamed as many companies still do not disclose non-financial information.⁶² According to the provision of the Modernisation Directive,⁶³ reporting should include environmental and employee matters and key performance indicators, where appropriate. Member States may choose to exempt SMEs from those non-financial reporting obligations in their annual reports. A 2006 amendment to the Directive also introduced a requirement for listed companies to include a corporate governance statement in their annual reports.⁶⁴ In the past few years the Directive has contributed to creating awareness among companies about the importance of non-financial disclosure.

In April 2013 another crucial piece of legislation was agreed upon by the European Union, amending the Accounting Directives and the Transparency Directive, requiring the disclosure of payments to governments on a country and project basis by listed and large non-listed companies with activities in the extractive industry (oil, gas and mining) and loggers of primary forests (the so-called country by country reporting – CBCR).

Following this development, another legislative proposal amending the existing accounting legislation has been launched, with the aim to improve the transparency of large companies in Europe. According to the provisions put forward, all large companies in the EU will have to disclose information on (a) policies, (b) risks and (c) results as regards environmental matters, social and employee-related aspects, respect for human rights, anti-corruption and bribery issues, and diversity on the boards of directors. The proposal introduces a 'report or explain' approach, therefore if a specific area is not relevant for a company, it would not be obliged to report although it will be required to explain why it has not. Companies will be able to choose which of the existing internationally recognized frameworks to use to report such as the UNGC, the UNGP on Business and Human Rights, the OECD Guidelines, ISO 26000, the ILO Tripartite declaration, and the Global Reporting Initiative. The proposal will be discussed during the course of 2013 and could become law in 2014².

¹ *Proposal for a Directive of the European Parliament and the Council of the European Union amending Council Directives 78/660/EEC and 83/349/EEC as regards disclosure of non-financial and diversity information by certain large companies and groups.*

² Once the Directive is officially adopted by the EU, Member States will be required to transpose it into their national laws within two years.

Some EU Member States have also developed national policy initiatives in the field of sustainability reporting, substantially contributing to the uptake of the practice among companies.⁶⁵ Although there are policies on sustainability reporting already in place in several EU countries, the legislative framework is still fragmented and heterogeneous.

In the broader context of the Europe 2020 strategy, the European Commission has launched its 2011-14 EU Strategy for Corporate Social Responsibility, where non-financial information disclosure is recognized as a key element for accountability and trust building. In the Communication, the European Commission calls for the necessity to improve company disclosure of social and environmental information in the EU. Furthermore, in the document the European Commission recognized

⁵⁷ *Directive 2003/51/EC of the European Parliament and of the Council of 18 June 2003 amending Directives 78/660/EEC, 83/349/EEC, 86/635/EEC and 91/674/EEC on the annual and consolidated accounts of certain types of companies, banks and other financial institutions and insurance undertakings.*

⁵⁸ *Regulation (EC) No 166/2006 of the European Parliament and of the Council of 18 January 2006 concerning the establishment of a European Pollutant Release and Transfer Register and amending Council Directives 91/689/EEC and 96/61/EC.*

⁵⁹ *Directive 2008/1/EC of the European Parliament and of the Council of 15 January 2008 concerning integrated pollution prevention and control.*

⁶⁰ European Commission. *What is EMAS?* [online] Available at: <ec.europa.eu/environment/emas/index_en.htm> [Accessed on 4 April 2013].

⁶¹ European Commission. *The EU Emissions Trading System (EU ETS)* [online] Available at: <ec.europa.eu/clima/policies/ets/documentation_en.htm> [Accessed on 4 April 2013].

⁶² *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committees and the Committee of the Regions – A renewed EU strategy 2011-14 for Corporate Social Responsibility.*

⁶³ *Directive 2003/51/EC of the European Parliament and of the Council of 18 June 2003 amending Directives 78/660/EEC, 83/349/EEC, 86/635/EEC and 91/674/EEC on the annual and consolidated accounts of certain types of companies, banks and other financial institutions and insurance undertakings, art. 46.*

⁶⁴ *Directive 2003/51/EC of the European Parliament and of the Council of 18 June 2003 amending Directives 78/660/EEC, 83/349/EEC, 86/635/EEC and 91/674/EEC on the annual and consolidated accounts of certain types of companies, banks and other financial institutions and insurance undertakings, art. 46a.*

⁶⁵ For more details of policy initiatives in Europe see Annex 2 to this paper 'Sustainability Reporting Policy Initiatives in Europe' or consult GRI website: www.globalreporting.org/network/report-or-explain/initiatives-worldwide/government-initiatives/Pages/Europe.aspx.



the shortcomings of the current legislative framework⁶⁶ on sustainability reporting, and announced an upcoming legislative proposal on the subject to address the issues with the current systems while allowing flexibility for business.⁶⁷

In the renewed EU Strategy for Corporate Social Responsibility, a new definition of CSR was put forward: as “the responsibility of enterprises for their impacts on society”. This new definition is crucial to advance the sustainability reporting debate in Europe as it highlights the importance of measuring and reporting on the impact of companies for sustainability.

¹ Source: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committees and the Committee of the Regions – A renewed EU strategy 2011-14 for Corporate Social Responsibility.

The European Parliament has also been very active in these areas, and in February 2013 adopted two reports.⁶⁸ These Parliamentary resolutions, which stress the importance of sustainability reporting, serve the purpose of supporting the European Commission with the implementation of the EU's strategy on CSR. Specifically, one of the reports states that while Corporate Social Responsibility should remain primarily a voluntary policy, it is important to also leave room for dialogue on regulatory measures, wherever appropriate.⁶⁹ An EU approach and guidance could create a common level playing field in the internal market and harmonize this fragmented policy environment.

FRANCE

In 2001 the French Parliament passed Article 116 of the NRE Act (Law on New Economic Regulations), requiring all companies listed on stock exchanges to disclose information in their annual report about measures taken to account for the environmental and social impacts of their activities.

In 2007, building on this legislation, a nationwide multi-stakeholder dialogue on sustainable development – known as the ‘Grenelle for environment’ – set goals for sustainable development,

and led to the adoption of the Grenelle I Act⁷⁰ and the Grenelle II Act.⁷¹

The Acts make it mandatory for all large companies with activities in France to prepare annual CSR reports. Provisions for the implementation of these laws were then adopted in 2012. Specifically, section 225 of Grenelle II addresses the flaws of the NRE mechanism requiring companies to provide details in their annual reports “on how they take into account the social and environmental consequences of [their] activity and [their] social commitments in favour of sustainable development.”

The implementation decree amends Section 225-102-1 of the Commercial Code with several notable innovations – including increasing the number of companies required to submit reports. By the end of 2013, all companies with over 500 employees will be subject to these requirements. Additionally, it increases the amount of information required to reflect the main international guidelines on CSR reporting: ISO 26000, the Global Compact principles, the Guiding Principles on Human Rights and Business, the OECD Guidelines for Multinational Enterprises, and GRI. Furthermore, the new regulation introduces a ‘comply or explain’ approach; companies can choose whether to omit information material to their activity, but must explain why.

It also provides stricter rules on the breadth and quality of the report, which should present all actions taken by the company and its subsidiaries. Finally, it states that a company's report must be verified by an accredited independent third party.

Business organizations, trade unions, environmental and consumer NGOs, and academics all participated in the process leading up to the adoption of Grenelle. The parties agreed that the objective of better security for shareholders, but also for consumers and society as a whole, had been widely achieved. The limits were also obvious: Many companies with significant social and environmental impacts were outside the scope of the law, and hence evaded reporting obligations.

The NRE Act was assessed regularly and its implementation analysed by different bodies. Yearly studies have been published by auditing companies and leading associations. The studies showed flaws in the implementation of the mechanism, such as the definition of the reporting boundary: Very few companies have information regarding suppliers, and when they do it mostly relates to hygiene and safety issues. However, it was concluded that the Act should be upheld in its current form, without legally enforcing it, in order to encourage experimentation.

In its 2007 analysis, the Ministry for Ecology and Development concluded that 81 percent of companies had at least made some effort in terms of reporting. More companies were incorporating sustainable development and CSR in their core strategies and, following the NRE Act, there was a growing trend among top

⁶⁶ The ‘Accounting Directives’ concerning the preparation of annual and consolidated financial statements. Fourth Council Directive of 25 July 1978 based on Article 54 (3) (g) of the Treaty on the annual accounts of certain types of companies (78/660/EEC) and Seventh Council Directive of 13 June 1983 based on the Article 54 (3) (g) of the Treaty on consolidated accounts (83/349/EEC).

⁶⁷ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committees and the Committee of the Regions – A renewed EU strategy 2011-14 for Corporate Social Responsibility.

⁶⁸ European Parliament resolution of 6 February 2013 on corporate social responsibility: accountable, transparent and responsible business behaviour and sustainable growth (2012/2098(INI)) and European Parliament resolution of 6 February 2013 on Corporate Social Responsibility: promoting society's interests and a route to sustainable and inclusive recovery (2012/2097(INI)).

⁶⁹ European Parliament resolution of 6 February 2013 on corporate social responsibility: accountable, transparent and responsible business behaviour and sustainable growth (2012/2098(INI)), Remark 4.

⁷⁰ Grenelle I Act August 3 2009, France: Ministry of Environment.

⁷¹ Grenelle II Act July 12 2010, France: Ministry of Environment.

companies to create a dedicated sustainable development or CSR department.

A 2011 KPMG survey⁷² on sustainability reporting showed that France was placed fourth in the world in terms of extra-financial reporting among large companies, jumping in only three years from 59 percent to 94 percent of companies reporting on ESG topics. This was a clear consequence of the implementation of the 2001 NRE Act, and of the announcement of further extensions to legal reporting obligations.

With the new provisions of Grenelle II, which expands the scope of the NRE Act, companies are being advised to fully comply with their reporting obligations, especially considering that the reports are subject to an independent verification and that there is increasing scrutiny from wider civil society. Even though there is no legal sanction for non-compliance, the verification mechanisms put in place by the Act ensure that companies which do not disclose the required information do so at their own risk, knowing that they have more to lose if they do not comply than if they do.

According to another survey published by the independent cabinet Capitalcom⁷³ in 2012, during the preparation of the decree for article 225, CSR had become an important element during annual shareholder meetings. Particular attention was paid to CSR being present in business plans, as it provides a competitive edge and is a tool for monitoring the regulatory evolution in developed countries.

In 2011 a governmental evaluation of the cost of reporting in compliance with the Grenelle II requirements was undertaken, showing that complying with reporting obligations is affordable and does not represent an additional financial burden.

Size of company by n° of employees	Cost of creating the report		Cost of getting report verified	
	Reasonable estimate	High estimate	Reasonable estimate	High estimate
500 to 999	17 000€	33 300€	7 200 €	11 000 €
1000 to 4999	30 300€	61 600€	11 000 €	18 000 €
5000 +	197 000€	357 000€	30 000 €	100 000 €
<i>Evaluation for CAC 40 (top companies in France)</i>			60 000 €	200 000 €

Compared to many other costs, these are affordable expenditures. Moreover, the requirements should be considered as the opportunity for company to have a better understanding of their

activity and improve risk management. Many private studies confirm the limited impact of costs. Furthermore, the cost of independent and accredited third party activities should tend to adjust downward with the development of the extra-financial reporting market.

The President elected in May 2012 decided to organize a series of consultations on key topics concerning the future of French society. A National Conference on Environment was convened, and its outcomes showed government's willingness to go further on these topics. Its conclusions reassessed the importance of sustainability reporting in order to enhance transparency on company's ESG behavior. The Grenelle Laws were confirmed, with the announcement of a minor change to the text from the April 2012 implementation decree: the discrepancy between the number of topics that must be reported for listed and non-listed companies will be removed. Other announcements included promoting a collective mission to present proposals for better consideration of CSR in companies, and support for the development of CSR initiatives. In addition, it was decided during the Conference to create a multi-stakeholder National CSR Platform directly related to the Prime Minister's Office. One of its tasks will be to create ongoing dialogue on the specific issue of reporting. For more than a decade, the French policy on CSR reporting has been successfully motivated by a permanent will to build consensus.

INDIA

As one of the fastest growing economies in the world and the tenth largest country by nominal Gross Domestic Product (2012),⁷⁴ India plays a strategic role in the global debate on sustainability reporting. Understanding of the concept is becoming more apparent, but so is the awareness that more work is needed to develop a meaningful framework that will benefit both business and society.

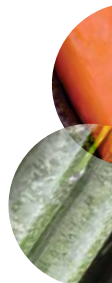
More companies have recognized the challenge of keeping up with the competition in international markets, and have started to voluntarily disclose economic, environmental and social information. Sustainability reporting has led to systematic measurements and improvements in an incremental manner, and to enhanced reputation and brand building among various stakeholder groups, including investors. Reports are prepared following the GRI Guidelines, although the scope and content of the reporting parameters varies.

The history of non-financial reporting in India dates back to 1993, with the notification from the Ministry of Environment and Forests requiring environmental audit reports for any industry, operation or process needing consent to operate within the Water (Prevention & Control of Pollution) Act, 1974, the Air (Prevention

⁷² KPMG, 2011. International Survey of Corporate Responsibility Reporting 2011 [online] KPMG. Available at: <www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/corporate-responsibility/Documents/2011-survey.pdf> [Accessed on 4 April 2013].

⁷³ Capital.com, 2011. Capitalcom 4th Annual Barometer on CSR – CSR Performance an increasing Strategic management Tool? [Press release] 4 October 2011. Available at: <www.employment.gov.sk/what-csr-friendly-companies-do-on-csr.pdf> [Accessed on 4 April 2013].

⁷⁴ International Monetary Fund, 2012. *Report for Selected Countries and Subjects*. World Economic Outlook Database, October 2012. Available at: <www.imf.org/external/pubs/ft/weo/2012/02/weodata/index.aspx> [Accessed on 4 April 2013].



& Control of Pollution) Act, 1981, or both; or authorization under the Hazardous Wastes (Management and Handling) Rules, 1989 published under the Environment (Protection) Act, 1986.

More recent initiatives have been fundamental in significantly stepping up the debate. The 2009 Voluntary Guidelines on Corporate Social Responsibility, issued by the Ministry of Corporate Affairs (MCA), was a large step towards mainstreaming the concept of sustainability. The Guidelines were revised in 2011 when the MCA launched the National Voluntary Guidelines (NVGs)⁷⁵ on Social, Environmental and Economical responsibilities of Business. The 2011 Guidelines aim to encourage Indian businesses to disclose their responsible business practices based on an apply-or-explain approach. They strengthened the Indian corporate sector's ambition to become a global leader in responsible business, and provide a robust framework that may be adopted voluntarily by companies to address the interests of all stakeholders. The NVGs provide broad-based principles on responsible business behavior, associated with the 'core elements' which provide a basis for putting the principles into practice.

Another crucial development is the 2013 iteration of the Sustainable Development and Corporate Social Responsibility Guidelines for Central Public Sector Undertakings (CPSEs), issued by the Indian Department of Public Enterprises (DPE).⁷⁶ These revised guidelines have a special focus on employee rights and welfare, and are aimed at all CPSEs. They include a dedicated section on sustainability reporting and disclosure. Public sector enterprises in India are being urged to internalize the practice of sustainability reporting, noting that transparency can help them to gain and strengthen stakeholders' trust.

In this context, the Securities and Exchange Board of India (SEBI) mandated that from 31 March 2012 the 100 top listed companies must submit Business Responsibility Reports (BRRs) as a part of their annual reports, providing information about their performance against each of the NVG principles. This is an important move towards building a culture of environmental and social governance for Indian companies and to encourage them to identify sustainable development as a means to be successful.

Another crucial development is the 2012 Companies Bill, passed by Parliament in December 2012.⁷⁷ The Bill – which is the first ever legislation on the issue – has direct implications for companies regarding their approaches and policies for CSR. It mandates companies⁷⁸ to design and implement CSR policies and to spend 2 percent of the previous three years' average net profit on CSR

projects and activities.⁷⁹ Stressing the importance of sustainable governance at board level is aimed at establishing a culture of sustainable development within companies' strategies, and at aligning their larger public and stakeholder agenda to their growth plan.

Another important initiative that has contributed to the growth of non-financial disclosure was the 2008 launch of the S&P ESG India Index by Standard and Poor's CRISIL and KLD Research & Analytics. This is the first index of companies with business strategies and performance that demonstrate a high level of commitment to meeting ESG standards and incorporating sustainability measures into their investment decisions.

Major challenges to sustainability reporting in India include the lack of comparability among various forms of reports, and insufficient guidance on materiality to aid Indian companies' decisions about the issues to address in their reports. The recent wave of CSR regulatory measures might also have major implications for Indian businesses and may add to these challenges. Sustainability reporting can be seen as a tool to help Indian companies comply with the requirements, and enable them to maximize their potential.

There is still much to be done to incorporate environmental and social costs and benefits into mainstream financial reporting in India, but the developments and initiatives represent a growing positive trend. The evolutionary course of sustainability reporting is now taking shape as more companies move from informal statements to formal reporting.

NORWAY

The Norwegian Government sees transparency and sustainability disclosure as instrumental tools to build and increase trust between society and companies, and for stakeholders to understand the impact of companies' operations and their management strategies for minimizing them.⁸⁰

In its first national White Paper on CSR in 2009,⁸¹ the Government placed CSR firmly in the context of global sustainability challenges and the competitiveness of Norwegian business in the global economy. Ethical frameworks and transparency are key elements throughout the document. The Paper clarifies the roles and responsibilities of the government, civil society, and the private sector. Systematic reporting is seen as key in developing companies' CSR practices, as it helps to improve their risk management capability. Reporting based on a common standard facilitates the comparison of results. The Paper also explains how

⁷⁵ Ministry of Corporate Affairs of India, 2011. *National Voluntary Guidelines (NVGs)*. New Delhi: Ministry of Corporate Affairs of India.

⁷⁶ Ministry of Heavy Industries and Public Enterprises, 2013. *Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises*. India: Ministry of Heavy Industries and Public Enterprises.

⁷⁷ Bill No. 121-C of 2011 2012. New Delhi: Lok Sabha.

⁷⁸ The provisions of the 2012 Companies Bill only apply to companies that meet the following criteria: net worth ≥ INR 500 Crore; turnover ≥ INR 1000 Crore and net profit ≥ INR 5 Crore.

⁷⁹ According to the Dow Jones Index, 2% of the profit after tax of the top 250 Indian companies is around INR 87,380 million. S&P Dow Jones Indices. Dow Jones Averages [online] Available at: <www.djaverages.com/index.cfm?go=industrial-overview> [Accessed on 4 April 2013].

⁸⁰ Norwegian Ministry of Foreign Affairs. *White Paper: Corporate Social Responsibility in a Global Economy – Report No. 10* (2008 – 2009) to the Storting. Oslo: Norwegian Ministry of Foreign Affairs.

⁸¹ Ibid.

GRI's Guidelines can be used to fulfill companies' responsibilities for transparent disclosure on key sustainability issues. Additionally, companies can enhance the credibility of their reports through impartial, external auditing.

According to the 1998 Accounting Act,⁸² all Norwegian-registered companies are already required to include sustainability-related topics in their Director's report, such as work place environment, gender equality and environmental issues.

Following the White Paper, and based on further recommendations of the Norwegian Ministry of Finance, the Government decided to extend the provisions of the Accounting Act. For example, in 2012 the Norwegian Foreign Minister Espen Barth Eide commented: "While governments matter, there is a strong responsibility on the part of business. The general public now expects greater transparency. Civil society and the media function as watchdogs to help highlight corporate misconduct, but laws and regulations can also serve to help promote transparency."⁸³

The proposal introduces provisions requiring large companies to provide information on how they integrate social responsibility into their business strategies, in their daily operations and in the relations with their stakeholders, including any policies, principles, procedures and standards that are followed.⁸⁴ The Government was also proposing to promote the use of GRI's Framework for companies to fulfill the legal requirements of reporting. Companies that already publicly report CSR information based on the Global Compact principles or GRI's Guidelines should be exempt from this obligation. Subsidiaries should also be exempt if the parent company provides information indicating that the requirements are complied with at the group level.⁸⁵ The plan is to work towards mainstreaming the use of international frameworks for sustainability reporting rather than developing national schemes.

The legislative proposal was passed in the Norwegian Parliament on 9 April 2013. It is expected that the new reporting obligation will enter into force on 1 June 2013 with effect for the reporting year 2013 and later. Authority has been delegated to the Ministry of Finance to adopt implementing and transitional measures. The Ministry of Finance has also been delegated authority adopt regulations, granting exemptions from the reporting obligation for companies that publish CSR reports based on the Global Compact principles or GRI's guidelines. It is expected that draft regulations

containing such exemptions will be sent on public consultation later this year.

The key drivers for CSR and sustainability reporting in Norway are based on respect for human rights, upholding core labour standards and ensuring decent working conditions, taking environmental concerns into account, combating corruption, and maximizing transparency. The focus of the financial sector on responsible investment has also been a major driver for the development of CSR policies in Norway. The Government Pension Fund-Global has provided increased momentum, by establishing a standard list of companies that should be excluded from all responsible investor portfolios. Other drivers for raising the profile of CSR activities in the country have been public procurement, state authorities and some municipalities. Environmental qualifications, and other CSR issues, are increasingly becoming a standard element of public tenders.

Only a few Norwegian companies currently comply with the Accounting Act's provisions on environmental reporting.⁸⁶ One reason for this is that the provisions of the Accounting Act are not supported by sufficient guidance. The Government proposal to extend the duty to provide information concerning social responsibility will be followed by guidance and advice for the private sector.

SOUTH AFRICA

South Africa has played a prominent role in the sustainability reporting movement for many years. This is partially due to its political history and transition to democracy in the 1990s, especially as a result of debates about disinvestment under the old Apartheid dispensation, and driven by initiatives such as the Sullivan Principles⁸⁷ in the USA. Transparency and disclosure became part of the debate from an early stage in South Africa, even before the concept of sustainability reporting became popularized.

Since the transition to democracy in 1994, measurement and reporting on social transformation issues (e.g., black economic empowerment and employment equity) have become entrenched in legislation. The focus on mining and other heavy industries has also had a positive effect on environmental and health and safety reporting practices. As acknowledged in international surveys, and reflected by their leadership positions in such initiatives as the ISO 26000 development process, South Africa is one of few developing economies, and the only country in Africa, which shows significant reporting activities.

⁸² *The Accounting Act of July 17th 1998 (No. 56)*, Oslo.

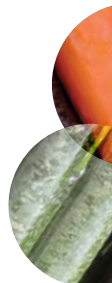
⁸³ GRI, 2012. *Northern disclosure: Norway announces aim to legislate for sustainability reporting* [Press Release] 5 December 2012. Available at: <www.globalreporting.org/information/news-and-press-center/Pages/Northern-disclosure-Norway-becomes-the-fourth-Nordic-country-to-legislate-for-sustainability-reporting-.aspx> [Accessed 05/04/2013].

⁸⁴ *Prop. 48 L (2012-2013) 2012*, Oslo: Royal Norwegian Ministry of Finance.

⁸⁵ Tankestue, 2012. *New requirements for reporting on CSR* [online] Available at: <blogg.gambit.no/fem-nye-krav-til-rapportering-om-samfunnsansvar> [Accessed on 4 April 2013].

⁸⁶ Norwegian Ministry of Foreign Affairs. *White Paper: Corporate Social Responsibility in a Global Economy – Report No. 10* (2008 – 2009) to the Storting. Oslo: Norwegian Ministry of Foreign Affairs.

⁸⁷ University of Minnesota, 1997. *The Global Sullivan Principles* [online]. Available at: <www1.umn.edu/humanrts/links/sullivanprinciples.html> [Accessed on 4 April 2013].



The main drivers of sustainability reporting are corporate governance requirements and the Johannesburg Stock Exchange (JSE) Socially Responsible Investment Index (SRI Index). Another emerging driver is the Public Investment Corporation (PIC) Corporate Governance Rating Matrix,⁸⁸ which focuses on the disclosure of environmental, social and governance performance. The PIC is the single biggest investor on the JSE and one of the largest investment managers in Africa. The PIC Matrix was developed jointly by the PIC and the Centre for Corporate Governance in Africa at the University of Stellenbosch Business School.

South Africa was one of the first countries in the world where integrated reporting by listed companies was required. Its earlier requirement for sustainability reporting was formalized by the second King Code on Corporate Governance (2002), which stated that "every company should report at least annually on the nature and extent of its social, transformation, ethical, safety, health and environmental management policies and practices". The Code was subsequently updated for a third time in 2009 to emphasize the importance of integrated reporting.⁸⁹ This updated Code was preceded by global developments and reflected changes focused on requiring business to integrate the management of financial and non-financial issues.⁹⁰ With the introduction of the third King

Code of Governance Principles for South Africa from 1 March 2010, over 450 companies on the Johannesburg Stock Exchange were required to produce an integrated report instead of their annual financial and sustainability report. King III recommends that organizations should adopt integrated reporting, albeit on the Code's 'apply or explain' basis.

In addition, the JSE SRI Index encourages companies in the FTSE/JSE All Share Index to report publicly on sustainability-related issues. The SRI Index was the first of its kind in an emerging market, and the first ever to be launched by a securities exchange. Furthermore, disclosure of information on specific topics to regulatory authorities and/or the public is required by laws under the supervision of relevant government departments such as the Department of Trade and Industry (black economic empowerment), Department of Mineral Resources and Department of Energy (social and labor plans), and Environmental Affairs (environmental management plans).

With comprehensive self-regulatory reporting requirements on both the social and environmental fronts, and a growing interest in responsible investment, South Africa remains in a leading position with regards to sustainability reporting. The more recent focus on integrated reporting is leading to further increases in both the quantity and quality of sustainability reporting linked with financial reporting. While some companies continue to publish separate sustainability reports, the length and content of integrated reports remains a matter of learning by doing.

USA

The United States of America is home to the largest capital market in the world at the time of writing. The country's ability to keep pace with the rapidly-changing needs and requirements of the global investor marketplace will determine if this competitive advantage endures. 'Open and transparent' capital markets are a key factor in the success of players in globalized capital markets. As stock exchanges in developing countries have taken a lead on sustainability requirements and disclosure, it will be interesting to see the impact on, and responses of, the US capital markets.

In the US, specific laws and regulation address elements of corporate disclosure. In recent years sustainable and responsible investors (SRI), joined by NGOs and issue advocates, media, and mainstream asset managers, have been defining ESG materiality in the context of existing laws and regulation, some dating to the 1930s – and seeing requirements for expanded disclosure on ESG-related performance.

This dynamic is apparent in the prolonged debate over new banking, securities and investor protection regulation under Dodd-Frank legislation, and the 2013 Federal Reserve capital planning and stress-testing process for large bank holding companies. A growing number of US trade associations are looking at ESG factors in the context of creating recommendations for best practice by participating companies.

Asset owners and their managers, and financial analysts, are increasingly adding ESG strategies, initiatives and performance results to their analysis and decision making. Investors are calling on publicly-traded companies to disclose more about their sustainability and ESG performance; issues in focus may include political contributions, plans to address climate change, supply chain issues such as child labor, protection of natural resources, energy reduction, and more. An increasing number of companies are voluntarily engaging with third parties to discuss these issues.

The US Securities & Exchange Commission reminded boards of directors of their obligation to consider risk aspects of companies' operations and finances; this was followed by a government declaration that climate change was a risk factor.

According to the 2012 analysis by the Governance & Accountability Institute of companies reporting in the benchmark S&P 500 Index, and the Fortune 500 ranking in 2012, 53 percent of

⁸⁸ University of Stellenbosch Business School Corporate, 2010. *New Matrix Launched to Measure Corporate Governance Levels in SA* [press release] 22 April 2010. Available at <www.governance.usb.ac.za/media/CorpGovFiles/NEW%20MATRIX%20LAUNCHED%20TO%20MEASURE%20CORPORATE%20GOVERNANCE%20LEVELS%20IN%20SA.pdf> [Accessed on 4 April 2013].

⁸⁹ Institute of Directors in Southern Africa, 2009. *King Code of Governance for South Africa 2009 (King III)* [online] Institute of Directors in Southern Africa. Available at: <www.iodsa.co.za/resource/collection/94445006-4F18-4335-B7FB-7F5A8B23FB3F/King_Code_of_Governance_for_SA_2009_Updated_June_2012.pdf> [Accessed on 4 April 2013].

⁹⁰ Institute of Directors in Southern Africa, 2012. *King III Amendment* [online] Institute of Directors in Southern Africa. Available at: <www.iodsa.co.za/resource/collection/94445006-4F18-4335-B7FB-7F5A8B23FB3F/King_III_Amendment_2_May_2012.pdf> [Accessed on 4 April 2013].

the S&P universe and 57 percent of the Fortune 500 universe are now reporting. For both groups of companies, the figure stood at around 20 percent in the previous year.

The sustainability reporting discourse has increased due to many other drivers that motivate companies to measure and disclose ESG information. The SEC's guidance on climate change risk – applying it to the existing Regulation S-K – requires appropriate consideration and disclosure of material effects.

The US Environmental Protection Agency has proposed mandatory greenhouse gas reporting rules for certain high impact industries. California and several other states have also adopted bills regarding GHGs (such as AB32 and AB1103), and are creating their own cap and trade markets.

In addition, White House Executive Order 13514 requires all US government departments and agencies to report on their sustainability performance through a formal process. As with most sustainability efforts, organizations quickly realize that their supply chain and procurement decisions make up a large part of their

sustainability performance. This is also true for the US government, an entity with one of the largest supply chains in the world. The Executive Order seeks GHG-related analysis of supply chains. This is already resulting in new analysis of the sustainability performance of the suppliers to the US government. Public, private, large and small companies make up the supply chain of the US government and all are being reviewed on sustainability related performance.

Sarbanes Oxley legislation a decade ago imposed new reporting requirements for US-listed companies to increase corporate transparency. The Dodd Frank Act passed in 2010 is still at the rulemaking stage, and some rules will be established to strengthen the requirements for US financial regulation, including specialized disclosure provisions.⁹¹

In the US corporate sector and capital markets, a mix of voluntary and mandatory standards and regulation will be needed. Sustainability reporting is becoming mainstream among large-cap companies. For the first time more than half of S&P 500 companies are now reporting on their ESG impacts, putting a company that chooses not to report in the minority⁹².

⁹¹ <http://www.sec.gov/spotlight/dodd-frank.shtml>

⁹² G&A Institute: <http://ga-institute.com/index.php?id=225>

Policies and Initiatives

Below is a matrix of sustainability reporting policies and initiatives in the 45 countries and regions covered in this publication. Abbreviations are explained in the footnote⁹³.

The matrix is followed by an inventory, which gives brief descriptions of the items.

Mandatory requirements:

These are requirements put in place by governments, governmental implementation institutions, stock exchanges and market regulators that require certain organizations to report on their sustainability performance. Some requirements focus on a given sector, topic or region. These initiatives are listed per country in order of scope (starting with the initiative covering the broadest group of organizations, topics, etc., followed by the more subtly-targeted ones).

Voluntary guidance:

These are guidance and recommendations put in place by governments, governmental implementation institutions, stock exchanges and market regulators that encourage certain organizations to report on their sustainability performance. Some requirements focus on a given sector, topic or region.

Other initiatives:

These are initiatives providing guidance for sustainability performance developed nationally where (1) the author is neither the government nor a stock exchange and (2) where there is some reference to (or potential of) reporting on social and environmental performance.

⁹³ acc. – accounting; act. – activities; admin. – administrative; comp. – companies; concl. – conclusion; cons. – consumers; cons. – consultation; corp. – corporate; CorpGov – Corporate Governance; dir. – directive; discl. – disclosure; econ. – economic; empl. – employment; env. – environment; EU – European Union; ext. – external; fed. – federation; fin. – financial; GHG – Greenhouse Gas; indic. – indicators; ind. – industrial; int. – international; KPI – Key performance Indicators; leg. – legislative; Mgmt – management; minist. – ministerial; nat. – national; OH&S – Occupational Health and Safety; op. – operational; org. – organization; prom. – promotion; rec. – recommendations; reg. – regulation; rep. – reporting/report; req. – requirement; res. – resources; res. – resolution; resp. – responsibility; SOE – State Owned Enterprises; stand. – standard; sust. – sustainability; vol. – voluntary.

		Initiator			Mandatory reporting requirements			Voluntary reporting guidance			Other initiatives
		Govern-mental	Market regulator	Other	Generic	Sector-specific	Thematic	Generic	Sector-specific	Thematic	
International	European Union	X			EU Modernisa- tion Dir.						
		X					PRTR				
		X					IPPC				
		X								EMAS	
		X								Rec. Env. issues	
		X								EU 2011-14 Strategy CSR	
	North America	X								Climate Registry	
		X								WCI	

		Initiator			Mandatory reporting requirements			Voluntary reporting guidance			Other initiatives
		Govern-mental	Market regulator	Other	Generic	Sector-specific	Thematic	Generic	Sector-specific	Thematic	
Africa	Ivory Coast	X						Code of Corp.Gov.			
	South Africa		X		Listing Req.						
		X			Nat. Black Eco. Em- powerment Act						
		X					Emp. Equity Act				
		X			Comp. Act						
		X				Mineral Res. & Petrole- um Bill					
		X					NEMA				
			X							King Rep. Corp.Gov.	
		X						Cons. Pro- tection Bill			
			X					JSE SRI Index			
		X									Ind, Specific Black Economic Empow- erment Charters
		X									SOE Shareholder Compacts



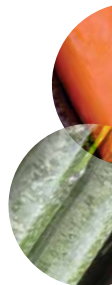
		Initiator			Mandatory reporting requirements			Voluntary reporting guidance			Other initiatives
		Govern-mental	Market regulator	Other	Generic	Sector-specific	Thematic	Generic	Sector-specific	Thematic	
Asia	Bangladesh	X				Env. Risk Mgmt. Guidelines for Banks Fin. Inst.					
	China	X			Env. Info. Discl. Act						
		X	X		Green Securities						
			X				SSE Guide-line on Env. Discl.				
		X				Guidelines to SOEs					
			X		SZSE Social Resp. Guidelines for Listed Companies						
			X		HKSE Cons. Concl. Rep. Guide						
				X					CBA Guidelines		
		X						Shanghai Municipal Local Stand.			
				X					Ind. Corp. & Fed. Guidelines		
				X							Indic. System
				X							CSR-GATEs
				X							CASS CSR-2.0
		X									Guide Int. Contractors

		Initiator			Mandatory reporting requirements			Voluntary reporting guidance			Other initiatives
		Govern-mental	Market regulator	Other	Generic	Sector-specific	Thematic	Generic	Sector-specific	Thematic	
Asia	India	X			Comp. Bill						
			X		Business Resp. Rep.						
		X			DPE Guide-lines						
		X			Annual Env. Audit Rep.						
		X			Factories Act						
		X			CREP						
			X		Quarterly Compliance Rep.						
		X						Nat. Vol. Guidelines – Busin.			
				X				Guidance Note on Non-Financial Discl.			
			X					SEBI Cons. Paper			
	Indonesia	X					Reg. SE-443/MBU/2003				
		X			Law 40/2007						
		X					Reg. KEP-05/MBU/2007				
			X		Reg. KEP431/BL/2012						
		X			Reg. 47/2012						
		X			Reg. 24/2012						



		Initiator			Mandatory reporting requirements			Voluntary reporting guidance			Other initiatives
		Govern-mental	Market regulator	Other	Generic	Sector-specific	Thematic	Generic	Sector-specific	Thematic	
Asia	Japan	X					Law – Prom. Business Act. Env. Consideration				
		X					PRTR				
		X					Law on Rational Use of Energy & Act on Prom. Global Warming Counter-measures				
		X				Railway Enterprise Act					
		X				Civil Aeronautics Act					
		X				ELV Recycling Law					
		X								Env. Rep. Guidelines	
	Malaysia		X		CSR Disc. Incorporated into Listing Req.						
		X			CSR Info. Annual Reports						
		X					Env. Quality Act				
			X					CSR Framework Vol. Rep.			
			X					Business Sust. Program			
		X									Employee Provident Fund
	Pakistan		X		Comp. general order						
			X					CSR Vol. Guidelines			
	Philippines	X			CSR Act 2011						
		X						CSR Act 2009			

		Initiator			Mandatory reporting requirements			Voluntary reporting guidance			Other initiatives
		Govern-mental	Market regulator	Other	Generic	Sector-specific	Thematic	Generic	Sector-specific	Thematic	
Asia	Russia	X					Dir. 1710 p-P13				
			X		Order 11-46/pz-n						
			X				Guidance 03-849/r				
	Singapore	X					Energy Conservation Act				
			X					Guide to SR for Listed Companies			
	South Korea		X					Green Posting System			
			X					Social Contribution Performance Posting System			
		X						Env. Rep. Guidelines			
		X						Best Sust. Mgmt. Guidelines			
			X		Principles of Good Gov.						
	Thailand	X						Code of CorpGov			
			X								Approach to Social Resp. Implementation for Corporations
			X		CorpGov Principles						
	Turkey	X					GHG Reg.				
		X					Labour Law 4857				
		X					Env. Law No. 2872				
		X					OH&S Law 6331				
		X					Protection Cons. Law 4077				



		Initiator			Mandatory reporting requirements			Voluntary reporting guidance			Other initiatives
		Govern-mental	Market regulator	Other	Generic	Sector-specific	Thematic	Generic	Sector-specific	Thematic	
Europe	Austria	X			UGB §243						
		X									ÖkoBusiness Plan Wien
	Belgium	X					VLAREM II				
		X					The Social Balance Sheet				
	Denmark	X					Fin. Statements Act 2008				
		X					Fin. Statements Act 2001				
		X					Green Accounts Act				
		X									Action Plan for CSR
	Finland	X				State Ownership Policy					
		X			Acc. Act						
				X	Guidelines Env.						
	France	X			Grenelle Act II						
		X			Law No. 2001-420						
		X					Law No 2001-397				
		X					Law Social Review				
				X	CorpGov Code of Listed Corpor.						
		X									SNDD
				X							ADEME Carbon footprint
				X							Global Performance Responsible Enterprise

		Initiator			Mandatory reporting requirements			Voluntary reporting guidance			Other initiatives
		Govern-mental	Market regulator	Other	Generic	Sector-specific	Thematic	Generic	Sector-specific	Thematic	
Europe	Germany	X			BilReG						
				X				Sust. Code			
	Greece	X						Law 3487			
	Hungary	X			PBO						
		X				Acc. Act					
	Iceland	X				Green Acc.					
		X				Action 14					
	Italy	X			Minist. Decree						
		X			Leg. Decree 150/2009						
				X				Social Rep. Stand.			
		X						Leg. Decree 32/2007			
				X				Op. Guidelines for CSR banking sector			
		X						Guideline Public Admin.			
		X						Guidelines Social Rep. for Not-For-Profit-Org.			
				X							CSR-SC project
				X							Directors' report on fin. Statements



		Initiator			Mandatory reporting requirements			Voluntary reporting guidance			Other initiatives
		Govern-mental	Market regulator	Other	Generic	Sector-specific	Thematic	Generic	Sector-specific	Thematic	
Europe	Luxembourg	X									CSR KPI for SMEs
		X									Nat. Action Plan on CSR
			X					Ten Principles of CorpGov			
	Netherlands	X			Civil Code						
		X					Env. Protection Act				
		X						State Holdings Rec.			
				X							Guidelines for Fin. Rep. companies
		X									Rec. on Supply Chain Discl. & Due Diligence
	Norway	X			Acc. Act						
		X			Act amending Acc. Act						
		X			Public Limited Comp. Act						
		X						Code of Practice CorpGov			
	Portugal	X					Fin. Rep. Acc. Stand. 26				
		X				Sust. Rep.					
		X					Social Balance				
		X						Resol. 49/2007			

		Initiator			Mandatory reporting requirements			Voluntary reporting guidance			Other initiatives
		Govern-mental	Market regulator	Other	Generic	Sector-specific	Thematic	Generic	Sector-specific	Thematic	
Europe	Spain	X			Sust. Econ. Law						
		X			Minis. Order on Corp.Gov.						
		X			Nat. Acc. Plan						
		X				Royal Decree 1159/2010					
		X			CSR Law Extremadura						
				X				RSE.COOP			
		X								RSE.PIME	
		X								Law 3/2007	
				X				Gestio Sostenible Rural			
			X								Res. 25 March 2002
			X								Res. 8 Feb. 2006
	Sweden	X			Annual Acc. Act						
		X			Guidelines Ext. Rep. SOEs						
		X			Sust. goals for SOE						
		X						Directors' Rep. Section			
	Switzerland		X				Directive CorpGov				
				X							Code for CorpGov
	UK	X			GHG Rep.						
		X			Comp. Act						
		X			CorpGov Code						
		X					Climate Change Act				
		X					CRC				
		X									Env. Rep. Guidelines – KPIs



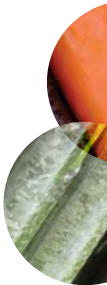
		Initiator			Mandatory reporting requirements			Voluntary reporting guidance			Other initiatives
		Govern-mental	Market regulator	Other	Generic	Sector-specific	Thematic	Generic	Sector-specific	Thematic	
Oceania	Australia	X			Corpora-tions Act						
		X			OFR						
		X				FSRA					
		X					Clean Energy Act				
		X					Nat. GHG & Energy Rep.				
		X			ASX Listing Rules						
		X					Energy Efficiency Act				
		X					Nat. Pollutant Inventory				
				X						Reconcilia-tion Action Plan	
			X								ASIC Section 1013DA
				X							Enduring Value

		Initiator			Mandatory reporting requirements			Voluntary reporting guidance			Other initiatives
		Govern-mental	Market regulator	Other	Generic	Sector-specific	Thematic	Generic	Sector-specific	Thematic	
The Americas	Argentina	X					Nat. Labor Law No. 25.877				
		X			Law 2594						
		X			CSR Law N° 8.488						
				X							IARSE Indic.
	Brazil		X				BM&F BOVESPA Rules				
		X					Solid Waste Nat. Policy				
		X					Bill no. 3613				
			X				Instruction CVM N° 480				
		X				ANEEL Req.					
		X				Resol. Socio-Env. Resp.					
		X					Resol. no. 254/2012/ V/I of São Paulo				
		X					Resol. 64				
		X					Resol. 65				
			X				BM&F BOVESPA Rec.				
				X			Pronounce-ment 13				
				X			Pronounce-ment 14				
	Canada	X					GHG Program				
		X					NPRI				
		X				Public Acc. Statements					
			X				Env. Rep. Guidance				
			X				TSX				
									Build Canadian Advantage		
	Chile			X				Embedding SR			
				X							Guide for SRs



		Initiator			Mandatory reporting requirements			Voluntary reporting guidance			Other initiatives
		Governmental	Market regulator	Other	Generic	Sector-specific	Thematic	Generic	Sector-specific	Thematic	
The Americas	Colombia	X								Nat. Program GHG Emissions	
		X									Nat. Policy Production and Consumption
	Ecuador	X					Minist. Agreement 131				
		X				Mining Law					
		X					Env. Reg. Hydrocarbon Activities				
			X							CEMDES Indic.	
		X							Gov. Action Plan		
				X							CERES ETHOS indic.
		X									Green Point incentive
	Mexico	X					Climate Change Law				
		X					PRTR				
		X								GHG Program	
			X					Sust. Quotes and Prices Index			
	USA		X			Dodd-Frank Act					
		X				Pres. Exec. Order 13514					
		X					EEO-1 Survey				
		X					Sarbanes-Oxley Act				
		X					CAA & CWA				
		X					Toxic Release Inventory				
		X					California Transp. in Supply Chains Act				
		X				EPA GHG Reporting Rule					

		Initiator			Mandatory reporting requirements			Voluntary reporting guidance			Other initiatives
		Govern-mental	Market regulator	Other	Generic	Sector-specific	Thematic	Generic	Sector-specific	Thematic	
The Americas	USA		X				Regulation S-K				
			X								Guidance Climate Change Discl.
				X							NAIC
				X							SASB



INVENTORY

The criteria for an item to be included in this inventory are given in the introduction to *Carrots and Sticks*. The inventory is based on desk research, and is not exhaustive.

INTERNATIONAL

EUROPEAN UNION

Mandatory requirements

- **EU Modernisation Directive, 2003.** The Directive 2003/51 (the 'Modernisation Directive') amended the Accounting Directives and added that European companies are required to also include non-financial information in their annual and consolidated reports, if it is necessary for an understanding of the company's development, performance or position. Such reporting should include environmental and employee matters and key performance indicators, where appropriate (consistent with Commission Recommendation 2001/43/EC). Member States may choose to exempt small and medium-sized companies from those non-financial reporting obligations. Another amendment of the Accounting Directives (Directive 2006/46) introduced an obligation for listed companies to include a corporate governance statement in their annual report. By November 2009 all Member States transposed the Modernisation Directive and most of the Member States transposed Directive 2006/46 in national laws.⁹⁴ <http://bit.ly/YPF7rR>
- **The European Pollutant Release and Transfer Register (PRTR), 2006.** Established on the basis of the European PRTR Regulation 166/2006/EC, which came into force in February 2006. The Regulation has incorporated the provisions of the

In April 2013 another crucial piece of legislation was agreed upon by the European Union, amending the **Accounting Directives** and the **Transparency Directive**, requiring the disclosure of payments to governments on a country and project basis by listed and large non-listed companies with activities in the extractive industry (oil, gas and mining), and loggers of primary forests: so-called country by country reporting, or CBCR.

Following this development another legislative proposal to amend existing accounting legislation has been launched, with the aim of improving the transparency of large companies in Europe. The proposal for a Directive amending Council Directives 78/660/EEC and 83/349/EEC regarding disclosure of non-financial and diversity information by certain large companies and groups, also known as the **non-financial reporting directive**, will be discussed throughout 2013 before it can be passed.

⁹⁴ While the Modernisation Directive is considered to be a mandatory requirement in terms of the goal it sets out, Member States have a certain level of flexibility regarding the mandatory/voluntary nature of the policy while transposing it into their national legislation.

UN-ECE Protocol on Pollutant Release and Transfer Register under the Aarhus Convention, which was adopted at the Ministerial Conference 'Environment for Europe' in Kiev in May 2003 and ratified for the European Union by Council Decision 2006/61/EC. It requires operators of facilities undertaking activities specified in Annex I to report on emissions and specific substances.

<http://prtr.ec.europa.eu/>.

- **Integrated Pollution Prevention and Control Directive (IPPC), 1996.** In accordance with the Integrated Pollution Prevention and Control Directive (IPPC), Member States are required to lay down permit conditions for operators to control, monitor and report emissions from IPPC installations. Member States also have to provide data on implementation to the Commission. <http://bit.ly/lofouF>

Voluntary guidance

- **The EU Eco-Management and Audit Scheme (EMAS), 1995.** EMAS is a management tool for companies and other organizations, requiring them to evaluate, report and improve their environmental performance. The scheme has been available for participation by companies since 1995 (Council Regulation (EEC) No. 1836/93 of 29 June 1993), on a voluntary basis. Originally it was restricted to companies in the industrial sector, but since 2001 it has been open to all economic sectors. It was revised in 2009 (Regulation EC No. 1221/2009). One of the aims of this revision was to strengthen the rules on reporting through core performance indicators. It states that organizations should make periodic environmental statements publicly available; and in order to ensure the relevance and comparability of the information, reporting on the organization's environmental performance should be on the basis of generic and sectorspecific performance indicators. http://ec.europa.eu/environment/emas/index_en.htm
- **EC Recommendation on recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of EU companies, 2001.** The European Commission adopted a Recommendation on recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of EU companies. The Recommendation clarifies existing EU accounting rules and provides guidance to improve the quality, transparency and comparability of environmental data available in companies' annual accounts and annual reports. The current lack of a common set of rules and definitions means that environmental information disclosed by companies is often inadequate and unreliable. This makes it difficult for investors and other users of financial statements to form a clear and accurate picture of the impact of environmental factors on a company's performance, or to make comparisons between companies. <http://bit.ly/18euSkw>

- **Renewed EU 2011-14 Strategy for Corporate Social Responsibility, 2011.** The European Commission presented a new strategy for corporate social responsibility (CSR) on 25 October 2011, drafting an action program for the 2011-2014 period. In this document CSR is defined as “the responsibility of enterprises for their impacts on society”. In the strategy, the European Commission also announced a legislative proposal for regulation on the transparency of the social and environmental information supplied by businesses across all sectors, which was launched in April 2013.
<http://bit.ly/TusjD1>

NORTH AMERICA

Voluntary guidance

- **The Climate Registry, 2007.** The Climate Registry is a non-profit collaboration among North American states, provinces, territories and Native Sovereign Nations that sets consistent and transparent requirements to calculate, verify and publicly report greenhouse gas (GHG) emissions into a single registry. The Registry supports both voluntary and mandatory reporting programs and provides comprehensive, accurate data to reduce GHG emissions.
theclimateregistry.org
- **The Western Climate Initiative (WCI), 2007.** The WCI is a North American initiative made up of US states, Canadian provinces, Mexican states, and tribes which work collaboratively to combat climate change. WCI partners are currently developing a joint strategy to reduce regional GHG emissions in order to achieve the regional reduction goal of 15% below 2005 emissions by 2020. As part of this strategy, the WCI developed a cap-and-trade program from January 2012. On 15 July 2009 the WCI issued the final version of the first group of Essential Requirements for Mandatory Reporting (ERMR).
www.westernclimateinitiative.org

NATIONAL

ARGENTINA

Mandatory requirements

- **National Labor Law No. 25.877, regarding Social Balance, 2004.** In Chapter IV article 25, this law requires companies with more than 300 workers to publish an annual report on their social impact. The law came into force in 2004.
<http://bit.ly/ZoQ9RW>
- **Law 2594, 2008.** Passed by Buenos Aires City Council, Law 2594 requires all local and international companies in the city with over 300 employees to generate annual sustainability reports. At a minimum, companies are required to produce their reports in accordance with the Ethos Reporting Initiative's

G3 indicators and the Accountability 1000 standard.
www.codigor.com.ar/brsa.htm

- **The CSR Law N° 8.488, 2012.** The Government of the Mendoza Province approved a law that requires an annual CSR Balance (Balance de Responsabilidad Social y Ambiental) for all local companies (national or international) with more than 300 employees, and a superior gross profit established by the Sepyme (Secretaría de la Pequeña y Mediana Empresa) for SMEs. It suggests the use of GRI's G3 Guidelines or updated versions. The law also establishes the development of a CSR Index and a correlative CSR Certification by the application authorities.
<http://bit.ly/17z5W5P>

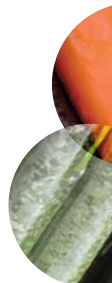
Other initiatives

- **IARSE/ETHOS Indicators, 2003.** IARSE (an Argentine institution created to promote CSR) has been working with ETHOS in the development of local Indicators as an evaluation system of organizational CSR practices. In the frame of PLARSE (CSR Latin-American Program) founded by Ethos, Avina Foundation, ICCO and Forum Empresa, eight countries in the region (among them Argentina) share the same voluntary framework of indicators. This allows CSR benchmarking among companies with operations in the region and between companies of the same sector with operations in the different PLARSE countries. IARSE also has an adaptation from the original ETHOS indicator system for SMEs. Both indicator systems are voluntary and free to use for big and small companies accessing the IARSE web page.
www.iarse.org

AUSTRALIA

Mandatory requirements

- **Corporations Act – Sect 229, 2001.** This act requires companies that prepare an Annual Directors' Report to specify whether the entity's operations are subject to any significant environmental regulations under state or national law. The report must also provide details of the entity's performance in relation to these environmental regulations. On 1 July 2004 the Corporate Law Economic Reform Program (Audit Reform & Corporate Disclosure) Bill 2003 (CLERP 9) extended this to the operations and financial position of the entity and its business strategies and prospects (Section 99A [1]). In 2005 both the parliamentary Joint Committee on Corporations and Financial Services (PJC) and Corporations and Markets Advisory Committee (CAMAC) undertook enquiries into CSR and the desirability of mandatory requirements for companies to report on the social and environmental impact of their activities. CAMAC produced a detailed CSR discussion paper (November 2005) with an overview of regulatory requirements.
www.comlaw.gov.au



- Regulatory Guide 247 on operating and financial review (OFR), 2013.** Introduced by the Australia Securities and Investment Commission (ASIC) in March 2013, the guide addresses the requirements of s 299(1) of the 2001 Corporation Act for listed companies to include relevant information in their directors' report for shareholders to make an informed assessment of the organization. The aim of the guide is to increase the effective disclosure of OFRs, and it mirrors the Disclosure on Management Approach requirements in GRI's Framework. It promotes better communication of relevant and meaningful information to investors, and aims to assist directors in understanding and complying with the <http://bit.ly/12ZH6Ky>
- Requirements under the Financial Services Reform Act (FSRA), 2010.** In 2010 Australia introduced its new ethical disclosure requirements under the Financial Services Reform Act (FSRA). Issuers of financial products are obliged to disclose the extent to which "labor standards or environmental, social or ethical considerations are taken into account in the selection, retention or realization of an investment". Product issuers are required to make two separate Product Disclosure Statements (PDS): the first on labor standard considerations, the other concerning environmental, social and ethical deliberations. The original Financial Services Reform Act 2001 was promulgated in March 2002, and requires fund managers and financial product providers to state "the extent to which labor standards or environmental, social or ethical considerations are taken into account in the selection, retention or realization of the investment". www.comlaw.gov.au
- The Clean Energy Act, 2011** (taking into account amendments to Clean Energy Amendment (International Emissions Trading and Other Measures) Act 2012). The Clean Energy Act details the mechanisms in place to encourage the use of clean energy in Australia. It sets out a range of incentives and measures including the establishment of the carbon pricing mechanism (CPM) and government assistance packages to support the transition to a low carbon economy. It includes the definition and obligations of 'covered entities' liable for purchasing carbon permits each year (there are approximately 400 entities currently considered 'covered entities' in Australia). Subsequent amendments since 2011 regard the establishment of mechanisms to combine the CPM with existing regulatory schemes and processes including reporting under the National Greenhouse and Energy Reporting (NGER) Act, as well as inter alia requirements for notification of significant holdings of carbon units and record-keeping obligations. www.comlaw.gov.au/Details/C2011A00131
- National Greenhouse and Energy Reporting, 2007.** The National Greenhouse and Energy Reporting (NGER) Act was introduced in 2007 to provide a single national framework for reporting greenhouse gas emissions and energy consumption and production. The Scheme's legislated objectives are to:
 - underpin the carbon price mechanism
 - inform policy making and the Australian public
 - meet Australia's international reporting obligations
 - provide a single national reporting framework for energy and emissions reportingwww.climatechange.gov.au/reporting
- The NGER Act** requires corporations in Australia that meet specified emissions and energy use thresholds to annually report Scope 1 and 2 greenhouse gas emissions, energy production and energy consumption data. Information collected under the reporting framework informs the liability assessment under the carbon price mechanism. At time of publication, approximately 1100 companies are required to report under the NGER Act.
- ASX Listing Rules regarding Corporate Governance Council Principles and Recommendations, 2010.** Under ASX Listing Rules companies are required to provide a statement in their annual report disclosing the extent to which they have followed the Corporate Governance Council's Principles and Recommendations, or an explanation why if they did not. It is thus only where a recommendation is not followed or where a disclosure requirement is specifically identified that a disclosure obligation is triggered. Principle 7 states that companies should establish a sound system of risk oversight, management and internal control. www.asx.com.au/governance/corporate-governance.htm
- Energy Efficiency Opportunities Act, 2006** (with an amendment in 2007). The Energy Efficiency Opportunities Act aims to improve the identification and evaluation of energy efficiency opportunities by large energy using businesses and, as a result, to encourage implementation of cost effective energy efficiency opportunities. In order to achieve its aim the Act requires large energy-using businesses to: 1) undertake an assessment of their energy efficiency opportunities, and 2) report publicly on the outcomes of that assessment. The Act outlines the broad requirements for large energy-using businesses, and allows for regulation to provide detailed requirements for assessment, reporting, verification and other elements of the program. www.energyefficiencyopportunities.gov.au
- National Pollutant Inventory, 1998.** The NPI requires industrial companies to report emissions and inventories for specific substances and fuel to regulatory authorities for inclusion in a public database. The Department of Sustainability, Environment, Water, Population and Communities (SEWPaC) is working in partnership with state and territory governments to improve the NPI. As a basis for the enhancements, the NPI has undertaken consultation

with a diverse range of stakeholders from around Australia. Consultation will be ongoing and stakeholders will continue to be involved, for example through testing elements of the enhancements.
www.npi.gov.au

Voluntary guidance

- **Reconciliation Action Plan, 2006.** A Reconciliation Action Plan is a business plan that uses a holistic approach to create meaningful relationships and sustainable opportunities for Aboriginal and Torres Strait Islander Australians. Annual reporting is a key requirement of the Reconciliation Action Plan (RAP) program. All RAPs include a commitment to publicly track and report progress annually to ensure that organizations and the community can recognize where achievements have been made, where challenges remain, and what opportunities exist for future RAP development and implementation.
<http://bit.ly/ajojAj>

Other initiatives

- The **ASIC Section 1013DA Disclosure Guidelines, 2003.** These guidelines were issued by the Australian Securities and Investments Commission. They are aimed at product issuers for disclosure about labor standards or environmental, social and ethical considerations in Product Disclosure Statements (PDS). The guidelines complement the Financial Services Reform Act mentioned above.
<http://bit.ly/12ZH6Ky>
- **Australian Minerals Industry Framework for Sustainable Development “Enduring Value”, 2005,** issued by The Minerals Council of Australia. The guidelines for sustainable development require a commitment to public sustainability reporting on an annual basis from members, with reporting metrics self-selected from the GRI Mining and Metals Sector Supplement or self-developed. A commitment to independent verification of reports is also required.
<http://bit.ly/ZoQsMx>

AUSTRIA

Mandatory requirements

- **Austrian Commercial Code (UGB), §243, 2005.** The ReLÄG is the transposition of the EU Modernisation directive (2003/51/EC) into Austrian Law. In Austrian Law the ReLÄG amended §243 of the UGB stipulates the content of annual reports. §243b requires the publication of a Corporate Governance Report.
<http://bit.ly/12qkAHL>

Other initiatives

- **ÖkoBusinessPlan Wien.** The Modul Nachhaltige Entwicklung: ÖkoBusinessPlan Wien is a service of the city of Vienna for companies to implement environmentally-friendly

measures. The module ‘Nachhaltige Entwicklung’ (Sustainable Development) supports companies on their way towards sustainable business. It aims to initiate a sustainable process in the company, and the publishing of a sustainability report.
www.wien.gv.at/umweltschutz/oekobusiness

BANGLADESH

Mandatory requirements

- **Environmental Risk Management Guidelines for Banks and Financial Institutions, 2011.** The Central Bank of Bangladesh took a proactive step in promoting the management of environmental and social issues by the country’s financial sector, by issuing a set of Environmental Risk Management Guidelines for Banks and Financial Institutions and a further set of policy guidelines for Green Banking in Bangladesh. These make it obligatory for banks to address environmental and social issues in their lending processes, develop internal frameworks, and introduce sector-specific policies, train staff and start reporting on environmental and social issues.
<http://bit.ly/yxLMd4>

BELGIUM

Mandatory requirements

- **Article 4.1.8 of VLAREM II, 1995.** It stipulates that certain companies have to issue an annual environmental report (only applicable for the region of Flanders).
navigators.emis.vito.be
- **The Social Balance Sheet, 2003, updated in 2008.** The Social Balance Sheet requires reporting on the nature and the evolution of employment, e.g., training. All companies that employ staff, (large and very large) non-profit institutions, and foundations are required to publish a Social Balance Sheet as part of their annual accounts. In addition, some companies that are not required to produce annual accounts such as hospitals and companies with more than 20 staff members, as well as foreign companies with a branch in Belgium or foreign NPIs with a center of operation in Belgium, are also required to produce a social balance sheet. The Social Balance Sheet holds specific information about the nature and evolution of the workforce, such as the number of people employed, personnel movements, training, etc. www.nbb.be

BRAZIL

Mandatory requirements

- **BM&F BOVESPA rules, 2011.** BM&F BOVESPA rules for differentiated listing segments stipulate that, as of May 2011, issuers must file and disclose the company’s Code of Ethics, in which it states the core values and principles that underpin obligations toward all parties.
<http://bit.ly/ox0Ytq>



- **Solid Waste National Policy, 2010.** Law no. 12.305 sets out a Solid Waste National Policy, which requires that all entities that generate identified types of hazardous waste (e.g., those related to mining and industrial activities, construction, transport systems, health services and sanitation), develop and report a solid waste management plan. Provisions on mandatory information disclosure include: a diagnosis of the waste produced or managed by the organization and the environmental liabilities it has incurred, waste management operational procedures, preventive and corrective actions, and reduction and recycling goals. Complete and updated data is to be provided to the competent body of the state administration and is taken into account either during environmental licensing or by the competent municipal authority. <http://bit.ly/czACVI>
- **Bill no. 3613, 2008.** The bill requires state-owned companies, mixed companies, concessionaires and permissionaires, as well as private companies which have received public financial support, to disclose a CSR report, including information on labor practices, and community and environment-related investments. If the bill is enacted into law, non-compliant companies will not only be subject to fines, but also denied access to public procurement, tax incentives and public credit. <http://bit.ly/10XOUce>
- **Instruction 480, 2009.** Instruction 480 was issued by the Securities and Exchange Commission (CVM), aiming to raise the bar of transparency in public companies by setting new disclosure requirements. Securities issuers are obliged to provide information on an annual basis that ranges from board practices to risk management policy, and the main risk factors that impact the organization. <http://bit.ly/10ubOXR>
- **Despacho 3034/2006, 2006. The ANEEL Requirements for Annual Sustainability Report** – Despacho 3034/2006, obliges all the energy utility companies to produce an annual sustainability report. <http://bit.ly/ZoQKD3>
- **Resolution on Socio-environmental Responsibility Policy, 2012.** Issued by the Central Bank of Brazil in hearing no. 041/12 (2012). In addition to regulating internal procedures for environmental impact assessment and management, the norm stipulates that financial institutions disclose their Socio-environmental Responsibility Policy (PRSA). The norm applies initially to multi-purpose banks, commercial banks, development banks and agencies, investment banks, savings banks and the state-owned Brazilian Economic and Social Development Bank (BNDES), and later for other financial institutions regulated by the Central Bank of Brazil. Moreover, the resolution announced in this same hearing establishes a mandatory reporting framework related to organizations' Socio-environmental Responsibility Policy (PRSA), as well as independent verification of such a report. Further regulatory developments shall detail reporting and disclosure procedures. <http://www.bcb.gov.br/?english>
- **Resolution no. 254/2012/V/I, 2012.** Issued by the Environmental Agency of São Paulo (CETESB), this Resolution obliges companies from a series of industry sectors to submit an annual greenhouse gas inventory, for monitoring the developments in emission levels and the results of mitigation actions. According to the rule, scope 1 and 2 emissions must be reported and, for the time being, ABNT NBR ISO 14.064-1- GHG, GHG Protocol or similar accounting methodologies are accepted. The information disclosed on the inventory may be verified by CETESB or a third party, at the discretion of the Agency. www.cetesb.sp.gov.br
- **Resolution no. 64, 2012.** Resolution no.64, issued by the Environmental State Agency (INEA), also establishes mandatory GHG reporting for obtaining environmental licenses in the state of Rio de Janeiro. The rule applies to the oil and gas, mining and metals, energy and fossil fuels, and chemical sectors, among others. It determines the GHG Protocol to be the accepted accounting methodology and requires companies to annually report on scope 1 and 2 emissions. Prior to submission, the GHG inventory must be verified by a qualified entity. <http://bit.ly/12qIHrd>
- **Resolution no. 65, 2012.** This Resolution establishes additional criteria for environmental licensing. Since December 14, 2012, companies from the sectors listed above, in the state of Rio de Janeiro, are obligated to present a GHG emissions mitigation plan when obtaining or renewing licenses, or within 90 days of the date of the first GHG inventory in the case of new ventures. The plan must inform how much, when and how the company intends to reduce its emissions. The working group responsible for the ruling will evaluate the achievements made by the organization, considering the annual GHG inventories and the implementation of the actions initially set out. <http://bit.ly/12ZJssO>

Voluntary guidance

- **BM&F BOVESPA recommendations, 2012.** The São Paulo stock exchange recommends that listed companies provide information on whether they publish a regular sustainability report, or explain why if they do not. In its mission to inspire best practice in transparency and management, BM&F BOVESPA believes that the implementation of the report or explain model will encourage listed companies to report on environmental, social and governance issues, which will improve sustainability actions and create greater transparency for investors. <http://bit.ly/xR0bGR>

- **Pronouncement no. 13, 2012.** Published by the Brazilian Steering Committee for Information Disclosure to the Market (CODIM), this Pronouncement sets up annual report guidelines, in order to foster best practices in reporting, information disclosure, and corporate governance. It stipulates that the annual report should include information on financial, social, environmental and governance aspects of the business, including an overview of its past performance, main risks and opportunities, and the corporate strategy in place to address these items in the short, medium and long-term. Regarding sustainability, it also recommends including a GRI Content Index, and information on adherence to initiatives such as the UN Global Compact, and inclusion in sustainability indexes.
- **Pronouncement no. 14, 2012.** This pronouncement recommends that companies disclose information on the integration of key sustainability issues to their strategy, including KPIs and goals, as a means of adding value to the business and the organization's stakeholders. It also advises the use of the GRI Guidelines, IIRC principles and BM&F Bovespa Sustainability Guidelines (Novo Valor: Sustentabilidade nas Empresas) for such reports, as well as third party verification. According to CODIM, reports should be made as accessible as possible, on the Investor Relations area on the company's website, through the Periodic and Eventual Information (IPE) system, and other means which may be appropriate. www.codim.org.br/elaborados.asp

CANADA

Mandatory requirements

- **The Greenhouse Gas Emissions Reporting Program, 1999.** As a part of the Canadian Environmental Protection Act, the GHG Reporting Program applies to the largest industrial greenhouse gas emitters in Canada. All facilities that emit the equivalent of 50 kilotons or more of greenhouse gases in carbon dioxide equivalent units per year are required to submit a report. <http://bit.ly/9fPQ1X>
- **The National Pollutant Release Inventory (NPRI), 1999.** As a part of the Canadian Environmental Protection Act, the NPRI reporting requirements apply to certain companies, usually those with approximately 10 full-time employees. Companies report on release of some or all of five groups of substances for the NPRI including Criteria Air Contaminants, Volatile Organic Compounds, and polycyclic aromatic hydrocarbons. Environment Canada operates an electronic Single Window data reporting system to allow industry to more easily comply with reporting requirements. <http://bit.ly/9fPQ1X>
- **Public Accountability Statements, 2012.** Banks and federally incorporated insurance, trust and loan companies with equity of one billion dollars or more must publish an

annual statement describing their contribution (including the contribution of their prescribed affiliates) to the Canadian economy and society. The statements are filed with the Financial Consumer Agency of Canada and are available to the public from the financial institution.

<http://laws-lois.justice.gc.ca/eng/acts/B-1.01/page-186.html>

- **Environmental Reporting Guidance, 2010.** Canada's Securities Commission requires that public companies report on current and future financial and operational effects of environmental and social issues in their financial reporting. In 2010, the Canadian Securities Administrators issued Staff Notice 51-333 *Environmental Reporting Guidance* to provide guidance to reporting issuers about existing continuous disclosure requirements for environmental matters. This Staff Notice identified areas in the Annual Information Form, Management's Discussion & Analysis, Corporate Governance Disclosure and Audit Committee Rules where disclosure may be required concerning environmental risks, trends and uncertainties, environmental liabilities, asset retirement obligations, and the financial and operational effects of environmental protection requirements. It also provided guidance on risk oversight and management and materiality, and discussed governance structures around environmental disclosure; and provided examples of acceptable disclosures. www.osc.gov.on.ca/en/29620.htm
- **The TSX Timely Disclosure Policy, 2004.** Enacted by exchanges and securities regulators in Canada, the TSX Timely Disclosure Policy requires publicly listed companies to immediately disclose material information in a timely manner that could significantly affect the market price or value of the company's listed securities, and specifies that this should include information regarding E&S issues. <http://bit.ly/16s0RhD>

Voluntary guidance

- **Building the Canadian Advantage: A Corporate Social Responsibility (CSR) Strategy for the Canadian International Extractive Sector, 2009.** As part of the Government of Canada's approach to encourage voluntary compliance with internationally-recognized CSR tools and guidelines, the Government of Canada promotes GRI, which can help Canadian companies measure and manage their economic, environmental, social and governance performance. In turn, enhanced accountability and transparency through the reporting process can lead to good CSR performance and encourage market-based rewards for Canadian companies. www.CSR.gc.ca



CHILE

Voluntary guidance

- **The economic dimension – Embedding social sustainability reports: towards basic quarterly financial statements, 2006.** It presents a model that can be used by organizations of any size or sector. It shows the contribution of the organization to different stakeholder groups (Government, Employees, Communities, etc.). The model works by obtaining the information directly from financial statements, and 're-stating' the information, thus presenting the social and environmental approach in a way that the financial (and non-financial) world can easily read and interpret. The guideline has already been used by different organizations, not only in Chile but in the Latin American region. It is compatible with, and not a replacement for, the GRI Guidelines, as it is usually included in the economic performance section of a report.
<http://bit.ly/15bhChE>

Other initiatives

- **Guide for Preparing Sustainability Reports, 2003.** This guide was prepared by AccionRSE and is aimed at organizations of any size or sector. It explains what sustainability reporting is and its importance, suggests the steps that have to be taken in the sustainability reporting process, and provides tools that may be useful to support the reporting process, such as benchmarking and diagnostic tools. It includes references to other guidelines (GRI in particular). The guideline was originally published in 2003 and was re-issued in June 2007.
<http://bit.ly/18tio5N>

CHINA

Mandatory requirements

- **Environmental Information Disclosure Act, 2008.** This Act was issued by the State Environmental Protection Administration of China. Corporations should disclose environmental information according to regulatory requirements. Environmental agencies are also encouraged to establish an environmental information disclosure system. Public disclosure of government environmental information should include, among other things, a list of corporations that breach national or local environmental pollution norms or have had serious environmental pollution incidents or that refuse to comply with the regulations. Corporations are encouraged to voluntarily disclose the following: environmental protection guidelines, annual targets and results, annual resource utilization, environmental investment and description of environmental technologies, pollution levels, density, types, and disposal method, environmental protection construction and operating status, waste generation, voluntary environmental agreements with the agencies, and implementation status of corporate social responsibility.

Environmental agencies will in turn give compliant companies incentives such as public commendation, priority for specific environmental grants (according to regulations), and for cleaner production demonstration projects or other grants for demonstration pilots/projects (according to regulations)
www.sepa.gov.cn

- **Green Securities Law, 2008.** The Ministry of Environmental Protection (MEP), in partnership with the China Securities Regulatory Commission (CSRC), launched the 'Green Securities' policy, which requires companies listed on the stock exchange to disclose more information about their environmental record. The policy was enhanced in 2008 by the issuance of the 'Green IPO' which requires enterprises in energy-intensive industries (Liang Gao industries) to undergo an environmental assessment by the MEP before initiating an IPO or obtaining refinancing from banks.
<http://bit.ly/12qml0C>
- **Guidelines on Environmental Information Disclosure by Companies Listed on the Shanghai Stock Exchange, 2008.** Three types of companies must disclose CSR practices: (1) companies included in the SSE Corporate Governance Index (240), (2) companies listed in both domestic and overseas markets, (3) financial companies. These guidelines encourage listed companies to disclose the following environmental information, either as part of their CSR report or in a separate report: company environmental protection policy, annual environmental protection objective and effect; annual total energy consumption; environmental protection investment and environmental technology development status; emission/pollutant types, quantity, concentration and destination; construction of environmental protection equipment and operational status; production waste treatment, disposal and recycling status; the environmental improvement agreement (signed voluntarily by the company) that the company has entered into with the Ministry of Environmental Protection; awards the company has received from the Ministry of Environmental Protection; other information disclosed at the discretion of the company. According to the notice, listed companies should establish a CSR strategy of at least four aspects and the CSR report should comprise the work performed by the company in promoting sustainability development, such as protection of employee health and safety, quality control of the company products, and promoting a sustainable environment and ecosystem such as through pollutant reduction, conservation of water and energy, etc.
<http://bit.ly/ZYXNHj>
- **Guidelines to the State-owned Enterprises Directly under the Central Government on Fulfilling Corporate Social Responsibilities, 2008.** These guidelines were issued by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC). They were proposed

by the 17th CPC National Congress, and give the impetus to Central State-owned Enterprises (CSOEs) to fulfill corporate social responsibilities, so as to realize the comprehensive and sustainable development of social and environmental aspects of enterprises. According to the guidelines, the main contents of fulfilling CSR by CSOEs include: insisting on a legal and honest way of business operation, constantly improving their ability to make sustainable profits, improving product quality and service, strengthening resource conservation and environmental protection, promoting independent innovation and technological advancement, ensuring production safety, protecting legal rights of employees, and participating in social public welfare programs. The guidelines also set out the main measures for CSOEs to fulfill CSR, such as establishing CSR fulfillment mechanisms and CSR information reporting systems. www.sasac.gov.cn/n2963340/n2964712/4891623.html

- **Shenzhen Stock Exchange Social Responsibility Guidelines for Listed Companies, 2006.** Since the exchange released the guidelines on social responsibility for listed companies, it has been actively training the 488 companies listed on the exchange on how to apply them. According to the guidelines, the exchange encourages listed companies to establish a social responsibility mechanism and prepare social responsibility reports on a regular basis. The guidelines list the key points which should be included and disclosed in social responsibility reports. The disclosure was initially voluntary but Shenzhen Stock Exchange changed the policy in 2008 and required mandatory disclosure for all companies in SZSE 100 index (100 companies). However, listed companies not included in the SZSE 100 index can still choose whether or not to submit their CSR reports to the stock exchange. <http://bit.ly/11XyROK>
- **Consultation Conclusions on Environmental, Social and Governance Reporting Guide, 2012.** The Stock Exchange of Hong Kong Limited has published its Consultation Conclusions on Environmental, Social and Governance Reporting Guide. The Exchange has decided to implement the guide as a 'recommended practice' with a view to moving to a 'comply or explain' basis of ESG reporting by 2015. The guide results from a consultation process begun in 2011, and forms an appendix to the existing Listing Rules for the exchange. Entities following the guide will provide disclosures on workplace quality, environmental protection, operating practices, and community involvement. The exchange expects to undertake further consultation before moving to a 'comply or explain' basis of reporting. <http://bit.ly/RApDUr>

Voluntary guidance

- **Guidelines on Corporate Social Responsibility for Banking Financial Institutions in China, 2009.** Issued by the China Banking Association (CBA), the guidelines' purpose is to urge financial institutions to assume corporate social responsibility and promote harmonious and sustainable development of the economy, society and the environment. The guidelines are applicable to all banking financial institutions with a corporate status in China. The guidelines elaborate on CSR from three perspectives: economic responsibility, social responsibility and environmental responsibility, and also make recommendations for management control mechanisms and systems in relation to implementing CSR in financial institutions. The most pressing aspect of the guidelines is that CBA advises all banks to produce an annual CSR report. <http://bit.ly/17z6WHh>
- **Shanghai Municipal Local Standards on Corporate Social Responsibility, 2008.** Issued by the Shanghai Municipal Bureau of Quality and Technical Supervision, the standards emphasize the following four major legal and moral responsibilities: Equity Responsibility: Labor & employee management; Environmental Responsibility: Resource treatment and environment protection; Integrity Responsibility: Ethical business behavior for stakeholders; Harmonious Responsibility: Government/Public sector relationships and contributions. The local government encourages the enterprises to self-assess their CSR performance annually or periodically, and release the results to the community and employees. csrsh.com/info/3764-1.htm
- **Guidelines on Social Responsibility for Industrial Corporations and Federations, 2011.** The guidelines were issued by 11 national industrial federations and associations engaged in iron, steel, oil, chemicals, light industry, textiles, building materials, non-ferrous metals, electric power and mining. According to the guidelines, all industrial companies and industrial federations of China are encouraged to establish a CSR system in four sectors: management, regulations, information and supervision, in order to run business in a methodical and regulated way. The guidelines state that the content of a CSR report should cover eight aspects: public statement, scientific development, environmental protection, energy conservation, production safety, interests of employees, interests of stakeholders and social commonwealth. The guidelines recommend more than 80 key indicators related to economic performance, employment of employees, labor contract, production safety, social insurance, energy consumption and emission, environmental protection, company credit, etc. These indicators are encouraged to be disclosed in the CSR report. www.cnmm.com.cn/Show_20132.aspx and www.cfie.org.cn/uploadimages/1925.pdf



Other initiatives

- **Indicator System for the China CSR Monitoring and Evaluation Platform.** This system was developed by the State information Centre to enhance the CSR consciousness of policy makers and corporations in China, improve the capacity of policy makers, and promote the frequency of CSR monitoring and evaluation to improve the overall CSR level of China's corporations. Three levels of indicators – 7 first class, 49 second class and 247 third class – cover corporate governance, economy, environment, labor, human rights, social, and production performance. The indicator system tries to roundly and effectively measure the implementation level of enterprises' social responsibility management.
www.siccsr.org/en
- **China Sustainability Reporting Guidelines for Apparel and Textile Enterprises (CSR-GATEs), 2008.** A guideline with comprehensive and quantifiable indicators for enterprises that are willing to publish SR reports. It aims to help enterprises voluntarily compile and publish reports on the economic, environmental and social performance of their business operations, products and services.
www.csc9000.org.cn/en/NewsDetail.asp?AID=21213
- **CASS-CSR reporting guideline (2.0), 2012.** According to the guidelines published by the China Academy of Social Sciences, Corporate Social Responsibility Reports should reflect principles of balance, comparability, timeliness, readability and authenticity. The reports should be fair and objective when disclosing both positive and negative corporate information, to ensure that stakeholders can correctly evaluate the overall performances of enterprises. The disclosed data should also be supported by internal control and documentation. Unconfirmed information or performance data should not be included in the report.
<http://bit.ly/ZYY6ll>
- **Guide on Social Responsibility for Chinese International Contractors, 2012.** This guidance is the first standard for voluntary social responsibility for the international contracting industry, from the Ministry of Commerce. It focus on seven issues (including quality safety, employee development, owners' equity, supply chain management, fair competition, environmental protection and community development), puts forward specific work requirements for enterprises to perform their social responsibilities, and makes clear key points of social responsibility management. It aims to establish and improve social responsibility information disclosure mechanisms and provide information on social responsibility performance to stakeholders in a timely manner.
<http://bit.ly/17z6VTE>

COLOMBIA

Voluntary guidance

- **National Program for Voluntary Report on GHG Emissions.** This is designed for enterprises to account, report and identify strategies to control their corporate GHG emissions, through technical support and subsequent recognition of their voluntary actions that contribute to climate change mitigation. This initiative seeks to provide tools to Colombian companies to prepare for the challenges and opportunities arising from climate change, and to have comprehensive corporate strategies to manage their GHG emissions over time.
<http://comunicarseweb.com.ar/?page=ampliada&id=9247>

Other initiatives

- **National policy of production and consumption: towards a culture of sustainable consumption and changing production, 2010.** The purpose of this policy is to guide the changing patterns of production and consumption of the Colombian economy towards being environmentally sustainable and, consistent with this, to help improve business competitiveness. The focus of this new policy is to influence behavior change among different actors, such as entrepreneurs, industry leaders, environmental authorities, government officials at different levels, universities, and NGOs, among others, so that they move towards more sustainable production and consumption. The policy will be subject to a five year evaluation, from which there may be adjustments incorporated into the action plan for implementation.
<http://bit.ly/PEZC0S>

DENMARK

Mandatory requirements

- **Act amending the Danish Financial Statements Act, 2008.** The Danish Parliament (Folketing) adopted the proposed "Act amending the Danish Financial Statements Act (Accounting for CSR in large businesses)" on 16 December 2008. Under this amendment, large businesses must account for their work on CSR in their annual reports (from the financial year 2009 and onwards). The aim is to inspire businesses to take an active position on social responsibility and communicate this. The statutory requirement is part of the Government's action plan for CSR (May 2008) and is intended to help improve the international competitiveness of Danish trade and industry. Businesses covered by the Act are those with (1) Total assets/liabilities of DKK 143 million, (2) Net revenue of DKK 286 million, and (3) An average of 250 full-time employees. Subsidiaries are exempt from having to report on social responsibility if the parent company does so for the entire group. The explanatory notes to the amended law, and accompanying guidance documents, refer to and encourage the use of the GRI Guidelines. Companies must either report on the elements prescribed or explain why if they choose not to report.

- Businesses covered by the statutory requirement must report on: The business' social responsibility policies, including any guidelines or principles for social responsibility the business employs; and how the business translates its social responsibility policies into action, including any systems or procedures used. If the business has not formulated any social responsibility policies, this must be reported.
- In addition, requirements adopted by the Danish Parliament require disclosure on whether or not the company has policies to ensure respect for human rights and/or to reduce the climate impact of the company's activities from 2013. Finally, the Danish Government has implemented rules on improving the gender balance in the management of large Danish companies, covering the same group of large companies, and entering into force on 1 April 2013.
csrgov.dk/legislation
- **The Danish Financial Statements Act, 2001.** This Act required reporting on intellectual capital resources and environmental aspects in the management report, if it is material to providing a true and fair view of the company's financial position.
www.eogs.dk
- **The Green Accounts Act, 1995.** This Act was revised in 2010. The approach in the new draft is that the number of mandatory green accounts should be reduced from around 1000 to 700; some of the information should be given only every three years if the company observes ISO 14001; and some of the information required will be more aligned with EU requirements regarding statistical data on waste, emissions, etc. The scheme has two primary purposes; making information about large businesses' and heavy polluters' environmental matters available for the public, and encouraging businesses to address environmental concerns. The Green Accounting Scheme is mandatory for more than 400 companies. It contains a statement from senior management level, and accounts of material input, emissions and waste. Moreover, the scheme covers the data requirements for facilities with reporting obligations according to the EU PRTR-Protocol (Pollutant Release and Transfer Register).
www.mst.dk

Other initiatives

- **Danish Action Plan for CSR "Responsible Growth", March 2012.** Launched by the Danish Government, the Action Plan aims to provide guidance on creating shared value for business and society through innovative partnerships between the private and public sectors and civil society. It also lays out a plan to strengthen accountability through the implementation of the UN Guiding Principles and transparency requirements. In addition to the reporting requirements in place since 2009, new requirements entail disclosure on whether a company has policies to ensure respect for human rights and/or to reduce its

climate impact. This is the second Action Plan for CSR, the first being launched in 2008 by the former government.
<http://bit.ly/15bhRJI>

ECUADOR

Mandatory requirements

- **Ministerial Agreement 131.** Created with the objective of promoting good practice to reduce environmental contamination in public enterprise. State-owned institutions must report their management indicators in relation to good environmental practices, on a yearly basis. A recognition award was created for the entity that manages to reduce environmental contamination by the largest percentage.
<http://bit.ly/Yov7Yt>
- **Mining Law, 2009,** Sector Ministry, the National Mining Company, and the Regulation and Control Body. This mining law regulates the sovereign rights of the Ecuadorian State to manage, regulate and control the strategic mining sector, in accordance with the principles of sustainability, precaution, prevention and efficiency. This law excludes oil and other hydrocarbons. Articles include: Art 47. – Half-yearly reports. – Those entitled to benefit (smelting and refining plants) shall present half-yearly reports of their activities to the Sector Ministry, including the information required by the relevant authority, with a summary of the investments and work performed, the production obtained and the operation's technical results. Art 73. – Maintenance and access to records. – Those entitled to mining rights must maintain accounting, financial, technical and employment records, statistical production data, information on work progress, consumption of materials, energy, water, and others that appropriately reflect their operations. Art. 78. – Those entitled to mining rights must present an annual environmental audit that allows the control entity to monitor, supervise and verify compliance with environmental management plans.
www.arcom.gob.ec
- **Environmental Regulation for Hydrocarbon Activities, 2001,** Ministry of Environment, and Ministry of Energy and Mines. Regulation for hydrocarbon activities related to exploration, development and production, storage, transportation, industrialization and commercialization of crude oil, oil derivatives, natural gas and related activities that are susceptible to causing environmental impacts in the area of direct influence, in each case defined by the corresponding environmental analysis. Art 11. – Annual Environmental Report. – Before January 31st every year, control subjects shall present the annual report of environmental activities performed during the previous year, as part of the annual report of contract activities. This report shall describe and assess budgeted environmental activities executed, in relation to the ones that are part of the above-referred annual schedule of activities.
www.ceda.org.ec



Voluntary guidance

- **Transparent System of Indicators of Business Environment Best Practice, 2008**, Guayaquil Stock Exchange (BVG) and the Business Council for Sustainable Development in Ecuador (CEMDES). This initiative aims to develop a transparent system of business practice based on environmental values that allow companies listed on the BVG to assess their performance towards sustainable development on a permanent basis, thus contributing to the sustained success of their business. Companies that enter the system must collect information for environmental indicators proposed in the Sole Presentation Form (FUP). These indicators are taken from GRI. Certification can be granted to companies that complete the FUP appropriately. With this information at hand, companies may publish results that show a high level of responsibility towards stakeholders.
www.cemdes.org
- **Andean Plan of Good Corporate Governance: Fundamental Principles, 2005**, Quito Stock Exchange (BVQ), the Superintendence of Companies, and the Andean Development Corporation (CAF). This initiative contributes a base document, setting the fundamental principles that companies should follow to obtain good corporate governance. The Andean Plan of Good Corporate Governance proposes the use of additional behavioral patterns (not compulsory) before those demanded by the Stock Market Law and its regulations. The main objective is to encourage the development of the stock market by means of good corporate governance practices, in particular sharing information adequately, sound use of resources, and management of stakeholder relationships.
<http://bit.ly/15xYpEf>

Other initiatives

- **CERES ETHOS Indicators**. These Indicators for corporate responsibility are a self-learning, awareness, evaluation and monitoring tool for companies that have incorporated, or want to incorporate, social responsibility as an entrepreneurial philosophy, applied to strategy and general performance. They are essentially for internal use. They are a product of the Latin American Program of Corporate Social Responsibility (PLARSE) and were validated for Ecuador.
www.plarse.org
- **Green Point**. The Ecuadorian environmental 'green point' incentive was created by the Ministry of Environment for any product/service company to reduce pollution. One of the main criteria is to have licensed Environmental Specifications issued by the Clean National Authority, through the demonstration of environmental indicators. The objective is to create an institutional system to urge the productive sector, academic, and public centers to join Sustainable Production

and Consumption, Cleaner Production, Technology Transfer, certification and eco-labeling, to achieve a common goal to support the transformation to more successful production and consumption patterns that will be recognized with the 'Green Dot'.

web.ambiente.gob.ec/?q=node/554

FINLAND

Mandatory requirements

- **Government Resolution on State Ownership Policy, 2011**. The Finnish resolution asks non-listed state-owned companies and state majority-owned companies to report their sustainability performance in an accurate and comparable manner. The resolution provides information about the main practices of the state as an owner, and the guidelines for ownership within ministries. The underlying objective is to make the Finnish state-ownership policy as open and consistent as possible, and so encourage good business practice for non-state-owned businesses. The resolution's annex features a reporting model based on GRI's G3 and G3.1 Guidelines, using a 'comply or explain' principle.
<http://bit.ly/10XPL32>
- **The Finnish Accounting Act, 1997**. The Act requires certain companies to include material non-financial issues in the director's report of the annual/financial report, and refers to the guidelines for good practice. The report shall include an assessment defining the key ratios necessary to understand operations and financial position, as well as the results of operations of the reporting entity. In addition, ratios and other information on personnel and environmental factors, and other potentially significant matters impacting on the operations of the reporting entity, need to be disclosed.
<http://bit.ly/10XPLAh>
- **General guidelines for recording, accounting and disclosing of environmental issues, 2006**. The Finnish Accounting Board issued general guidelines for the recording, accounting and disclosing of environmental issues as part of the legally required financial statements. The guidelines are broadly based on the EU commission's recommendation 2001/453/EU, and are to be interpreted to be a part of binding good accounting practice. The Finnish Accounting Board also issued general guidelines for the compilation of the Board of Directors' report. Such general guidelines are to be interpreted to be a part of binding good accounting practice.
www.tem.fi/?l=en&s=878

FRANCE

Mandatory requirements

- Grenelle Act II, 2010.** Article 225 of the Act makes corporate sustainability reporting mandatory for companies exceeding size thresholds. The legislation, passed in 2012, requires companies to include information on their environmental and social performance, including all of the company's subsidiaries, in their annual report—effectively turning it into the foundation for a full integrated report. The law defines the phase-in process, with large listed companies expected to comply in their 2012 reports and smaller companies (with up to 500 employees and total assets or net annual sales of €100 million) expected to comply with their 2014 annual reports. Grenelle II also requires a third-party to verify the 'extra-financial' information included in the report. The Decree regarding disclosure obligations for companies in 42 social and environmental fields (just a few specific indicators are mentioned) specifies that companies listing securities and companies with an annual balance or turnover of 100 million Euros and an average of 500 permanent employees are obliged to disclose certain social and environmental information as well as information relative to societal commitments in favor of sustainable development inside their annual management report. Depending on the nature of the activities or the organization, companies need to provide useful information on why certain data is not reported. The disclosed information is checked by an accredited, independent third party. The implementation schedule is progressive and depends on the size of the companies, but every company concerned needs to report for FY 2014 at the latest. The information needs to be consolidated when the company establishes consolidated statements (including companies with a non-French legal form, as long as they are a subsidiary.)
<http://bit.ly/deL2cQ>
<http://bit.ly/11XzoQL> and <http://bit.ly/11EaiVp>
- Art 224 states** that mutual funds have to mention in their annual report and their documentation how environmental, social and governance quality objectives have been taken into account in their investment policy. The report should explain which criteria have been assessed and how they are embedded in the decision-making process. It should also disclose how voting rights have been exercised. The decree established a presentation framework for all due information, such as: tools and methodology in place to take into account ESG objectives, ESG criteria used (including sector-specific), percentage of value of the mutual funds which take into account ESG criteria, and impact of the assessment on the investment and divestment process.
<http://bit.ly/16s2dsV> and <http://bit.ly/11EaijY>
- Art 75:** Companies with more than 500 employees have to publish their scope 1 and 2 greenhouse gas emissions by 31 December 2012 at the latest, with an update at least every three years.
<http://bit.ly/10XQbqb>
- Law No. 2001-420.** This law relates to New Economic Regulations (operative since 2003). Art. 116: environmental and social reporting is mandatory for listed companies, which are in many cases holding companies. Art 116 has been replaced by Art 225 of Grenelle II.
- Law No 2001-397, 2001.** Companies with over 50 employees have to issue a comparative situation report supported by indicators regarding gender equality in terms of recruitment, access to training, promotion, working conditions and compensation. The report should indicate the action plan that has been followed to enforce gender equality.
<http://bit.ly/131XtqJ>
- Law of 7 July, 1977.** This law on the social review mandates all companies with more than 300 employees to publish a social review (it includes more than 100 indicators).
- Corporate Governance Code of Listed Corporations, 2010.** The principles for the corporate governance code are based on the Viénot reports of 1995 and 1999, on the Bouton report of 2002, and on the 2007 and 2008 recommendations concerning the compensation of executive directors of listed companies. Prepared by the Association Française des Entreprises Privées (AFEP) and the Mouvement des Entreprises de France (MEDEF), these recommendations are aimed at those companies with securities trading on a regulated market. Corporations with a Supervisory Board and Management Board, as well as partnerships limited by shares, need to make adjustments as appropriate to implement these recommendations. An annual report of listed companies must include a chapter, determined with the support of the compensation committee, informing shareholders of the compensation received by executive directors, as well as the internal procedures to identify and monitor off-balance sheet commitments, and to evaluate the corporation's material risks.
www.ecgi.org/codes/code.php?code_id=339

Other initiatives

- French National Sustainable Development Strategy 2010-2013 (SNDD), 2010.** The National Sustainable Development Strategy (SNDD) was inspired by the Grenelle Environmental Forum and adopted by the Interdepartmental Committee on Sustainable Development in July 2010. The SNDD provides a framework of reference and guidance to all private and public national organizations to help them structure their own policies and projects around strategic choices and indicators of sustainable development, clustered in nine key challenges. Businesses are encouraged to commit



to an advanced social responsibility approach. The strategy also seeks to ensure coherence and complementarity of France's commitments at the national level with commitments made at the European and international level.

www.legrenelle-environnement.fr

- **ADEME Carbon footprint methodology, 2002.** Issued by the Environment and Energy Conservation Agency, this methodology enables a greenhouse gas (GHG) emissions assessment to be undertaken. Its aim is to obtain, with the help of easily accessible data, an assessment of direct and indirect GHG emissions resulting from any activity, or from a collectivity. The methodology was established by the French Agency for Environment and Energy conservation (ADEME) and is compliant with the ISO 14064 standard, the GHG Protocol, and the directive n°2003/07/CE related to the European Union Emission Trading Scheme.
<http://bit.ly/ZXqC10>
- **The Global Performance of Responsible Enterprise, 2011.** The Centre des Jeunes Dirigeants d'Entreprise has created a tool for internal and external information exchange. By completing a questionnaire, companies can report on their social profile and performance. The Global Performance tools are aligned with ISO 26000 for Social Responsibility. www.gps.cjd.net

GERMANY

Mandatory requirements

- **Bilanzrechtsreformgesetz (BilReG – Reform Act on Accounting Regulations), 2005.** The EU Modernisation Directive (2003/51/EG) was transposed in Germany through the Bilanzrechtsreformgesetz (BilReG) and has led to amendments to §§ 289 and 315 HGB (Germany's commercial code). Beyond this Directive, the *BilReG* also demands reporting about chances for future developments, in addition to risk reporting to enhance the quality of the management report and to allow for target/performance comparisons. Effective for financial years beginning after December 31, 2012, the German Accounting Standard No. 20 'Group Management Report' (GAS 20) amends GAS 15 'Management Reporting'. If non-financial performance indicators are used for internal management, quantitative information on these indicators should be provided. Furthermore, it stipulates that whenever a company uses the reported financial and/or non-financial performance indicators internally under the aspect of sustainability, this connection should be explained in the report. Almost all companies of the N100 Germany required to publish a group management report now include non-financial key indicators in their annual reports.
- The requirements of Germany's commercial code were originally substantiated in German Accounting Standard No. 15 'Management Reporting' (GAS 15). Published by the

German Accounting Standards Board, GAS 15 governs all German parent companies that are required by law to prepare a group management report in accordance with § 315. The standard establishes five principles for the management report: completeness; reliability; clarity and transparency; the conveyance of management's perspective; and a focus on sustainable value creation.

<http://bit.ly/161UEt5>

Voluntary guidance

- **German Sustainability Code, 2011.** The German Council for Sustainable Development passed the German Sustainability Code (GSC), which was sent to the German Federal Government with a recommendation for implementation. The GSC is the result of a biennial consultation process between representatives of financial markets, various enterprises and civil society. It was drafted by the German Council for Sustainable Development, which provides the government with recommendations and information on their sustainability strategy and policy.
- The code addresses companies of every size and legal form and is recommended to be used as a voluntary instrument. It features 20 indicators of sustainability performance that are aligned with the GRI Guidelines, the UNGC principles, the OECD Guidelines for Multinational Companies and the ISO 26000 Guidelines.
- The disclosures regard strategy, process management, environment, and society. Comprehensive reporting following GRI (A+) or EFFAS (Level III) equates to compliance with the Code. Application of the GSC occurs at the companies' discretion and they declare whether and to what extent they are in accordance with the Code ('comply or explain') within a declaration of conformity, which can be furnished using a template.
www.sustainabilitycode.org

GREECE

Voluntary guidance

- **Law 3487, 2006.** This law transposed the EU Modernisation Directive 2003/51/EC into Greek national legislation. The Directive states that for companies which meet certain financial criteria, to the extent necessary for understanding the company's overall position/performance, the Annual Report (and Financial Statements) shall include financial and non-financial indicators (if deemed applicable/required) related to the company's business activity. These indicators may include information regarding employee relations and environmental issues. The law applies if at least 2 of the conditions below are met:
 - Exceed a Balance Sheet value of EUR 2.5 million
 - Exceed net sales of EUR 5 million

- Exceed average personnel number of 50 throughout the financial year

www.dsanet.gr/Epikairothta/Nomothesia/n3487_06.htm

HUNGARY

Mandatory requirements

- **Public benefit report, 1997.** Hungarian PBOs are regulated under Act CLVI of 1997 on Public Benefit Organizations. Among other criteria they have to prepare an annual public benefit report, including activity and financial report, report on any budgetary support, report on any grants given, value or amount of compensation provided to leading officials, and report on assets management. <http://bit.ly/16s2ThS>

Voluntary guidance

- **Accounting Act, Act C, Section 95, 2000.** The EU Modernisation Directive (2003/51EC directive) was implemented in Hungary by Act XCIX, approved by the Hungarian Parliament in October 2004. The requirements of the directive were incorporated into the Accounting Act, Act C of 2000. There is no specific detailed guidance for reporting and assurance on these disclosures. The regulation resulted in very limited development of non-financial reporting. Most of the companies meet the requirements but the separate section dedicated to non-financial performance in annual reports is mostly descriptive and has limited quantitative content. <http://bit.ly/11ZS94O> and www.ecovis.hu/angol/accounting.pdf (English but not official webpage)

ICELAND

Mandatory requirements

- **National Regulation on Green Accounting, 2002.** The National Regulation on Green Accounting (Reg. 851/2002) amended Act No. 7/1998 on Hygiene and Pollution Control, to require companies operating in environmentally-sensitive sectors to disclose environmental sustainability information related to their operations. The Act had already been amended in 2001 to make it mandatory for businesses in specific polluting industries to keep green accounting: material accounting with quantitative information on the status of environmental affairs. According to the provisions of regulation 851/2002, in their annual reports companies shall include information on the use of raw materials, energy, geothermal water and cold water in the accounting period, as well as the main types and quantities of chemicals that cause pollution. In Action 32 of the 2011 Parliamentary Committee Report it was decided that Regulation 851/2002 shall be amended, based on the accumulated experience of the previous decade. Special emphasis will be on monitoring accounting practices with respect to their reliability, in order to meet requirements on

clarity of information and on environmental protection. <http://bit.ly/17z7xsk>

- **Action 14 of the Report of the Parliamentary Committee on the Strengthening of the Green Economy, 2011.**

To address the Icelandic Parliament decision to actively work towards achieving a Green Economy, a Parliamentary Committee was set up with the objective of producing recommendations for a vision and policy. The Committee launched a report that includes 48 actions that will need to be implemented between 2013 and 2014. One of the actions is that all institutions of the respective ministries and all state-owned companies should publish annual reports using GRI's Framework. www.althingi.is/pdf/Green_economy.pdf

INDIA

Mandatory requirements

- **The Companies Bill, 2012.** The Lok Sabha (Lower House of Indian Parliament) in December 2012 passed the Companies Bill, amending the 1956 Act to incorporate the latest trends of the corporate world and provide a boost to the corporate sector of the country. The Act makes it mandatory for profit-making companies to spend on activities related to CSR. If a company does not do so, it will have to explain the reasons (section 135). mca.gov.in/Ministry/pdf/The_Companies_Bill_2012.pdf
- **Business Responsibility Reports, 2012.** The board of the Securities and Exchange Board (SEBI) mandated listed companies to submit Business Responsibility Reports, describing measures taken along the key principles enunciated in the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' framed by the Ministry of Corporate Affairs (MCA). This requirement is initially only applicable to the top 100 companies in terms of market capitalization, and will be extended to other companies in phases. Its Clause 55 requires companies to engage in a thorough E&S reporting process. It also encourages all companies to abide by the disclosure requirements and is based on a 'comply or explain' principle. www.sebi.gov.in/sebiweb
- **DPE Guidelines on CSR and Sustainability, 2013.** The annual Memorandum of Understanding (MoU) between Central Public Sector Enterprises (CPSEs) and Government Ministries defines the targets and objectives for a CPSE, in which a fixed percentage is defined for CSR and Sustainable Development. The DPE Guidelines have been developed for CPSEs in committing to and achieving their respective targets in a manner that is beneficial to them and their stakeholders. These guidelines were revised and entered into force in April 2013, to better promote transparency in disclosing strategies and activities. <http://bit.ly/11XAdcj>



- **Annual 'environmental audit report'.** Pursuant to the Environment (Protection) Act of 1986, the federal government stipulated that each relevant organization should submit an annual 'environmental audit report' (in a prescribed format) to the relevant State Pollution Control Board (SPCB). Reporting in the environmental statement includes parameters such as water and raw material consumption, pollution generated (along with variations from prescribed standards), quantities and characteristics of hazardous and solid wastes, impact of pollution control measures on the conservation of natural resources and the cost of production, and additional investment proposals for environmental protection. <http://envfor.nic.in/soer/1999/chap10.html>
- **Indian Factories Act, 1987.** There are no clearly defined means for public disclosure. Ideally, every factory in India is required to submit reports to their relevant state government in the format mentioned under the Act. It covers information relating to labor and employment, working hours, accidents, and health and safety. While there is a statutory obligation to report data to the relevant authorities, publication of this information is not mandated under current legislation. <http://bit.ly/10udX5C>
- **Corporate Responsibility for Environmental Protection (CREP), 2003.** A charter promoted by the Central Pollution Control Board of India, this initiative aims to go beyond compliance with regulatory norms for prevention and control of pollution, through various measures including waste minimization, in-plant process control, and adoption of clean technologies in environmentally-intensive industries. CREP is mandatory for large businesses in the 17 highest polluting sectors in India. <http://bit.ly/13OAKgM>
- **Quarterly compliance report, 2003.** SEBI Committee on Corporate Governance introduced a requirement for listed companies to submit a quarterly compliance report, including a corporate governance report, within 15 days of the end of each financial reporting quarter. While not mandating specific sustainability disclosures, the SEBI Committee on Corporate Governance's discussion of corporate governance indicated that a broader set of stakeholders should be considered, taking into account societal concerns about labor and the environment. Under clause 49 of the Listing Agreement, companies are required to submit their Corporate Governance Report. www.sebi.gov.in/circulars/2001/CIR032001.html
www.corpfiling.co.in/notcomplying/links.aspx
www.nfcgindia.org/library/narayanamurthy2003.pdf and www.nfcgindia.org

Voluntary guidance

- **National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business, 2011 (2009).** The Indian Ministry of Corporate Affairs launched the National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business. The Guidelines, directed at all business types and sizes, provide a basic framework that may be adopted voluntarily in order to address the interests of various stakeholders, including employees, customers and investors. While the 2011 Guidelines identify the areas where responsible practices need to be adopted, the accompanying Reporting Framework provides a disclosure template which can be used to report on performance in these areas. The Guidelines also provide a framework for responsible business action for Indian multinational companies planning to invest or already operating in other parts of the world. Businesses are encouraged to move beyond the recommended minimum provisions articulated in the document and to ensure CSR issues are addressed across the value chain. <http://bit.ly/o61rOh>
- **Guidance Note on Non-Financial Disclosures, 2011.** The Institute of Company Secretaries of India brought out a Guidance Note on Non-Financial Disclosures to enable companies to voluntarily make appropriate disclosures beyond the narrow focus of financial disclosures. The purpose is to help those responsible for preparing company annual reports to make appropriate non-financial disclosures that address the major concerns of various report users. All companies (private or public) are encouraged to follow the suggestions in the Guidance Note and make appropriate non-financial disclosures in their annual/biannual reports. www.icsi.edu/guidance_notes.aspx
- **Consultative paper on corporate governance norms, 2012.** SEBI issued a consultative paper to review corporate governance norms in India. The paper primarily seeks to align the corporate governance provisions in clause 49 of the Listing Agreement with those provided in the Companies Bill 2012, and adopt best international corporate governance practices. The paper was open for public consultation. <http://bit.ly/VL24YG>

INDONESIA

Mandatory requirements

- **State Owned Enterprise Minister Regulation No. SE-443/MBU/2003, 2003.** This regulation superseded the Finance Minister Regulation No. 316/KMK.016/1994 regarding Partnership and Community Development Guidelines. The regulation mandates state-owned enterprises to report partnership and community development programs, and to publish and submit an audited report.

- **Law No. 40/2007.** This law relates to Limited Liability Companies. Article 66 mandates all limited liability companies to include coverage of environmental and social responsibility programs in the annual report.
- **State Owned Enterprise Minister Regulation No. KEP-05/MBU/2007, 2007.** This regulation regards the Partnership Programs and Environmental Development Programs of state-owned enterprises for small businesses. Article number 22 paragraph (1) point b states that the Board of Directors of the state-owned enterprise has the obligation to provide a report of partnership programs with small business and environmental development to the Ministry/Shareholder, with a copy to the Commissioners/Board of Trustees. The report shall contain the Annual Report, including audited financial statements, no later than five months after the end of the relevant financial year.
- **Regulation No.KEP-431/BL/2012, 2012.** This regulation concerns Annual Reporting for Publicly Listed Companies – superseding the Capital Markets Supervisory Agency Regulation No. X.K.6., 2006. One of the basic improvements is that disclosures on corporate social responsibility should include policies, types of programs, and expenditure on; environmental performance, labor practices, social and community empowerment, and product responsibility. Publicly listed companies can disclose the information in the annual report, in a separate sustainability report, or in a corporate social responsibility report, which need to be submitted simultaneously to the Capital Market Supervisory Agency. <http://bit.ly/Yowg1W>
- **Government Regulation no. 47/2012, 2012.** In regard to Social and Environmental Responsibility for Limited Liability Companies, this regulation states that social and environmental responsibility is the obligation of a company that has business activities in the field of, and/or related to, natural resources. Social and environmental responsibility is carried out by the Board of Directors after receiving approval from the Board of Commissioners or the General Meeting of Shareholders, in accordance with the articles of association of the company, unless otherwise stipulated in the prevailing laws and regulations. The implementation of social and environmental responsibilities shall be contained in the Company's annual report. Any company who is not carrying out social and environmental responsibilities as stipulated in Article 3 will be penalized in accordance with the provisions of the legislation. On the other hand, article 8 paragraph (2) of the government regulation states that any company that participates in the implementation of the social and environmental responsibilities, as mentioned in Article 8 paragraph (1), may be given an award by the authority. <http://bit.ly/105uyOp>

- **Regulation No. 24/2012, 2012.** This regulation by the Ministry of Energy and Mineral Resources states that any company activity in mineral or coal concessions (covering the stages of exploration, feasibility studies, construction, mining, processing and refining, transport, and sales and post-mining) shall provide four month and yearly reports to the mining services and business license providers. The template of the annual report was introduced in the regulation. Environmental protection and community development were included in the section B.II of the template.

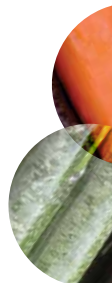
ITALY

Mandatory requirements

- **Ministerial Decree of 24 January 2008.** Issued by the Ministry of Social Welfare, the decree provides for the adoption of social reporting guidelines for social enterprises (*imprese sociali*). <http://bit.ly/YgpKZ6>
- **Legislative Decree no. 150/2009, 2009.** Article 11(2) provides for the adoption of a three-year program for transparency and integrity by every public organization, following the guidelines issued by CIVIT; the national Commission for evaluation, transparency and integrity of public administrations. www.camera.it/parlam/leggi/deleghe/09150dl.htm

Voluntary guidance

- **The Social reporting standards, 2013 and the Social Reporting in the Public Sector, 2005.** These were issued by the Study Group for Social Reporting (GBS – Gruppo Bilancio Sociale). These GBS guidelines are used in preparing sustainability reports, in particular for public administration and local Italian companies. www.gruppobilanciosociale.org
- **Legislative decree no. 32/2007, 2007.** The EU modernisation directive (2003/51EC) was transposed into Italian law under **Legislative decree no. 32/2007**. It states that companies shall provide a description of employee relations and environmental performance in the directors' report of financial statements. www.camera.it/parlam/leggi/deleghe/07032dl.htm
- **Operational Guidelines for CSR in the banking sector, 2005.** The Italian Banking Association (ABI), together with the Institute for Social Reporting (IBS), published guidelines for social reporting in the financial sector. These guidelines are used by banks. Additionally, ABI organizes an annual meeting in Rome to analyze the status of sustainability reporting in the financial sector. <http://bit.ly/104zUsb>



- **Guideline on reporting for Public Administration, 2006.** Published by the Public Function Department of the Prime Minister's office, this guideline is specifically for public administration social reporting and is one of the Italian Government's first initiatives for the promotion of social reporting within the public sector.
www.funzionepubblica.gov.it
- **The Guidelines for the Social Reporting for Not-For-Profit-Organization, 2010.** Issued by the former National Authority for not-for-profit registered organizations (Agenzia per le Onlus), these guidelines recommend GRI's Framework regarding the adopted methodology.
www.agenziaperleonorlus.it/

Other initiatives

- **The CSR-SC project, 2002.** This initiative enables organizations to voluntarily participate and adopt a social report in accordance with pre-defined guidelines and indicators. Many chambers of commerce have help desks available to assist companies in implementing their reporting in accordance with the CSR-SC.
www.ao.camcom.it/progetto-csr.aspx
- **Directors' report on financial statements, 2009.** Issued by the Italian Accounting Association, this document on environmental and personnel disclosures is not mandatory but can be considered as the implementation of the Legislative decree n° 32/2007. The document provides an in-depth analysis on what to include in the directors' report in compliance with the decree.
<http://bit.ly/17z7VHi>
- The Ministry of Economic Development, 2011, signed an agreement with the ABI and the National Association for Industries (Confindustria) to promote the adoption of **CSR key performance indicators by Italian SMEs**. The agreement, which was renewed for another two years, fosters non-financial reporting among enterprises and promotes pilot projects, together with Italian banks, to introduce non-financial parameters to evaluate the risk of credit while financing enterprises' projects. www.sviluppoeconomico.gov.it
- **National Action Plan on Corporate Social Responsibility 2012-2014, 2013.**
In March 2013, Italy sent the European Commission its first National Action Plan on Corporate Social Responsibility. Italy is the first EU Member State to publish its Plan of Action responding to the Commission Communication 'A renewed EU strategy 2011-14 for Corporate Social Responsibility' (COM(2011) 681 final). **In 2012 Italy also launched an inter-ministerial process to elaborate a National Action Plan on Business and Human Rights, as requested by the Commission Communication.**
<http://bit.ly/ZXrcA1>

IVORY COAST

Voluntary guidance

- **Ivorian Code of Corporate Governance – Decree 2012-1123, 2012.** The Ivorian Code of Corporate Governance aims to ensure companies' sustainable growth through a management system based on the principles of transparency, accountability, independence and fairness. The code promotes awareness of the social responsibilities of business, including the environmental and social interests of communities. It takes into account the disclosure of non-financial information through the publication of the Charter of Corporate Governance on the company's website, and the corporate governance chapter of its annual report. The latter should include factual information on corporate governance, including changes and relevant events of the past year such as the appointment of new directors, members of committees, and the annual remuneration of the Board of Directors.
www.industrie.gouv.ci/accueil.php?code=discours&id=53

JAPAN

Mandatory requirements

- **Law Concerning the Promotion of Business Activities with Environmental Consideration, 2005.** This law requires 'specified entities' to publish an environmental report every year.
www.env.go.jp/en/laws
- **The Pollutant Release and Transfer Register Law (PRTR), 2001.** This law concerns the reporting of environmental releases of specific chemical substances, and promoting improvements in their management.
www.env.go.jp/en/chemi/prtr/about/index.html
- **Law concerning the Rational Use of Energy, Act on Promotion of Global Warming Countermeasures, 1979.** Companies that consume a certain amount of energy are obligated to report the amount of energy consumption and greenhouse gas emissions to the government. The reported information is made public. The Government also issued the GHG Monitoring and Reporting Manual, which gives detailed guidance on how to calculate emissions. Many companies refer to this manual; the law has therefore indirectly helped increase the comparability of GHG data in CSR reports.
www.japanfs.org/en/_/japan/laws.html
- **Railway Enterprise Act, 2006.** The purpose of this Act is to ensure the safety of transportation and protect users of railways. It also aims to ensure the sound advancement of the railway business by making operations appropriate and reasonable, thus advancing public welfare. As part of this Act, railway businesses have to issue annual safety reports. Some railway companies have combined safety reporting and CSR reporting.
www.meti.go.jp/english/

- **Civil Aeronautics Act, 2006.** The purpose of this Act is to promote the development of civil and general aviation and to enhance public welfare by providing methods to ensure aircraft safety, prevent problems arising from navigation, and to improve convenience for users through proper and rational management of aircraft operating businesses. The Act makes it compulsory for airline businesses to issue annual safety reports. www.cas.go.jp/jp/seisaku/hourei/data/caa.pdf
- **ELV Recycling Law, 2002.** This law defines the role of automobile manufacturers and importers, businesses involved in recycling, and motor vehicle users, to facilitate the recycling of end-of-life motor vehicles. Motor vehicle owners are required to pay a fee for recycling. All four-wheeled vehicles (including large vehicles and commercial vehicles such as trucks and buses) are subject to the law. Auto manufacturers are required to report annually on how they have complied with the requirements of the law. <http://bit.ly/11XAJaq>

Voluntary guidance

- **Environmental Reporting Guidelines, 2007.** Issued by the Ministry of the Environment, these guidelines set out definitions and calculation methods for reporting environmental performance indicators. Major revisions include: (1) If companies wish to report in accordance with the guidelines they are required, among other things, to; include summary lists and tables for major indicators; report on the status of environmentally-conscious investment or financing; and report on the status of biodiversity conservation and sustainable use of biological resources. (2) Companies are recommended to take measures for improving the reliability of environmental reporting and prepare an environmental report with a greater focus on stakeholders' views. www.env.go.jp/en/policy/economy/erg2007.pdf

LUXEMBOURG

Voluntary guidance

- **The Ten Principles of Corporate Governance, 2006.** These principles were issued by the Luxembourg Stock Exchange. They were initiated following the European Commission launch of an Action Plan in 2003 aimed at enhancing corporate governance within the European Union. The scope is to be in line with international practice and the recommendations of the European Commission, while taking into account the interests of all stakeholders. The Ten Principles and their recommendations are highly flexible and are based on a 'comply or explain' system. The Principles are complementary to Luxembourg legislation, and are broken down into recommendations. Recommendation 1.1 'Corporate governance framework' highlights that companies should disclose the essential aspects of their corporate governance framework in their Corporate Governance (CG) Charter.

Recommendation 1.6 specifies that the CG Charter should be updated as often as necessary to accurately reflect, at all times, the company's corporate governance framework. It should be posted on the company's website, with an indication of when it was last updated. Recommendation 1.7 specifies that companies should publish a CG Chapter in their annual report, describing all the relevant events connected with corporate governance that took place in the preceding financial year. If the company does not fully implement one or more of the recommendations, it should explain its decision in the CG Chapter of its annual report. www.ecgi.org/codes/documents/luxembourg_en.pdf

MALAYSIA

Mandatory requirements

- **CSR disclosure incorporated into Listing Requirements, 2008.** Bursa Malaysia (Stock Exchange of Malaysia) has built on this voluntary guidance, working closely with regulatory authorities and legislators. Malaysian public listed companies are required to include a description of the CSR activities or practices undertaken by the listed issuer and its subsidiaries or, if there are none, a statement to that effect. This requirement has been incorporated into the Listing Requirements of Bursa Malaysia (Appendix 9C, Part A, paragraph 29). www.world-exchanges.org/sustainability/m-6-4-4.php
- **CSR in Annual reports, 2007.** Malaysian government law requires all listed companies to publish corporate social responsibility information in their annual reports. <http://bit.ly/12qml0C>
- **Environmental Quality Act, 1974.** This act provides for prevention, abatement and control of pollution through licensing, and mandates the conducting of an Environmental Assessment Report for proposed private and public sector projects to determine and prevent, or prepare for, the environmental consequences of the project. <http://faolex.fao.org/docs/pdf/mal13278.pdf>

Voluntary guidance

- **CSR Framework for voluntary reporting, 2006.** Bursa Malaysia Stock Exchange issued a set of guidelines for Malaysian public listed companies that wish to practice CSR. It aims to guide PLCs in defining their CSR priorities, implementation and reporting. The Bursa Malaysia CSR Framework looks at four main focal areas for CSR practice – the Environment, the Workplace, the Community and the Marketplace. www.bursamalaysia.com/market
- **Business Sustainability Program, 2010.** Bursa Malaysia launched its Business Sustainability Program to encourage Malaysian public listed companies to include sustainability in their business strategies. The program includes the publication of a sustainability guide for company directors and the



introduction of a Sustainability Knowledge Portal on Bursa Malaysia's website.
<http://bit.ly/13OBhzc>

Other initiatives

- **Malaysian Employee Provident Fund, 2007.** The Government announced that the Malaysian Employee Provident Fund, with assets of \$79 billion, will strive to invest in companies with good corporate social responsibility practices.

MEXICO

Mandatory requirements

- **Climate Change law, 2012.** Mexico passed the General Law on Climate Change in 2012, establishing a new leading global legal best practice to address climate change and transition to a green economy. The new Law, only the second climate change law in the world, removes the constraints of political parties and electoral cycles, declaring it to be a long-term priority of the Mexican State. It represents a major step forward for Mexico, and for those countries that choose to learn from it. The law sets requirements for mandatory emissions measurement, reporting and verification, among other provisions.
<http://bit.ly/RBaaph>
- **Pollutant Release and Transfer Register (PRTR) (Registro de Emisiones y Transferencia de Contaminantes) (PRTR), 2005.** The PRTR provides for information on releases and transfers of pollutants that are generated during the production process of industrial establishments, or activities performed by service establishments.
app1.semarnat.gob.mx/retc/index.html

Voluntary guidance

- **GHG Program (GEI), 2004.** This program is operated by the Environment and National Resources Secretariat of the Federal Government (SEMARNAT) together with the World Resources Institute and World Business Council for Sustainable Development. This is the national voluntary accounting and reporting program for greenhouse gas. Its objective is to develop the capacity in a company to prepare inventories of GEI, such as quantifying and documenting projects on emission reduction, with the objective of positioning a company as a leader in GEI management and promoting participation in carbon offsetting. During 2012, 115 companies presented their inventories from the 175 companies registered, accounting up to 120 million CO₂e tons. As a reference for Latin America, Mexico, through the SEMARNAT, decided to follow the trend of European countries and, together with WRI and WBCSD, started this high impact program on climate change issues.
www.geimexico.org

- **The Mexican Stock Exchange's Sustainable Quotes and Prices Index, 2012.** In December 2011, the Mexican Stock Exchange (BMV) announced the launching of its sustainable investment index: IPC Sustentable, which started operations in February 2012, bringing together listed companies that are notable for sustainability. For its initial year, the index included 23 companies. In 2013, after its first annual review, from a sample of 70 companies 6 more were added for the period February 2013 – January 2014. To be included in the sample, listed companies have to make public all their sustainability programs and/or actions on their websites, annual reports and/or sustainability reports. Each company is assessed on its environmental, social and corporate governance practices by two independent third-party organizations which have developed their own evaluation methodologies based on internationally-recognized sustainability principles.
www.bmv.com.mx/wb3/wb/BMV/responsabilidad_social

NETHERLANDS

Mandatory requirements

- **Dutch Civil Code, 1838.** Article 2:391 subsection 1 of the code is the direct implementation of the EU Modernisation Directive (2003/51/EC) into Dutch law. It requires that organizations should, to the extent necessary for an understanding of their development, performance or position as far as relevant, give some information (financial and non-financial) about the environment, employees and risks in their annual reports. This requirement is compulsory for all listed companies irrespective of size, and all large non-listed companies.
<http://bit.ly/131YnU9>
- **The Environmental Protection Act, 1993.** This act includes a section on environmental reporting for the 'largest polluters' of the country. The system of environmental reporting is based on the European PRTR Regulation (Regulation (EC) No. 166/2006), with additional requirements that originated from the former Dutch system, the Environmental Annual Report (MJV). The environmental reporting system is intended to provide the government with quantitative information that is needed to comply with international reporting obligations (for the EU and the UN), and to evaluate the state of the environment and the impact of environmental policies. To date, about 800 facilities submit a PRTR report.
www.pbl.nl/en/

Voluntary guidance

- **Recommendations for Dutch State Holdings, 2009.** In a letter dated 24 April 2009, the Netherlands Minister of Finance informed Parliament that he expects the largest Dutch State Holdings to use the GRI Guidelines in their reporting practices, with due consideration of the effort needed to implement reporting practices and the goals that different companies

expect to reach through reporting. The Minister also expects to include all the largest holdings in the national Transparency Benchmark of the Ministry of Economic Affairs.

Other initiatives

- **Guidelines for the integration of social and environmental activities in the financial reporting of companies, 2010.** The guidelines were issued by The Assurance Standards Committee (RJ). As the EU Modernisation Directive does not provide specific guidance on reporting non-financial information, and in view of considerable interest in social reporting from Dutch companies and stakeholders, the Dutch Social Economic Council (a government advisory council consisting of employers and workers' associations and independent expert members) proposed that the Assurance Standards Committee review its existing guideline 400 to provide specific guidance to companies on how to include non-financial information into regular financial annual reports (Annual Report Guideline 400). The same Committee also issued guidance on separate social reporting. In view of evolving public expectations about company reporting on CSR, the Social Economic Council asked the Assurance Standards Committee in July 2008 to review its guideline 400 and guidance on separate social reporting again. The main change in this update is the inclusion of reporting on responsible supply chain practices. **This new guidance was issued in November 2009.** www.ser.nl/
- **Recommendations on supply chain disclosure and due diligence.** Pursuant to the article in the Dutch Civil Code implementing the Modernisation Directive's provision, the Netherlands Council for Annual Reporting ('Raad voor de Jaarverslaggeving') adopted an explanatory guideline on the application of the article. The guideline is reviewed regularly, and now includes inter alia recommendations on supply chain disclosure and due diligence. Its application is furthermore extended to pension funds, while small and medium size enterprises are exempted. Listed companies in the Netherlands are subject to a more boldly formulated provision in the Dutch corporate governance code ('Code Tabaksblat'), whereby the management board shall report in the annual report on corporate social responsibility issues but only insofar as the particular issues that the company deems relevant. Thirdly, Dutch companies that participate in trade missions or receive any other forms of government support are required to report specifically on the observance of relevant International Labor Organization Conventions on child labor and forced labor within their own operations and at the 'first essential supplier'. www.cjel.net/online/18_1-zandvliet/

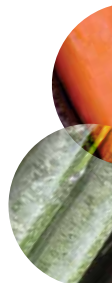
NORWAY

Mandatory requirements

- **The Norwegian Accounting Act, 1998.** This act requires the inclusion of information on working environment, equality as regards gender, ethnicity, religion, etc., and environment-related issues, in the Director's report. In addition, it requires information about the implementation of measures that can prevent or reduce negative impacts or trends. This requirement applies to all Norwegian-registered companies, which are legally bound to keep accounting records, and to foreign companies carrying out activities in Norway, which are subject to Norwegian taxation. www.lovdata.no/all/nl-19980717-056.html
- **Act amending the Norwegian Accounting Act 2013.** The Norwegian Parliament (Storting) passed the proposed 'Act amending the Accounting Act and certain other Acts (Social Responsibility Reporting)' on 9 April 2013. The Act introduces provisions requiring large companies to provide information about what they do to integrate considerations for human rights, labour rights and social issues, the environment and anti-corruption in their business strategies, in their daily operations, and in their relations with their stakeholders. As a minimum, the report must contain information about policies, principles, procedures and standards that are followed to integrate these considerations. Subsidiaries are exempt from having to report on social responsibility if the parent company does so for the entire group. The Ministry of Finance has been delegated authority to exempt companies that prepare a public report according to the Global Compact principles or GRI's Framework.
- **The Public Limited Companies Act, 1997. In 2003,** the Norwegian Parliament passed an amendment to the Act to promote gender balance in the management of such companies by requiring at least 40% representation of each gender on the Board of Directors. <http://bit.ly/104Abvf>

Voluntary guidance

- **Norwegian Code of Practice for Corporate Governance, 2012.** The Oslo Stock Exchange, Oslo Børs, stipulates that all listed companies must publish a statement specifying what they have done to comply with the recommendations of the Code. In the White Paper 'Corporate Social Responsibility in a Global Economy' (2009), the government urges the Norwegian Corporate Governance Board to incorporate recommendations concerning more detailed reporting of social responsibility in its 'Norwegian Code of Practice for Corporate Governance'. <http://bit.ly/11ZTdp5>



PAKISTAN

Mandatory requirements

- **Companies (corporate social responsibility) general order, 2009.** This general order requires all public companies to provide descriptive as well as monetary disclosures of CSR activities undertaken during each financial year. Such disclosures are made in the directors' report to shareholders, annexed to annual audited accounts. The General Order also suggests a list of issues for inclusion in the disclosures by the Pakistan Security Exchange Commission.
www.secp.gov.pk/corporatelaws/pdf/CSR.pdf

Voluntary guidance

- **CSR Voluntary Guidelines, 2013.** The Securities and Exchange Commission of Pakistan (SECP) launched the draft CSR Voluntary Guidelines 2012 with a focus on streamlining diverse elements of corporate disclosure, transparency and accountability. The guidelines are applicable to all public companies that have initiated or intend to initiate CSR activities. Further, it is expected that all public companies shall endeavor to adopt working models that complement the recommended guidelines with a focus on fair, transparent and responsible business practices. The purpose of these guidelines is to streamline the framework of corporate social responsibility. The guidelines require that companies shall have a CSR policy in place which will be endorsed by the directors. The CSR policy shall have broad indicators relating to commitment of management, implementation, monitoring, and evaluation and reporting. <http://bit.ly/12qq6dF>

PHILIPPINES

Mandatory requirements

- **Corporate Social Responsibility Act, 2011.** The act prohibits publicly listed companies "from retaining surplus profits in excess of 100 percent of their paid-in capital stock except when justified by definite corporate expansion or corporate social responsibility projects and programs approved by the board of directors". The act also states that, "All large tax payer corporations shall submit as part of their annual report to the Securities and Exchange Commission (SEC) the list of activities relative to their corporate social responsibility".
www.congress.gov.ph/press/details.php?pressid=5192 and <http://www.senate.gov.ph/lisdata/109799357!.pdf>

Voluntary guidance

- **Corporate Social Responsibility Act, 2009.** The act mandates corporations to "consider the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations". Proponents of the act say that the State recognizes the vital role of the private

sector in nation building and should encourage its active participation in fostering sustainable economic development and environmental protection in the Philippines.
www.senate.gov.ph/lisdata/109799357!.pdf

PORTUGAL

Mandatory requirements

- **The Financial Reporting Accounting Standard n° 26, 2010.** Issued by the Portuguese government, this standard replaces the 29th Accounting Standard. It adopts the European Commission recommendation of 30 May 2001 on the recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of companies.
<http://bit.ly/ZXrnLz>
- **Sustainability Report, 2006.** Issued by the Portuguese Department of Transportation and Communications, this regulation makes it compulsory for the companies that are under its guardianship to publish a sustainability report.
www.portugal.gov.pt/pt.aspx/
- **Social Balance, 1985.** In addition to the annual report, all companies with more than 100 employees are obliged to issue a Social Balance, which includes information on employment, labor/management relations, occupational health and safety, training, and salaries. In the near future these reports will be mandatory for all companies with more than 10 employees.
<http://bit.ly/ZXro2k>

Voluntary guidance

- **Resolution of the Council of Ministers, N. ° 49/2007, 2007.** The Portuguese Government encourages all public companies of the business sector to develop a sustainability strategy and to adopt sustainability practices. Resolution of the Council of Ministers, N. ° 49/2007, March 28th, approved the Principles of Good Governance of public companies, according to which companies are compelled to include in their annual Report and accounts a sustainability analysis in the corporate governance section. The aim is for these companies to implement corporate models with high levels of performance, contributing to the dissemination of good practices in the sustainability area, including the adoption of a sustainability strategy in the economic, environmental and social areas.
www.sustainablereporting.eu/portugal

RUSSIA

Mandatory requirements

- **Directive 1710p-P13, 2012.** The Directive is addressed to state representatives in the Boards of state-owned companies and companies with state-owned shares: special Board of Directors meetings are to be organized where the board shall direct the executive body of the company inter alia to develop

proposals on regular mandatory submission of sustainability reports, which shall also include the following environmental indicators; raw materials, emission, information on the measure and costs taken for environmental protection, and internal organization structure on the distribution of responsibility for the environmental activities of the company.

- **Order 11-46/pz-n, 2011.** 'Regulation on information disclosure' of Federal Service on Financial Markets. This regulates information disclosure by issuers of securities and Russian joint stock companies – disclosure of prospectus, quarterly reports, information on material facts, annual consolidated financial statements, annual reports, etc. Annual reports should contain significant volume of non-financial information on results in key areas of activity; Use of energy resources in monetary and natural terms; risk factors; corporate governance information including remuneration, supervisory board and management board composition, compliance with Russian Code of Corporate Governance, and others. The reliability of data in annual reports should be assured by an auditing commission.
government.ru/eng/power/105/#sel=3:5,3:5
- **Guidance # 03-849/r, 2003** of Federal Commission on Securities Market, on presenting in annual reports information on compliance with the Russian Corporate Governance Code.
www.fcsn.ru

SINGAPORE

Mandatory requirements

- **Energy Conservation Act, 2012.** Singapore has made a noteworthy step in the area of mandatory corporate energy and greenhouse gas emissions measurement, and simplification of energy regulation. Large industries are to report on energy usage and provide the government with an energy management plan. Two new laws, one on energy and the other on waste, will come into effect in 2013 and 2014. These laws, coupled with the Singapore Exchange's voluntary guidelines on sustainability reporting and corporate governance disclosure, imply that the country is improving the strength of sustainability-related regulation.
<http://bit.ly/18tINBs>

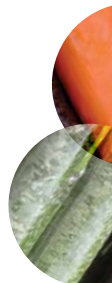
Voluntary guidance

- **Guide to Sustainability Reporting for Listed Companies, 2011.** The Singapore Exchange adopted a Policy Statement and Guide to Sustainability Reporting in June 2011, which describes sustainability reporting and sets out broad principles to guide listed companies in formulating their sustainability reporting frameworks. The Exchange encourages its listed companies to disclose sustainability information that deepens stakeholders' understanding of corporate performance.
<http://bit.ly/loGYG6>

SOUTH AFRICA

Mandatory requirements

- **Johannesburg Stock Exchange Listing Requirement 2010.** Over 450 companies listed on the Johannesburg Stock Exchange (JSE) are required to produce an integrated report in place of their annual financial and sustainability reports. An integrated report gives users an all-round view of a company by including social, environmental and economic performance along with the company's financial performance.
www.thedti.gov.za/economic_empowerment/bee.jsp
- **National Black Economic Empowerment Act, 2003 and its Amendment Bill, 2012.** This Act sets out a national framework for the promotion of broad-based black economic empowerment (BEE) and requires progress reports to be submitted to government. Reporting against the criteria of this Act and the associated charters has driven the structure of some reports.
www.thedti.gov.za/
- **Employment Equity Act, 1998 and its Amendment Bill, 2012.** The Act seeks to eliminate unfair discrimination in the workplace and implement affirmative action for "designated groups": black people, women, or people with disabilities. Annual reporting on progress is required. All designated employers, including those with 150 or fewer employees, have to submit annual Employment Equity reports. The Act is not, however, a major driver of comprehensive reporting.
www.info.gov.za/view/DownloadFileAction?id=70714
- **Companies Act, 2008.** This act provides for holding directors personally liable for poor performance and poor public disclosure of information.
www.info.gov.za/view/DownloadFileAction?id=98894
- **Mineral and Petroleum Resources Development Act, 2002 and its Amendment Bill, 2012.** The Mineral Resources and Petroleum Bill requires affected companies to disclose Social and Labour Plans to government, describing how they will address the social impacts of their operations during and post operation. Its recent amendments are available at:
www.info.gov.za/view/DownloadFileAction?id=181151
- **National Environmental Management Act (NEMA), 1998 and Air Quality Act, 2004.** The latter introduced a shift from source-based air pollution control to a receiving environment and air quality management approach. It requires the setting of air quality targets, complemented by air quality management plans, pollution prevention plans, access to information (including atmospheric impact reports), and public consultation. The environmental impact assessment regime under NEMA requires that activities' potential impact on the environment be assessed and reported to competent authorities. As is the case with various environmental topics,



disclosure of information is often only to the authorities, and related public reporting is voluntary.

- http://www.wipo.int/wipolex/en/text.jsp?file_id=201087

Voluntary guidance

- **The King Report on Corporate Governance, 1994, 2002 and 2010.** It is a non-legislated code on good corporate governance: the definitive document for South African corporate governance. Its latest version reflects changes focused on requiring business to integrate the management of financial and non-financial issues (risk management and audit). King III requires integrated sustainability reporting and third party assurance. It applies to all South African companies and is a listing requirement for the Johannesburg Stock Exchange. It has been prescribed that entities follow an integrated reporting format, which means describing financial, social and environmental factors in a holistic manner within the report. A company's "material matters", including sustainability risks, should be disclosed in a timely manner. There is a strong focus on responsible corporate citizenship in King III. In South Africa corporate citizenship includes, among many other things, issues related to transformation, human rights, human capital, social capital, safety and health.
www.iodsa.co.za
- **The Consumer Protection Bill, 2011.** The Bill has no mandatory implications for sustainability reporting, but covers the 'right to disclosure and information'. By considering GRI's Product Responsibility Performance Indicators for issues such as customer health and safety, product labelling, marketing communications and customer privacy, companies have an available framework to report how they deal with these aspects addressed in the Bill.
www.info.gov.za/view/DownloadFileAction?id=99961
- **The Johannesburg Stock Exchange (JSE) Socially Responsible Investment Index (SRI Index), 2004.** The Index encourages companies in the FTSE/JSE All Share Index that choose to participate to report publicly on sustainability issues.
<http://bit.ly/161WfyQ>

Other initiatives

- **Industry Specific Black Economic Empowerment Charters, 2003.** The development of industry-specific black economic empowerment (BEE) charters in South Africa is an on-going process. However, charters have already been developed for several key sectors, including mining, the petroleum and maritime sectors, tourism and financial services.
- **State-Owned Enterprise Shareholder Compacts, 2002.** Many of the state-owned enterprises have shareholder compacts with the Government Shareholder. Some of these compacts require reporting on sustainability issues. This has

driven tabulated reporting on sustainability indicators in many parastatals.

SOUTH KOREA

Mandatory requirements

- **Green Posting System, 2012.** The Financial Services Commission has required around 500 firms to post the amount of GHG emission and energy usage and the certification of green technology and green business. Moreover, if the firms are listed on the Korean Stock Exchange, they are required to include the information in their annual reports.
www.fsc.go.kr/eng
- **Social Contribution Performance Posting System, 2013.** The Financial Supervisory Service has required insurance companies to post their performance on social contribution. The items for disclosure include social contribution vision (direction, target, etc.), main activities, monetary amount and time for philanthropic activities.
<http://english.fss.or.kr/fss/en/main.jsp>

Voluntary guidance

- **Environmental Reporting Guidelines, 2007.** These overall guidelines contain developed Environmental Risk Evaluation guidelines, Environmental Performance Evaluation guidelines, and Environmental Accounting guidelines. The Ministry of the Environment renewed the previous environmental reporting guidelines (2004) based on GRI's G3 Guidelines.
eng.me.go.kr/main.do
- **BEST Sustainable Management guidelines, 2006.** The Ministry of Knowledge Economy developed this guideline based on GRI's G3 Guidelines, reflecting Korean local issues.
www.mke.go.kr/language/eng/index.jsp

SPAIN

Mandatory requirements

- **Spanish Sustainable Economy Law, 2011.** The law includes modifications into:
 - Annual Corporate Governance reports: the National Securities Market (CNVM – Comisión Nacional del Mercado de Valores) has published new templates for corporate governance reports, according to the new amendments included in the law. All listed companies must publish their annual corporate governance report according to the official template.
 - It states that corporations included in financial markets (listed companies) must publish a separate report about the retribution of the board, including the general retribution policy as well as detailed information about individual remuneration of board members.

The law also includes an amendment that encourages Spanish limited companies to disclose their CSR policies and achievements publicly, in a specific annual report. This report should always state whether or not the published information has been examined by an independent third party. This is not a strong obligation; however, the law states that companies with more than 1000 employees that publish CSR reports must send their report to the Spanish Corporate Social Responsibility Council (Consejo Estatal de Responsabilidad Social Empresarial or CERSE). This enforcement has not been applied, since the CERSE has not made public how or where these reports should be submitted.

The law also stipulates that state-run public entities, including government-sponsored commercial companies and state-owned business enterprises attached to the central government, are required to file annual corporate governance reports and sustainability reports (within a year of the law coming into force, March 2011).

<http://bit.ly/13OBJgV>

- **Ministerial Order on Corporate Governance, March 2013.**

The ministerial order regulates the structure of the Corporate Governance Report, the Annual Report of Remunerations and other information tools required for listed companies, savings and other entities related to official stock markets. The aim is to strengthen and expand the information required in the Corporate Governance Report of these companies and add the requirement to submit an Annual Report of Remunerations. The ministerial order adapts the rules of corporate governance obligations of Law 2/2011 of March 4 on Sustainable Economy and the Royal Decree 11/2010 of 9 July on governance and other aspects of the legal regime of savings. The rule also addresses the definition of the types of directors that was broadly contained in the Code of Good Governance. These definitions now include a general provision, subject to the provisions of the Securities Market Act, regarding non-compliance on social issues. The Annual Report of Remunerations must contain the policy approved by the Board of Directors and the individual details of the remuneration received by each of the directors.

<http://bit.ly/18ey8fA>

- **National Accounting Plan, 2007.** The plan includes requirements from the two previous resolutions of the ICAC, particularly information about the environmental assets, provisions, investments and expenses in financial statements. The requirements include how to measure and proceed with accounting, and which information should be included in the annual report. Finally, the National Accounting Plan also includes obligations for information about social practices that are included in the article 260 of the “Ley de Sociedades de Capital”. The **Royal Decree 1159/2010, September 17th**, states that the annual reports considered by the National Accounting Plan should include information about employees with disabilities included in the total workforce.

- **Royal Decree 1/2002.** The decree is about the management of pension funds. It states that the commissions responsible for the management of Spanish pension funds must publish a report including information about the non-financial risks (ethical, social, environmental and governance) related to the investments of the pension funds, as well as how these risks are included in management policy.

- **CSR law of Extremadura, 2010.** The main goal of this law is to promote CSR in Extremadura. Article 5 states that in order to be qualified as a “socially responsible” company, companies must create a sustainability report using GRI’s Guidelines. doe.juntaex.es/pdfs/doe/2010/2390o/10010017.pdf and www.rsextremadura.es

Voluntary guidance

- **RSE.COOP Reporting Guidelines Programme, 2005-2007.**

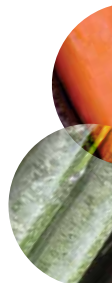
These guidelines were created by the Spanish Enterprise Confederation of the Social Economy (CEPES) and different federations of co-operatives. Initially the program was focused on 40 cooperatives of Catalonia, and was implemented from 2005 to 2007. Within the program, a tool was created to promote the development of CSR and sustainability reports within co-operatives.

<http://bit.ly/YgqL37>

- **RSE.PIME, 2008-2010.** Developed with the support of the government of Catalonia and the body representing the chambers of commerce of Catalonia, the program consisted in the development of a CSR action plan for a total of 30 SMEs, the implementation of different actions with the support of an external consultant, and also the development of sustainability reports using GRI’s Guidelines. www.rsepime.cat/index.php

- **Spanish Organic Law 3/2007 for Effective Equality between Women and Men, 2007.** This law encourages companies to promote conditions of equality between men and women. Private companies with more than 250 employees and all public companies and public administrations must develop an equality diagnosis and an action plan. The Spanish Securities and Exchange Commission’s (CNMV) has also issued a Corporate Governance Code that recommends that listed company boards include women with appropriate business backgrounds when seeking additional directors. Companies that do not follow the recommendation of a corporate board consisting of 40 per cent female positions must provide an explanation. <http://bit.ly/YgqPjn>

- **Gestio Sostenible Rural.** The program considers the management of Socially Responsible Territories, and has a specific code of sustainability management, that is aligned with GRI. The scope is focused in specific territories (Catalonia, Balears and Aragón), and the companies located there. During



2011, with the collaboration of GRI, some of the participating companies.

<http://bit.ly/10ufatW>

Other initiatives

- **The Resolution of 25 March 2002, 2002.** Issued by the Institute of Auditing and Accounting (ICAC), states that organizations are obliged to include environmental assets, provisions, investments and expenses in their financial statements.
- **The Resolution of 8 of February 2006, 2006.** Issued by the ICAC, states how the organizations subject to the National Assignments Plan for GHG emissions should inform about measurements and evaluations of GHG emissions.

SWEDEN

Mandatory requirements

- **Annual Accounts Act, 1999.** The amendment to the Annual Accounts Act states that certain companies have an obligation to include a brief disclosure of environmental and social information in the Board of Directors' Report section of the annual report. The Annual Accounts Act (Årsredovisningslagen) was updated in 2005; certain companies have to include even more non-financial information. This update is a result of the implementation of the Accounting Modernisation Directive (2003/51/EC) in Swedish legislation.
<http://bit.ly/105vFO9>
- **Guidelines for external reporting by state-owned companies, 2007.** The guidelines are mandatory for Swedish state-owned companies and state that the companies shall present a sustainability report using GRI G3's Guidelines. The guidelines are based on the principle of 'comply or explain', which means that a company can deviate from the guidelines if a clear explanation and justification of this departure is provided. The sustainability report shall also be quality assured by independent scrutiny and assurance. For the year 2011, 96%, or 53 of the 55, state-owned companies presented a sustainability report. The two companies that did not present a report were in one case not state-owned any longer, and in the other case had not become state-owned in time to be able to prepare a sustainability report. 92%, or 49 of 53, of the sustainability reports were also subject to external assurance.
www.sweden.gov.se/sb/d/8739/a/94120
- **Sustainability goals for State-owned enterprises, 2012.** In the year 2013 the Board of Directors of all State-owned enterprises are also obliged to define and decide on a few sustainability goals for their respective companies. These demands are included in the ownership policy for all state-owned companies from the year 2012. The sustainability goals should be relevant for the business activities of the company and its sustainability challenges, long-term and challenging,

possible to follow up, as well as clear and easy to communicate in public. The owner will follow up on these goals in the yearly dialogue between the owner and Board of the companies.

www.regeringen.se/sb/d/15683/a/194928

Voluntary guidance

- **Guidelines on environmental information in the Directors' Report section of the Annual Report, 1998.** The guidelines were issued by The Swedish Accounting Standards Board (Bokföringsnämnden). For the accounting years that begin after 31 December 2013, companies that are larger than certain criteria enumerated in the Annual Accounts Act should make their Annual Report and a possible Consolidated Account Statement according to the general guidelines by the Swedish Accounting Standards Board (Bokföringsnämnden). In addition to these general guidelines there are specific guidelines concerning disclosure of non-financial information, regarding environmental and social issues.
<http://bit.ly/10XSbyD> and www.bfn.se

SWITZERLAND

Mandatory requirements

- **Directive on Information relating to Corporate Governance, 2009.** This Directive applies to all issuers with equity securities listed on the SIX Swiss Exchange Ltd and registered offices in Switzerland. This Directive is intended to encourage issuers to make certain key information relating to corporate governance available to investors in an appropriate form. The information to be published includes details on the management and control mechanisms at the highest corporate level of the issue.
<http://bit.ly/10XSd9S>

Other initiatives

- **Swiss Code of best practice for corporate governance, 2007.** Developed by the Swiss Business Federation, the 'Swiss Code' addresses the situation in Switzerland with its characteristic mixture of large, medium and small companies. The 30 recommendations of the Code are intended as recommendations for Swiss public limited companies, including on reporting. Non-listed economically significant companies or organizations (also in other legal forms) should be able to develop appropriate guidelines from the Code.
<http://bit.ly/11XBTmi>

THAILAND

Mandatory requirements

- **Principles of good corporate governance, 2002.** Listed companies are required to demonstrate, in their annual registration statement (**Form 56-1**) and annual reports, how they apply the fifteen principles of good corporate governance. The Securities and Exchange Commission, in

conjunction with the Corporate Social Responsibility Institute (under the Stock Exchange of Thailand), plans to make it mandatory for firms to disclose their CSR operations on form 56-1 and their annual report, or in a standalone report. This was announced as a part of the CSR and Sustainability plan for 2013. Any firms planning to issue new securities will have to disclose on form 69-1 whether they have operated as per SET's 2012 document on CSR practices regarding stakeholders, the economy, the society, and the environment. The disclosure will provide key information to investors for their decisions. The regulation is expected to be effective from 1 January 2014 onwards.

www.set.or.th/en/regulations/cg/roles_p1.html

Voluntary guidance

- **Revised Code of Corporate Governance, 2012.** The Monetary Authority of Singapore (MAS) issued a revised Code of Corporate Governance to broaden the responsibility of company boards to include sustainability and ethical guidance, encouraging them to ensure management embeds them in company processes and management systems. The amended code also included in the preamble that the responsibility of the board of directors includes the consideration of environmental and social risks to the company. <http://bit.ly/Pi3Ocb>

Other initiatives

- **Guidance Document 'Approach to Social Responsibility Implementation for Corporations', 2012.** On June 29, 2012 the Stock Exchange of Thailand (SET) issued a guidance document (available in Thai only) which provides an overview of the principles, theory and implementation of social responsibility. The advice comes in two parts: guidance on sustainability reporting, including a Thai translation of GRI's G3.1 Guidelines, and a guide on how companies can begin to implement social responsibility programs. Both documents have been produced by the Stock Exchange of Thailand's Corporate Social Responsibility Institute (CSRI), which was set up to promote responsible business behaviour among Thailand's 500-plus listed companies. The guidance document is based largely on ISO 26000, but also draws on other international CSR instruments such as the UN Global Compact. <http://bit.ly/12ZRotZ>

TURKEY

Mandatory requirements

- **Communiqué on 'Corporate Governance Principles', 2011.** The communiqué of the Capital Markets Board of Turkey, published in 2003 and revised in 2011, mandates companies listed on the Istanbul Stock Exchange to report in accordance with these principles in their annual reports. These principles include human resources policy, responsibilities towards

customers, suppliers and other stakeholders, code of ethics and social responsibility.

<http://bit.ly/105wab1>

- **GHG Regulation, 2012.** Regulation regarding the monitoring and reporting of GHG emissions, published in the Official Gazette no. 28274 in April 2012, requires heavy industries to monitor and report their GHG emissions. <http://bit.ly/17z8OzK>
- **Labour Law No. 4857.** This regulation requires management and reporting of occupational health and safety-related performance indicators such as accident rates, etc. In accordance with positive discrimination, this Law dictates that companies employ individuals with special needs. <http://bit.ly/11Ectbx>
- **Environment Law No. 2872.** This regulation pertaining to, e.g., air pollution, water pollution, and waste framework (batteries, tires, electric and electronic equipment) requires regular reporting on certain emission values (solid, liquid and air emissions and waste), and to related government agencies. <http://bit.ly/ZXzNCE>
- **Occupational Health and Safety Law No. 6331, 2012.** This law includes many new requirements to reduce risks to workers' health and safety and additional reporting requirements for employers. <http://bit.ly/10ufMja>
- **Protection of Consumer Law No. 4077.** This law aims to ensure the protection of consumers through disclosure of product and service-related specifications, including financial implications (if related to banking products), and including environmental or health hazards of those products (if related to hazardous products). <http://bit.ly/ZZ3vJf>

UNITED KINGDOM

Mandatory requirements

- **Quoted companies GHG reporting, 2013.** UK incorporated companies listed on the London Stock Exchange main market will have to report their levels of greenhouse gas emissions. Companies may use the UK Government Greenhouse Gas Reporting Guidance or one of the considerable array of voluntary reporting methodologies to measure their emissions. The Government will require that the chosen methodology is made clear in the report. Companies will be able to reuse data already collected for other schemes such as Climate Change Agreements, the EU Emissions Trading Scheme and Carbon Reduction Commitment Energy Efficiency Scheme to populate their report. If companies take advantage of this provision, they must make it clear in the report that they are doing so. In the next 2-3 years, the Government will take a decision, based on this updated information, whether to extend the requirement to all large companies.



- **The Companies Act, 2006.** This Act requires all large and medium sized UK incorporated companies to provide a narrative within their annual report on the company's performance, position and risks ('Business Review'). Quoted companies should also disclose in their annual review information on environmental, employee, social and community matters to the extent necessary for an understanding of the development, performance or position of the company.
<http://bit.ly/aH1sK3>
- **UK Corporate Governance Code, 2012 (formerly the Combined Code).** The Code sets out norms of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. All companies with a Premium Listing of equity shares in the UK are required under the Listing Rules to report on how they have applied the Code in their annual report and accounts. The relevant section of the Listing Rules can be found at: fsahandbook.info/FSA/html/handbook/LR/9/8. The Code contains broad principles and more specific provisions. Listed companies are required to report on how they have applied the main principles of the Code, and either to confirm that they have complied with the Code's provisions or – where they have not – to provide an explanation. Some of the provisions of the Code require disclosures to be made in order to comply with them. These are summarized in Schedule B to the Code. A new edition of the Code was published in September 2012.
<http://bit.ly/11ZUL2N>
- **The Climate Change Act, 2008.** This Act was introduced to ensure that the UK accounts for all six Kyoto gas groups. The government is required to exercise powers under the Companies Act to require the inclusion of GHG reporting in a company's Directors' Report.
www.legislation.gov.uk/ukpga/2008/27/contents
- **The Carbon Reduction Commitment (CRC), 2010.** This commitment requires companies to measure and report on all their emissions-related to energy use to the Environment Agency, and purchase allowances. Organizations that use more than 6,000MWh per annum (equating approximately to an annual electricity bill of £1,000,000) will be under the scheme. CRC organizations have to monitor and report their emissions from all fixed point sources (not just electricity) annually, and a director of the CRC organization will have to sign a 'statement of records' confirming that adequate records have been kept. The reporting impact on middle market companies in the UK will be significant. It is likely that a large number of the 5000 companies included in the CRC will not previously have reported non-financial information.
www.environment-agency.gov.uk

Voluntary guidance

- **Reporting Guidelines – Environmental Key Performance Indicators (KPIs), 2006.** Issued by the Department for Environmental, Food & Rural Affairs (DEFRA), designed to assist companies with new narrative reporting requirements relating to environmental matters, as contained within the 'Contents of Directors Report' of the Company Law Reform Bill.
<http://bit.ly/LArMd3>

UNITED STATES OF AMERICA

Mandatory requirements

- **Dodd-Frank Act, 2010.** Passed by US Congress, the rules are to be adopted by the US Securities & Exchange Commission and other federal agencies. The *Dodd-Frank Wall Street Reform and Consumer Protection Act* was signed into federal law in 2010, with implementation rules being adopted since that time.
- The Act made significant changes to existing US financial regulation. The rules of the *Dodd-Frank Act* feature specialized disclosure provisions, including Section 1502, requiring [some] annual report issuers to disclose their connections with conflict minerals, and whether those minerals originated in the Democratic Republic of Congo or adjoining countries. The rule requires a report that includes a description of the measures taken to exercise due diligence on the source and 'chain of custody' of the minerals, and which must be independently audited and certified. Among other practices, issuers subject to the rule will conduct an assessment of their supply chain activities to determine the source of their conflict minerals. Section 1504 which requires annual report issuers that commercially develop oil, natural gas, or minerals to disclose certain payments made to the US or a foreign government. The information must be provided in an interactive format, and the Securities & Exchange Commission must compile the information online.
<http://1.usa.gov/bXrwJN> and <http://1.usa.gov/eElZxs>
- **Presidential Executive Order 13514.** Issued by President Barack Obama, this Order requires all federal agencies to measure and report on their sustainability performance, which includes assessing their supply chain. As agencies comply, as with major corporations, the leaders often find the largest opportunities for improvement in their respective supply chains. This Presidential Executive Order (EO) will have a cascading effect driving contractors, suppliers, and any business working with the federal government to report on their environmental impacts in order to satisfy the requests of the agencies which they service. The Army, Postal Service and several other departments and agencies have utilized their GRI reporting efforts to help fulfill aspects of the Executive Order.
<http://1.usa.gov/9weU1u>

- **The EEO-1 Survey.** It is a required annual filing mandated by the US Equal Employment Opportunity Commission regarding employment records, including the racial and gender profiles of employees. Section D: Employment Data” (ethnic and racial categories) was the only section revised at this point. This allows employers to report peoples of “two or more races, Asian, Native Hawaiian or other Pacific Islander, Black or African American, Hispanic or Latino,” and encourages self-identification rather than reporting by employers.
- **The Sarbanes-Oxley Act, 2002.** Formally, the Public Company Reform and Investor Protection Act, 15 USC 7245 7256) was passed by the Congress in July 2002; “SOX” contains 11 different “titles” and imposed new reporting requirements for US-listed companies to increase corporate transparency (mainly corporate governance). A number of the Titles referenced the 1934 investor protection legislation and subsequent amendments and other federal laws; SOX Section 404 requirements for top executives to sign off on detailed internal controls is an example; the argument since adoption is that this and other rules may have imposed a regulatory burden on companies, for example by not explaining the scope of the internal and external checks required. <http://bit.ly/9MwPdm>
- **Clean Air Act (CAA) and Clean Water Act (CWA).** US corporations report on their environmental performance under a number of statutes.
- **The Toxic Release Inventory (TRI), 1988** requires companies with more than 10 full-time employees to submit data on emissions of specified toxic chemicals to the US Environmental Protection Agency (EPA). www.epa.gov/TRI
- **California Transparency in Supply Chains Act, 2010.** In effect since 2012. The purpose of the Act is to ensure that large retailers and manufacturers provide consumers with information regarding their efforts to eradicate slavery and human trafficking from their supply chains and to educate consumers on how to purchase goods produced by companies that responsibly manage their supply chains. By doing this, California hopes to improve the lives of victims of slavery and human trafficking. <http://bit.ly/Klr4UT>
- **U.S. Environmental Protection Agency Proposed Mandatory Greenhouse Gas Reporting Rule.** In response to the FY2008 Consolidated Appropriations Act (H.R. 2764; Public Law 110-161), EPA issued the Mandatory Reporting of Greenhouse Gases Rule (74 FR 56260) which requires reporting of greenhouse gas data and other relevant information from large sources and suppliers in the United States. The purpose of the rule is to collect accurate and timely GHG data to inform future policy decisions. In general, the Rule is referred to as 40 CFR Part 98. Implementation of Part 98 is

referred to as the Greenhouse Gas Reporting Program (GHGRP). <http://1.usa.gov/ZZ4edr> www.epa.gov/ghgreporting/index.html and www.epa.gov/ghgreporting/ghgdata/index.html

- **Regulation S-K, 2010.** This disclosure regulation, promulgated under the Securities Act of 1933 and the Securities Exchange Act of 1934 of the U.S. Securities & Exchange Commission (SEC), as amended, and as clarified by SEC final rules and interpretative guidance issued since its enactment, sets forth disclosure requirements for all SEC filings under the Securities Act and the Securities Exchange Act. This includes Forms 10-K, 10-Q, 8-K, and 20-F, registration statements, and proxy and information statements. www.sec.gov/divisions/corpfin/ecfrlinks.shtml

Other initiatives

- **Commission Guidance Regarding Disclosure Related to Climate Change, 2010.** The Securities and Exchange Commission published this tool to provide guidance to public companies regarding the Commission’s existing disclosure requirements as they apply to climate change matters. <http://www.sec.gov/rules/interp/2010/33-9106fr.pdf>
- **The National Association of Insurance Commissioners (NAIC).** The NAIC is the US standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and five US territories. Through the NAIC, state insurance regulators establish norms and best practices, conduct peer review, and coordinate their regulatory oversight. NAIC members, together with the central resources of the NAIC, form the national system of state-based insurance regulation in the U.S. NAIC adopted a mandatory requirement that insurance companies disclose to regulators the financial risks they face from climate change, as well as actions the companies are taking to respond to those risks. In addition to reporting on how they are altering their risk management and catastrophe risk modeling in light of the challenges posed by climate change, insurers will also need to report on steps they are taking to engage and educate policymakers and policyholders on the risks of climate change, as well as whether and how they are changing their investment strategies. All insurance companies with annual premiums of US\$500 million or more will be required to complete an Insurer Climate Risk Disclosure Survey every year, with an initial reporting deadline of 1 May 2010 established. The surveys must be submitted in the state where the insurance company is domiciled. www.naic.org
- **The Sustainability Accounting Standards Board (SASB)** is an U.S. based non-profit organization with the purpose of establishing industry-based sustainability standards for the recognition and disclosure of material environmental,



social and governance impacts by companies traded on U.S. exchanges. Its sustainability accounting standards enable comparison of peer performance and benchmarking within an industry, SASB is developing industry-specific sustainability accounting standards that enable a company to characterize

their performance with respect to the issue. A standard will be developed for each of the 88 industries in the Sustainable Industry Classification System (SICS) on industry specific KPIs for US based companies to include in their 10-K filings to SEC . www.sasb.org



Assurance Standards

The terms 'assurance', 'external assurance' or 'verification' are used interchangeably by sustainability practitioners, but definitions and interpretations may differ. As the demand for credible sustainability data increases globally, the topic of external assurance of sustainability reports gains significance. Reporters and report users are interested in how external assurance can help improve sustainability disclosure.

Most assurance of sustainability reports is classified as limited (or moderate) or reasonable (or high) level of assurance.

There are a wide range of assurance providers and approaches in different regions. The main assurance providers are accountancy firms, engineering firms and other professional services firms.

Below is a brief overview of the major assurance standards.

GLOBAL

- **The International Standard on Assurance Engagements (ISAE) 3000.** Assurance Engagements other than Audits or Reviews of Historical Financial Information was developed by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). IFAC is the body responsible for issuing international accounting and auditing standards for the accounting profession. ISAE 3000 came into force in December 2003 and is used by accounting firms to guide their assurance engagements on sustainability reports.
www.ifac.org
- **AA1000 Assurance Standard (AA1000AS), 2008.** Issued by the UK-based Accountability; provides a comprehensive approach to holding an organization to account for its management, performance and reporting on sustainability issues by evaluating the adherence of an organization to the Accountability Principles (AA1000APS) and the reliability of associated performance information. It was developed through a multi-stakeholder process and is designed to help ensure that reporting and assurance meets stakeholders' needs and expectations.
www.accountability.org.uk
- **ISO 14064-3** Specification with guidance for the validation and verification of greenhouse gas assertions. ISO 14064-3 details principles and requirements for verifying GHG inventories, and validating or verifying GHG projects. It can be applied to entity-wide and offset project GHG quantifications. It provides requirements and guidance for those conducting GHG validations and verifications. It specifies the general requirements for selecting GHG audit team members, establishing the level of assurance, objectives, criteria and

scope, determining the auditing approach, assessing GHG data, information, information systems and controls, evaluating GHG assertions, and preparing audit statements.
http://www.iso.org/iso/catalogue_detail?csnumber=38700

REGIONAL

NORTH AMERICA

- **SOP 03-2, Attest Engagements on Greenhouse Gas Emissions Information, 2002.** In 2002 the AICPA and the Canadian Institute of Chartered Accountants (CICA) formed a joint task force on sustainability reporting. While the task force concluded in 2003 that GRI had not yet developed to a point where its criteria were suitable, it also recognized the importance of working with GRI and international standard setters to develop performance and reporting criteria. The task force took an important step in the United States by developing the first attestation engagement on environmental reporting. With the approval of the AICPA Auditing Standards Board, the task force issued Statement of Position 03-2, Attest Engagements on Greenhouse Gas Emissions Information. The AICPA also is participating in the Enhanced Business Reporting Consortium (www.ebr360.com), which is examining how to improve information for public company stakeholders. www.aicpa.org/Research/Standards/AuditAttest/DownloadableDocuments/AT-00101.pdf

COUNTRY LEVEL

AUSTRALIA

- **Standard DR03422: General Guidelines on the Verification, Validation and Assurance of Environmental and Sustainability Reports, 2003.** Issued by Standards Australia. Work on this standard was carried out by the joint Standards Australia and Standards New Zealand Committee QR-011 Environmental Management Systems.
www.standards.org.au
- **DR03422, 2008.** Issued as an Interim Standard for a period of two years, after which AS/NZ S5911 (Int): 2005 came into effect which was then updated in 2008. Australian Auditing Standards (for accounting firms) can be applied to the audit and review of sustainability reports. AUS102.44 states that "Australian Auditing and Assurance Standards, while developed primarily in the context of financial report audits, are to be applied, and adapted as necessary, to all audits of financial and non-financial information, to all other assurance engagements, and to all audit related services."
www.auasb.gov.au



BRAZIL

- **NPO 1, 2007.** Issued by IBRACON (Independent Auditors Institute). It consists of the Assurance Norm and Procedures for Assurance Engagements other than Auditing or Reviews of Historical Financial Information. NPO 1 establishes basic principles and essential procedures for this kind of assurance engagement.
www.ibracon.com.br/ibracon/Portugues
- **NBC T 15, 2004.** Approved by The Federal Accounting Council (CFC). It provides procedures and definitions for social and environmental reporting that communicates an organization's social and environmental responsibility to civil society. It includes guidance on what kind of information should be disclosed about labor practices, employment, investments in social, health & safety and environmental issues, customer service, environmental liabilities and judicial sanctions.
www.cfc.org.br/conteudo.aspx?codMenu=116

CHINA

- **No. 3101 Assurance Engagements other than Audits or Reviews of Historical Financial Information (CAS3101), 2006.** Issued by the Ministry of Finance, CICPA CAS3101 is one of the China Standards on Other Assurance Engagements, which are included in the China Certified Public Accountant Practicing Standards. CAS3101 follows the ISAE3000 very closely in terms of principles and procedures. The main distinction is that CAS3101 requires sign off by a certified practitioner of CICPA in addition to the firm's seal while ISAE3000 requires only the name of the firm or practitioner to be stated on the assurance statement. www.mof.gov.cn
- **China Sustainability Reporting Verification Rules and Instructions (CSR-VRAI), 2008.** Issued by the China National Textile and Apparel Council. The rules and instructions provide the measuring principles and verification procedure for the quality of the CSR reports of textile and apparel enterprises. It has become the standard of independent verification carried out by third party assurance service providers, to assess whether the CSR reports have met the requirements of CSC9000T China Social Compliance for Textile & Apparel Industry Principles and Guidelines. www.csc9000.org.cn/PDF/2008_ConfirmationCriterion.pdf

FRANCE

- **Auditor's standards regarding social and environmental information.** A standard draft defines the diligence to be applied by auditors regarding assurance on social and environmental information in sustainability reports.

ITALY:

- **Research Document n. 153: limited assurance report on social or sustainability report,** issued by Assirevi, the Italian Association of Internal Auditors.

JAPAN

- **Practical Guidelines for the Assurance of Sustainability Information, 2007.** The guidelines were issued by the Japanese Association of Assurance Organizations for Sustainability. The guidelines set out specific steps and procedures to be followed in assurance engagements of sustainability information. The guidelines are broadly consistent with ISAE3000. Members of the Japanese Association of Assurance Organizations for Sustainability include not only accounting firms but also some certification bodies. The guidelines have helped narrow the gap between accounting firms' assurance procedures and those of certification bodies. <http://www.j-sus.org/index.htm>
www.j-sus.org/english.html

NETHERLANDS

- **Standard COS 3410N Assurance Engagements relating to Sustainability Reports, 2007.** Issued by The Royal Dutch Institute for Registered Accountants (NIVRA). The standard is designed to comply with ISAE 3000 while incorporating the principles of AA1000AS and drawing on the GRI Guidelines. The standard is applicable to all engagements agreed after 1 July 2007. An English translation was published in July 2007 (3410N).
www.nba.nl

SPAIN

- **ICJCE Action Guide, 2008.** Developed by the Institute of Chartered Accountants of Spain, this guide establishes the procedures that an auditor should follow for verifying sustainability reports.
www.icjce.es

SWEDEN

- **Standard RevR 6 Independent Assurance of Separate Voluntary Sustainability reports, 2004.** Issued by The Swedish Institute for the Accountancy Profession (FAR). An updated version of the recommendation, in compliance with International Standard on Assurance Engagements 3000 (ISAE), was published in December 2008. The Swedish recommendation is based on the Dutch Assurance Standard 3410N "Assurance Engagements Relating to Sustainability Reports" published by Royal NIVRA in July. The updated RevR 6 now provides guidance both on reasonable assurance and limited assurance engagements of sustainability reports.
www.far.se

Conclusions

There is continued and growing interest in regulation, including corporate governance and disclosure requirements. We are also witnessing an increase in the number of countries becoming involved in the sustainability reporting policy arena, including developing countries. An increasing number of policies are inspired by or based on a 'report or explain' approach.

Due to organizations' calls to streamline reporting requirements, there is increasing reference to existing sustainability and reporting frameworks. The United Nations is now also asking governments to stimulate sustainability reporting by developing best practice and facilitate action for the integration of sustainability reporting. In their introduction of policies, regulation and guidelines, governments are striving to harmonize the use of multiple frameworks. In line with these developments, recommendations for the use of GRI's Framework continue to rise. At the same time, there are many new initiatives and reporting tools emerging.

In addition to governments' efforts, sustainability reporting has become a listing requirement on several stock exchanges in non-OECD countries. Stock exchanges and market regulators are a strong force behind driving transparency and disclosure.

From the Inventory of sustainability reporting policies it becomes apparent that most reporting requirements target large and state-owned companies. In recent years there has also been an increase in voluntary reporting by small and medium enterprises, yet the number of SME reporters is still lower.

When looking at the findings regarding policy and regulation, a number of future scenarios present themselves:

- More countries will develop sustainability reporting policy
- The Group of Friends of Paragraph 47 is attracting interest, and more countries are expressing interest in joining the initiative
- There will also be a further increase of sustainability practices and policies in developing countries, which are increasingly understanding the added value of corporate transparency and sustainability
- The European Commission has launched a proposal to amend the existing accounting legislation in order to improve the transparency of certain large companies on social and environmental matters. Companies concerned will need to disclose information on policies, risks and results as regards environmental matters, social and employee-related aspects, respect for human rights, anti-corruption and bribery issues, and diversity on boards of directors. In February 2013, the European Parliament adopted two reports on the implementation of the European Commission's CSR strategy. Both reports, which include suggestions and policy recommendations, call for the European Commission to take concrete steps on sustainability reporting and transparency. The forthcoming European Commission proposal on non-financial disclosure is an opportunity for the EU to lead on setting out a roadmap for a sustainable and knowledge-based global economy
- Large economies, in particular emerging ones, will develop their own national frameworks, but the trend to date shows that they are likely to link them to internationally-accepted sustainability and reporting frameworks. More governments will refer to these internationally-accepted frameworks, creating conditions to move towards the standardization of corporate sustainability disclosure
- The existing internationally-accepted sustainability frameworks have synergies and complementarities and it is likely that these will be further built on. The UN Global Compact principles and the OECD *Guidelines* provide normative frameworks to help companies shape their sustainability vision and management approach. ISO 26000 is a private guidance standard which provides guidance for all organizations on the concept and definitions of corporate social responsibility. In addition there are several single-issue principles and initiatives that can support organizations on setting out values and strategy on sustainability: for example, the International Labor Organization (ILO) Tri-partite Declaration of Principles Concerning Multinational Enterprises and Social Policy, the Carbon Disclosure Project (CDP) questionnaire, the Greenhouse Gas Protocol and the United Nations Guiding Principles on Business and Human Rights (UNGP). The GRI Framework is the most widely-used sustainability reporting framework in the world, and is aimed to harmonize with other global sustainability tools. The GRI Guidelines – the Framework's core document – include references to other global initiatives, making it easier for organizations to understand how complementary guidance can be used quickly and efficiently. These synergies and linkages are considered as favorable by reporters and are likely to grow further
- There will be a bigger audience for sustainability reports. This will be generated by research on companies' disclosure, data harvesting and elaboration, more critical company watching, greater use of sustainability rankings, and more 'naming and shaming' in order for markets and society to make informed decisions. With stronger policies, more public scrutiny and strengthened National Contact Points for the OECD *Guidelines* in place, and more use of the 'due diligence' and 'remedy' principles of the UN Guiding Principles on Business and Human Rights, there is a chance that there could be increased litigation and market sanctions. This will trigger better reporting. At the



same time, measures to mitigate or correct corporate behavior that has had negative impacts on society, the environment or livelihoods will contribute to creating a culture of corporate sustainability and transparency

- Reports will focus more on material topics and impacts; companies will increasingly disclose what really matters to them and their stakeholders
- There will be an increase in reporting on companies' value chains and supply chains
- There will be more pressure on companies to report their contribution to post-2015 global goals, such as the Sustainable Development Goals. The business sector needs to continue playing an important role in the post-2015 agenda. It is also instructive to pay specific attention to the standards that address sustainability as part of reporting to shareholders (i.e., in annual reporting), as that reveals the increasing link – also acknowledged among regulators – between sustainability reporting and financial and corporate reporting. In this sense, there is a movements towards integrated reporting
- There will continue to be gradual integration of corporate governance, financial and sustainability reporting in one strategic communications approach
- Attempts to monetize sustainability, and report on it, will also continue to increase. One example of this development is the Environmental Profit and Loss (EP&L) Analysis, developed under the leadership of PUMA Chairman Jochen Zeitz. This methodology allows a company to make a monetary valuation and analysis of its environmental impact from cradle-to-gate.⁹⁵
- Promote partnerships of policy makers with business and other constituencies to further stimulate sustainability reporting
- Consider the need of all current global sustainability and CSR frameworks to be further aligned and consolidated in one internationally-agreed reporting standard
- Question how regulation can accelerate the pace of making relevant, accurate and comparable information available and attractive to be used by various stakeholders, bearing in mind the effectiveness of a report or explain policy approach in different jurisdictions
- Stimulate research on the consequences of policies and practice of sustainability reporting
- Stimulate capacity building, in particular in developing countries, among governments and business communities, for sustainability reporting, its drivers, its methods, and its effects on the economy and on sustainable development
- Consider whether sustainability reporting should become a mandatory element of corporate reporting or become systematically connected with financial reporting, paving the way to integrated reporting
- Discuss the benefits of disclosure focusing on material information which would take into consideration the different information needs of varied groups and further empower report users, such as investors, civil society organizations and the media
- Create enabling conditions for SMEs to increase the voluntary uptake of sustainability reporting
- Evaluate the need to set clear indications of the limits of sustainability reporting and the boundaries of reports
- Discuss the need for an accepted approach to assurance of sustainability reports, to raise the quality of sustainability reporting
- Develop methods to measure business contribution to the future post-2015 Sustainable Development Goals
- Assess how to combine sustainability reporting by companies with macro-level indicators and objectives

The way ahead.

This report has presented different policy approaches by policy makers and market regulators, and has revealed a need for more in-depth analysis of policy and the role of policy makers and market regulators in different regions of the world. Tomorrow's debate on the future of sustainability policy will need to:

- Reflect on whether and how to reach agreements on global or national reporting policies, bearing in mind that many companies will call for one harmonized global framework for sustainability reporting in order to operate in the global economy

⁹⁵ Henriques, A. and Richardson, J., 2004. *The Triple Bottom Line: Does it all add up?: Assessing the Sustainability of Business and CSR*. London: Earthscan.

Glossary

Boundary The range of entities and impacts within an organization and its supply chain which are expressly covered in a sustainability report. Boundary-setting is the process used by organizations to establish the boundary for a report.

Corporate Social Responsibility (CSR) CSR is generally understood to mean how companies manage the business processes to produce an overall positive impact on society⁹⁶. However, definitions of CSR vary internationally. The European Commission definition is *"the responsibility of enterprises for their impacts on society"*⁹⁷. In India and Indonesia, the concept of CSR includes environmental, social and governance elements, but also refers to charity and investment in community activities.

Environmental, social and governance (ESG) is a term used to describe the three main areas of concern that have developed as the central factors in measuring the sustainability and ethical impact of an investment in a company or business.

Materiality A principle for classifying the importance of information. Derived from a principle of financial reporting, material information is information on economic, environmental, social and governance performance or impacts that should be disclosed on the grounds that it is *a)* highly relevant to an organization and *b)* is expected by key stakeholders as it may significantly affect their assessment of the organization.

Millennium Development Goals (MDG) are eight international development goals that were officially established following the Millennium Summit of the United Nations in 2000, following the adoption of the United Nations Millennium Declaration⁹⁸.

Sustainable Development Goals (SDG) are a set of objectives, currently in development, which aim to address the broad challenges of poverty eradication, environmental protection and sustainable consumption and production. The development of the SDGs was agreed at the UN Conference on Sustainable Development in June 2012. When developed, the SDGs will be integrated into the successive framework for MDGs.⁹⁹

Sustainable development In line with the Brundtland Commission's 1987 definition, sustainable development is a mode of human development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Sustainability report A sustainability report is an organizational report that gives information about economic, environmental, social and governance performance and impacts. For companies and organizations, sustainability – the ability to be long lasting or permanent – is based on performance and impacts in these four key areas. The term sustainability report is often used synonymously with Corporate Social Responsibility report, Corporate Responsibility (CR) report, Environmental, Social and Governance (ESG) report, and other terms.

⁹⁶ Baker, Mallen, 2004. *Corporate social responsibility – What does it mean?* [online] Available at: < www.mallenbaker.net/csr/definition.php > [Accessed on 18 April 2013].

⁹⁷ *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committees and the Committee of the Regions – A renewed EU strategy 2011-14 for Corporate Social Responsibility.*

⁹⁸ www.un.org/millenniumgoals

⁹⁹ www.earthsummit2012.org/conference/themes/sdgoalsintro



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Acknowledgements

Information on the In Depth Profiles and on the Policy and Initiatives Inventory was kindly provided by the core project partners (UNEP, KPMG Climate Change & Sustainability Services, GRI, Centre for Corporate Governance in Africa), KPMG representatives, GRI Organizational Stakeholders, GRI Certified Training Partners, GRI Focal Points, and other partners.

An external Steering Committee consisting of eminent persons was created to provide strategic guidance to the core team. The members generously agreed to provide comment.

The core team is very grateful for their availability and their excellent input.

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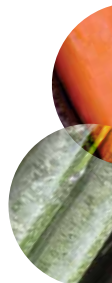
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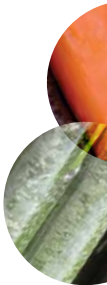
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Design

Tuuli Sauren,
INSPIRIT International Communications,
The Sustainable Design and Promotion group,
Brussels, Belgium

Notes:





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Printing process: Printed using an Ecocolor® press (100 percent Isopropyl Alcohol – free printing) and vegetable-oil based inks. Pre-press using computer-to-plate technology. The complete production process is Grafimedia Milieu-zorg certified and powered by renewable energy.



Cover paper: Freelifa Merida (40% post-consumer FSC fibre, 55% FSC pulp and 5% cotton fibre, EU Eco-label "Flower", ISO 9001).



Page paper: Dalum Cyclus Print (based on 100% recycled fibres according to the RAL UZ-14 – Blue Angel, Nordic Swan certified, NAPM approved, EU Eco-label "Flower", EMAS, ISO 9001 and ISO 14001).





