CARROTS AND STICKS – PROMOTING TRANSPARENCY AND SUSTAINABILITY

An update on trends in Voluntary and Mandatory Approaches to Sustainability Reporting

KPMG

UNIT FOR CORPORATE GOVERNANCE IN AFRICA

Global Reporting Initiative™

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The development of the compliance and performance aspects of directors' attitudes, knowledge and skills
The link between corporate governance, business ethics and total organisational performance
The purpose of the Unit is to improve the effectiveness of corporate governance within African organisations, predominantly in the private sector.
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Forewords

The five capital assets of Financial, Human, Natural, Social and Technological have become critically interdependent. No entity can plan for the long term in the economy in which we find ourselves without taking account of these critical, interdependent capital assets. A sustainable economy demands business as unusual and the ability to make more with less. Our resources are not infinite and the world can no longer absorb waste. The hundred years of taking, making and reducing to waste cannot continue. There is no time for a business-as-usual approach. The time is ripe to follow the example of several governments who have introduced legislation on a report-or-explain basis regarding the impact which the operations of any company may have economically, societally and environmentally.

Many developments since the first edition of this publication point to things moving in the right direction. Governments around the world should follow the Danish regulation requiring its largest companies to report or explain as described above. Mandatory and voluntary approaches to integrated reporting are not mutually exclusive options. They are complementary, and the challenge for governments is to determine the appropriate mandatory requirements.

World bodies need to share knowledge and reduce duplication of effort because we all have to move forward in the interests of Planet Earth and those who will come after us. It has become essential that the G20 agree to legislate that all entities within their jurisdictions report or explain how they have impacted on society, the environment and the economy.

Stakeholders need integrated reporting, and that's why GRI is at the forefront of working with governments, regulators, civil society and other key players around the world, to make this a reality.

Mervyn King
Chairman of the Board of Directors, GRI

The need for regulatory frameworks for reporting has for long been debated. Should companies be left to their own initiatives to explore further transparency, thus creating a real commitment to reporting based on a genuine thought process, but with the risk that progress is too slow? Or should governments take the lead in setting frameworks for reporting, thus creating a level-playing field in reporting but providing companies with the opportunity to complete nothing more than a tick-the-box exercise?

In this era of low trust in the corporate world it would seem to be the duty of all parties to ensure that transparency is elevated to a level where an organisation's stakeholders can understand its comprehensive performance in such a way that trust is rebuilt and decisions can be taken in an environment where dialogue is an integral part of business.

In this context frameworks for sustainability reporting (whether voluntary or mandatory) can assist those who want to be part of this world, as well as stimulating or forcing those who prefer the old situation to report on the wider impact they have on society – negatively and positively.

We are proud to be able to contribute to further progress in this area by participating in studies such as this and by advising companies and governments on current practices and the state of play in sustainability reporting.

Wim Bartels

Global Head of Sustainability Assurance at KPMG, Partner KPMG Sustainability, the Netherlands

Core environmental issues today – climate, biodiversity and others – are clearly socio-economic challenges as well. Looking at the stress we put on our natural resources as our economies expand and populations grow, it is abundantly clear that business as usual will not do. As managers in public and private organisations face changing market conditions, information overload and growing public demand for accountable resources use, they need new management tools and credible information to take action.

This implies a new era for public reporting, both at national and organisational level. It implies that conventional models of running financial reporting and so-called non-financial reporting as two separate islands are no longer acceptable. It also implies that sustainability reporting can no longer remain the speciality of a top one hundred corporations, or an experimental area of expertise left to advanced communications agencies. It needs to be mainstreamed and scaled up on a grand scale. This cannot simply be the result of regulatory pressure, but different forms of regulation – including self-regulation – can play an important role in advancing the comparability, credibility and relevance of information disclosed.

The Global Reporting Initiative remains the international reference for how to approach the reporting of holistic information on sustainability performance. Public regulators can build on this. They can help us to engage the accounting and investment community in defining integrated reporting and use of forward-looking indicators that reflect key resource use risks that organisations, markets and societies face today. UNEP looks forward to working with Governments, our project partners and others in this.

Angela Cropper
Deputy Executive Director, UNEP
GRI Governmental Advisory Group

The Global Financial Crisis has focused for many of us the need to rethink how we finance and to what end we use our human organisations – private, public and non-profit. One can see a distinct change of mindset occurring where the previous notions of economic rationality, the paramountcy of quantification and the automatic balancing of free markets are beginning to have to take into account human irrationality, behavioural economics and emotional sensitivity, and more pragmatic approaches to the asymmetric nature of market intelligence.

One sees this in the growing interest especially in the Corporate Governance world in two distinct ways. First, the developing differentiation between managing, and directing. Second, the growing public awareness of the connectedness of living systems. This both broadens and strengthens the definition of "stakeholders" of our organisations but leads to intellectual and operational discomfort amongst current directors and managers. Globally, one can see the continuing historical move to create an annual reporting system for our organisations based on The Triple Bottom Line.

This is easy to recommend but as we are only too aware it is easy for humans to agree the rhetoric and then argue "Lord, make me chaste, but not just yet". The big issue is how does one get humans to willingly commit to the values and subsequent assessable behaviours that would allow a sustainable world to come into being? This report contains valuable insights into how to move forward and I commend it.

Professor Bob Garratt
Chairperson, Unit for Corporate Governance in Africa, University of Stellenbosch Business School

1. Executive Summary

This publication provides an up-to-date and expanded overview of mandatory and voluntary approaches to sustainability reporting and assurance.

In 2006 UNEP and KPMG issued a publication called "Carrots and Sticks for Starters, Current Trends and Approaches in Voluntary and Mandatory Standards for Sustainability Reporting", (UNEP and KPMG 2006) which gave a first time overview of sustainability reporting mandatory and voluntary approaches in a selection of countries worldwide.

This publication provides an up-to-date and expanded overview of mandatory and voluntary approaches to sustainability reporting and assurance. The updated publication covers most OECD countries, as well as new emerging market countries in addition to Brazil, India and South Africa, which were covered in the 2006 edition. It aims to provide readers with an easy reference and overview of basic legislative and voluntary requirements, in a format that allows comparison of approaches across regions and countries. The objective of the updated publication is also to revisit the debate about the advantages and disadvantages of both voluntary and mandatory approaches to sustainability reporting. For this publication we have also invited acknowledged experts in the field of sustainability reporting to provide input on selected topics.

This publication is the outcome of a collective effort of UNEP, KPMG Sustainability, the Global Reporting Initiative and the University of Stellenbosch Business School, with the support of many other experts and organisations (see Acknowledgments, page 91). The research partners believe that a variety of readers will find this publication useful. Regulatory bodies and government officials based in ministries responsible for relevant national laws including company law, corporate governance requirements and requirements for disclosure of financial and non-financial (social, economic and environmental) information will find guidance on current debates and can view examples of how different regulators have responded, as will reporting managers from multinational corporations, non-governmental reporters, company watchers and users of reporting information including analysts, consultants, and those who would benefit from easy, reliable and updated information on requirements in existing and new markets in which their organisations operate.

Over the last four years the regulatory landscape has evolved substantially in all parts of the world. More codes and regulatory measures are now available in more countries. A review of mandatory and voluntary sustainability reporting standards and legislation in 30 countries has revealed that both international and national standards, codes and guidelines as well as legislation for sustainability reporting have been strongly evolving. The increasing number of reporters seems to go hand in hand with an increasingly dense regulatory network of international and national standards, codes and guidelines as well as legislation for sustainability reporting.

Following an analysis of current trends and approaches in mandatory and voluntary sustainability reporting, an inventory of selected legislation, standards, codes and guidelines is provided.

Our research of existing approaches in the selected 30 countries[1] revealed the following:

- A total of 142 country standards and/or laws with some form of sustainability-related reporting requirement or guidance;
- Approximately two thirds (65%) of these standards can be classified as mandatory and one third (35%) as voluntary;
- A total of 16 standards with some form of reporting requirement at the global and regional level; and
- A total of 14 assurance standards.

In addition, there is a steep increase in companies, and some public agencies, issuing sustainability reports based on the GRI G3 guidelines. Research by KPMG in 2008 indicated that 79% of global 250 companies disclose ESG data and 77% of those use GRI to do so. A new phenomenon is that ten governments have a formal reference to GRI in their governmental corporate responsibility guidance documents and/or policies.[2]

There are many choices available to regulators, which are influenced by, amongst other things, geopolitical factors. However, there are a few general trends to be discerned. The first is a stronger role for the state

1 Australia, Austria, Belgium, Brazil, Canada, Chile, China, Denmark, Ecuador, Finland, France, Germany, Greece, Hungary, India, Indonesia, Italy, Japan, Luxembourg, Mexico, The Netherlands, Norway, Portugal, South Africa, South Korea, Spain, Sweden, Switzerland, United Kingdom, United States.
2 Austria, Belgium, Canada, Denmark, Finland, Germany, Netherlands, Norway, Sweden, United States.

in its regulatory role, to ensure a minimum level of disclosure and risk prevention. The second is an emerging emphasis on a combination of (complementary) voluntary and mandatory approaches and the third emerging trend is one of integration, resulting in a combination of corporate governance, financial and sustainability reporting into one reporting framework. This third trend may be a reaction in order to avoid new financial scandals and crises. It is also a sign of the maturing field of sustainability reporting, and can contribute to achieving the transition to sustainable markets and economies.

Based on the trends identified and the need to take the debate forward, we offer the following recommendations:

- A more active role for government regulators in sustainability reporting should be encouraged;
- Regulators should acknowledge the principle of complementarity – i.e. the regulator should raise the bar in terms of minimum reporting requirements, but leave enough space for voluntary disclosure and innovation;
- To encourage voluntary disclosure, beyond the minimum mandatory requirement, as well as innovation, regulators should consider relevant incentives;
- Mandatory standards should be simplified – this should be performed by stocktaking of standards at the country level and alignment with global standards where possible;
- All stakeholders should acknowledge convergence – stock exchanges, rating agencies and NGOs have to interact with regulators and reporters in order to take the debate forward;
- The option of integrated reporting should be seriously considered by all stakeholders, including regulators.

"This new report provides a thorough – and much-needed – look at a fast-changing and important element of reporting: the link to public policy on reporting. With new steps towards reporting requirements from the US Securities and Exchange Commission, in addition to steps taken in China, Sweden, South Africa and elsewhere, this publication will be very valuable for both new and experienced reporters."

Aron Cramer, President and CEO, Business for Social Responsibility

2. Introduction

Today the world is facing a rapidly changing economic, environmental and social situation resulting from both a financial and sustainability crisis.

The current global financial and economic crisis has sparked renewed interest in regulation, including corporate governance and disclosure requirements. In addition, the last three years have seen the introduction of significant changes in terms of reporting guidelines in many countries. For example, new requirements related to corporate responsibility have been introduced in Scandinavian countries, including a mandatory requirement for sustainability reporting by state-owned companies in Sweden. At the same time, there has been an increased focus on integration in reporting and further professionalisation of sustainability reporting. These developments signaled the need for doing a revised, updated version of Carrots and Sticks for Starters, which was published in 2006.

Sustainability reporting[3] enables organisations of all shapes and sizes, including companies and public agencies, to measure, manage and publicly disclose their economic, environmental and social performance.

Looking back...

Reporting debates in the United States (USA) and in Europe in the 1960s and 1970s were ignited by a new awareness of external responsibilities unfulfilled by governmental institutions and ones that business needed to account for. Early experiments with social reporting – Sozialbilanz or bilan social (a legal requirement in France since 1977 and practiced in the Netherlands since the 1960s) – paved the way for the introduction of the environmental report or Ökobilanz in countries such as Germany, Austria, Denmark and Switzerland. During the 1980s ethical investment funds in the UK and USA started screening companies based on their social and ethical performance. Following the 1989 Exxon Valdez disaster, the US-based Coalition for Environmentally Responsible Economies (CERES) developed The CERES/Valdez Principles on behalf of the Social Investment Forum. These principles introduced a tough set of environmental reporting guidelines. In the early 1990s UNEP and SustainAbility undertook global benchmarking of environmental and broader reporting. The 1990s saw increased reporting with more comprehensive coverage. This was epitomised for example by the Body Shop International's first Values Report (1995) in which it reported on environmental, animal protection and social issues. In 1997 CERES and UNEP launched the Global Reporting Initiative (GRI) process to develop guidelines for reporting on the triple bottom line: economic, environmental and social performance. The aim was to elevate sustainability reporting to the same level and rigor as annual financial reporting. As a multi stakeholder network organisation, GRI provided a forum where those who take an interest in environmental, social and governance (ESG) issues and those organisations or individuals working in the sustainability reporting field can come together to advance the sustainability agenda. The foundations of the reporting framework – the GRI Guidelines – are being continually developed by the network through a multi-stakeholder consensus seeking process to which anyone can contribute. The third version of the Guidelines – known as the G3 Guidelines – was published in 2006 and is a free public good. Since 2006 the world community has been using the third generation of the guidelines, the G3 Guidelines, and GRI has focal points in China, Brazil, India, and Australia.

Surveys in the Anglo-Saxon world of reporting trends in the 1990s showed that up to that time most companies focused on the disclosure of human resource issues. Human resource reporting was much more predominant than environmental reporting, since much disclosure in this terrain was mandatory rather than voluntary (Hibbitt, 2004: 79). Environmental reporting increased due to more governments focusing on heavy polluting industries and introducing compulsory registration of materials (a form of green accounting) and inventory of toxic releases. Also, the development of new environmental management standards such as the European Eco-Management and Audit Scheme (EMAS) encouraged site level reporting.

Developments in reporting ranged from legalistic and technical requirements under company law and accounting rules to managerial innovations and new demands by stakeholders, all of which resulted in the birth of the concept

3 See note on terminology later in this section.

of the comprehensive "corporate sustainability report" in the 1990s. It was a decade that was described by the London-based think tank SustainAbility as the "Transparency Decade", when a series of major incidents forced early pioneers to "come clean" and issue economic-social-environmental reports (SustainAbility and UNEP, 2002: 6). SustainAbility has suggested that the first decade of the 21st century might become the "Trust Decade". This decade was to be based on ever increasing transparency, accountability and reporting. However, the past few years have turned out to be years of "distrust". As a result of the global financial crisis and several corporate scandals, there is a general climate of distrust regarding companies' ability to self-regulate (Edelman Trust Barometer, 2009). Consequently, the general public is demanding an increased role to be played by governments in the sustainability reporting field.

Today the world is facing a rapidly changing economic, environmental and social situation resulting from a double crisis. Firstly, the global financial crisis and deepening economic recession are profoundly and negatively affecting our economies. This crisis is acute and visible. However, the world also faces a growing sustainability crisis: this complex web of interlinked economic, environmental and social developments poses a long-term threat to global stability and prosperity. This second crisis is evolving more slowly, but will ultimately have a wider as well as deeper, and, potentially, far more costly, impact. The sustainability and transparency agenda offers possible solutions to both crises.

The crisis has sparked renewed interest in regulation, including corporate governance and disclosure requirements. Increasingly, public opinion links the financial crisis with sustainability related crises, such as climate change. Investors and analysts are starting to assess investor value through ESG information. The general public, NGOs and investors are demanding an increased role for governments in the sustainability reporting field (Edelman Trust Barometer, 2009). In March 2009 the GRI Board issued its Amsterdam Declaration,[4] calling "on governments to take leadership by introducing policy requiring companies to report on ESG factors or publicly explain why they have not done so" thus following the "report or explain" principle inspired by the recent Danish law on reporting.[5] In 2009 the European Commission hosted a series of multi-stakeholder workshops on ESG disclosure culminating in a debate on a series of hypothetical scenarios, including some regulatory options, for the future of European policy on this issue.[6]

Various approaches can be followed to encourage sustainability reporting. On the one hand, the legislator can be passive and leave it to market forces, international or supranational bodies to drive organisations to report on sustainability issues, or they may support various non-governmental initiatives in their attempts to promote reporting. On the other hand, the legislator can choose to introduce one or more of the following measures:

- Mandatory regulations with an obligation to report;
- Incentives for companies to report;
- Governmental endorsement of the GRI G3 Guidelines and an encouragement to industry to use them;[7]
- Voluntary rules or guidelines relating to performance, with or without reference to international standards such as the UN Global Compact and GRI; or
- Transfer the regulatory power to self regulating authorities like the NYSE or a stakeholder panel whose statutes can be either voluntary or mandatory.

Over the past decade there has been a lively debate amongst proponents of voluntary and mandatory reporting standards. Vested interests and perceptions have often resulted in conflicting positions. Ten years ago corporations usually argued strongly in favour of voluntary standards whilst NGOs, pressure groups and trade unions demanded mandatory standards since they did not believe that corporations would disclose material information objectively unless they were required to do so by law. As explained in Carrots and Sticks for Starters, there have been many arguments for and against both mandatory and voluntary reporting (see Table 1).

4 Available at http://www.globalreporting.org/CurrentPriorities/AmsterdamDeclaration/ (last visited 9 February 2010)
5 Art. 99a Danish Financial Statements Act, available at http://www.csrgov.dk/graphics/Samfundsansvar.dk/Dokumenter/Proposal_Report_On_Social_Resp.pdf
6 Information available at http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/reporting-disclosure/swedishpresidency/index_en.htm.

7 This is for example done by the Norwegian Government, as expressed in their CSR White Paper of January 2009.

	Reasons for	Reasons against
Mandatory approaches to reporting	• Changing the corporate culture – leaders will continue to innovate above minimum requirements • Incompleteness of voluntary reports • Comparability • Non-disclosure of negative performance • Legal certainty • Market failures – theory of regulation • Reduction of non-diversifiable market risk free rider problem • Cost savings • Standardisation • Equal treatment of investors	• Knowledge gap between regulators and industry • One size does not fit all • Inflexibility in the face of change and complexity • Lack of incentive for innovation • Constraints on efficiency and competitiveness
Voluntary approaches to reporting	• Flexibility • Proximity • Compliance • Collective interest of industry	• Conflicts of interest • Inadequate sanctions • Under-enforcement • Global competition • Insufficient resources

Table 1: Reasons for and against mandatory and voluntary approaches

During the last few years the debate has become more mature. There are now companies, investors and analysts that are promoting regulation, and trade unions that use voluntary standards amongst their members. Governments refer to the G3 Guidelines, which were developed as a voluntary reporting framework, in their implementation documents, guidelines and explanatory notes on legislative requirements.

The relationship between mandatory and voluntary approaches is framed differently today. Instead of presenting mandatory and voluntary sustainability reporting as exclusive options, they are in fact highly complementary. Assuming a complementary relationship between mandatory and voluntary approaches, the challenge for governments then becomes to determine the appropriate minimum level of mandatory requirements. For the reporting entities the question remains as to how much they would be prepared to do beyond their compliance with mandatory requirements. The reason for doing this is to gain a competitive advantage in both the present and the future (see Figure 1).

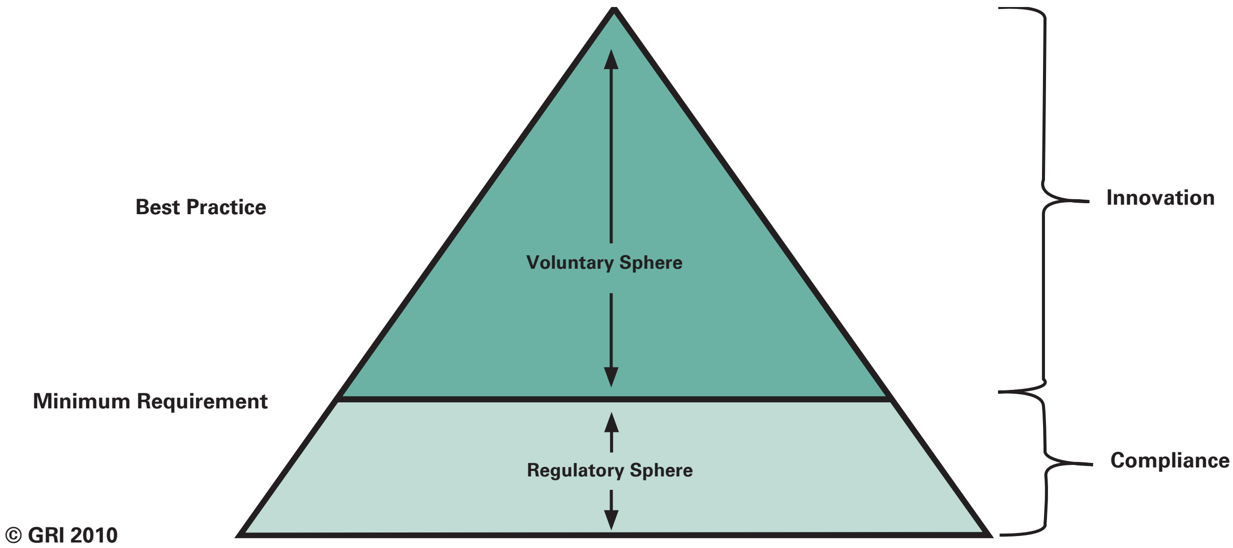


Figure 1: The interplay between the voluntary and regulatory spheres

There is a large variety of regulatory choices. This variety depends on a lot of factors, including geopolitical factors. However, there are a few general trends to be discerned. With the publication of Carrots and Sticks for Starters in 2006, the debate was perhaps more about voluntary or mandatory reporting, although it had already been indicated that this was not an either/or debate. Explaining our title at the time, we noted that "the comprehensive sustainability reporting regulation debate is still young, the main course still has to be prepared". Today the preparation of the main course is underway. In this new context today we can discern three emerging trends or developments.

The first is a stronger role for the state and its regulatory role, to ensure a minimum level of disclosure and risk prevention. This was highlighted by Mervyn King, chairperson of the Global Reporting Initiative, when he addressed the ESG disclosure workshop hosted by the European Commission in early 2010: "there is no time for a regulatory Business as Usual approach. After decades of voluntary laissez-faire reporting the time is ripe for stronger regulatory action and to follow the good examples of several EU governments who have introduced binding measures or legislation on ESG disclosure for some portion of their corporate sectors."

The second trend is an emerging emphasis on a combination of (complementary) voluntary and mandatory approaches.

And the third emerging trend – although in its infancy – is one of gradual integration, resulting in a combination of corporate governance, financial and sustainability reporting into one reporting framework. This third trend may be a reaction to avoid new financial scandals and crises. It is also a sign of the maturing field of sustainability reporting, and can contribute to achieving the transition to sustainable markets and economies. An important new initiative, which will help realise this emerging trend, is the establishment of the International Committee on Integrated Reporting (ICIR). Its purpose is to bring together the key standard setters of financial and ESG reporting and their principal stakeholders to plan and promote the transition to Integrated Reporting. Today and tomorrow's debate on the future of sustainability reporting standards is focused on the following questions: (1) Whether and how to reach agreements on global or national reporting standards; (2) How regulation can speed up the pace of making relevant, accurate and comparable information available; (3) Whether sustainability reporting should become an integral part of financial reporting (integrated reporting); (4) Whether and how the current global sustainability and CSR frameworks be further aligned and consolidated, avoiding unnecessary overlap and confusion; (5) The meaning of "materiality" and linking backward-looking with forward-looking reporting; (6) How to take into consideration the different information needs of different groups (target audiences); (7) Whether a report is conceived as the only vehicle of disclosure; (8) Whether and what steps should be undertaken towards a generally accepted approach to assurance of sustainability reports; (9) The boundary of sustainability reporting (in particular supply and value chain). As mentioned above, a sense of "crisis" and "credibility" puts growing pressure on regulators world-wide to explore these questions more closely. One consideration is how regulation can speed up the pace of making relevant, accurate and comparable information available to address pressing societal challenges such as climate change and accountable business practice.

Methodology

Following the publication of Carrots and Sticks for Starters in 2006, a core project team was formed in 2009 to oversee the revision process. In addition to the original partners, UNEP and KPMG Sustainability, the Global Reporting Initiative and the Unit for Corporate Governance in Africa at the University of Stellenbosch Business School joined as partners.

Core funding was provided by UNEP, but most project partners provided their services on a pro bono basis. Country practices from KPMG and GRI focal points performed the primary research and provided country information, while the core project team worked together on the analysis of data and development of content.

A special advisory committee was convened by the GRI – this group of eminent persons provided input throughout the entire process. The names of the members of the advisory committee appear later in the document, but it should be emphasised that they have no responsibility for the content of the publication.

3. Analysis of trends and approaches in mandatory and voluntary sustainability reporting

Introduction

The practice of sustainability reporting – on an organisation's economic, social and environmental vision, plans, challenges, and achievements – is one of the most historic developments in progress towards a sustainable global economy and informed markets. It has enabled organisations and their stakeholders to better understand and communicate on the vital issues affecting performance and their common future. Transparency about the sustainability of organisational activities is of interest to a diverse range of stakeholders, including businesses, employees, non-governmental organisations, investors, accountants, and others. Sustainability reports can be used for benchmarking and assessing sustainability performance with regard to existing regulatory frameworks; demonstrating how the organisation influences and is influenced by expectations about sustainable development; and comparing performance within an organisation and between different organisations over time.

Compared to four years ago, when Carrots and Sticks for Starters was published, the economic and political context has changed. We have already mentioned that the global financial and economic crisis has sparked renewed interest in regulation. In addition, burning societal issues such as climate change and ecosystems degradation have led to a growing number of research and business initiatives to refine methodologies for measuring and communicating relevant data. On the reporting front, data show that the number of reporters is continually increasing. A KPMG study found that in 2008, 80% of the world's 250 largest companies published stand-alone corporate social responsibility reports. More and more companies are integrating corporate social responsibility information into annual financial reports (integrated reporting).[8] This most recent development is, however, still in its infancy (KPMG, 2008).

Additionally, there is a tendency towards more sustainability reporting in non-OECD countries. A survey by IFC and the World Resources Institute conducted in six focus countries in Asia (India, Indonesia, Malaysia, Philippines, Thailand, Vietnam) found that sustainability reporting has increased in the period 2004–2009. The study concluded that this was mainly due to the efforts of national governments, training and consulting organisations, national securities regulators, and professional accounting associations (IFC and WRI, 2009). An UNCTAD review of the reporting status of corporate responsibility indicators in emerging market countries found that 87% of 75 companies surveyed made some sustainability disclosure and concluded that South Africa has a leading role in CSR reporting (UNCTAD, 2008).

We have come a long way since 1992, when the number of non-financial reports produced globally was less than 50. The numbers today are encouraging. However, compared to the 82 000 transnational corporations operating worldwide (UNCTAD, 2009), the number of companies publishing sustainability reports is still small. Growth has been strong in heavy industries such as chemicals, mining, oil and gas, forestry, pulp and paper, utilities, as well as the financial sector where the creation

"Following the Global Financial Crisis, is there a new, more interventionist mood prevailing, that will lead to an increase in regulation, or will neo-liberal orthodoxies prevail? What is the potential for surrogate regulation, one example being Scandinavian countries making it mandatory for state-owned companies to do sustainability reporting? We also need to ask what is the demonstrable value of such reporting, and how reporting requirements enable regulators, analysts and other users to make more informed decisions about critical environmental issues of the day."

Neil Gunningham, Professor: Environment Regulation, Governance and Policy, Australia National University

8 See note on terminology later in this chapter.

of the GRI sector supplements as well as the Equator Principles and the UN Principles of Responsible Investment have played an important role. Other sectors, e.g. the service sector, still need to enhance their sustainability reporting. Greater movement was noticed over the last four years in the food and retail sectors, facing more questions about traceability, ethics and resource scarcity in their global value chains. Supply chain pressure also becomes a driver for closer involvement of SMEs in measurement, monitoring and reporting.

The related question for the regulator is how much reporting can be expected from smaller enterprises (e.g. enterprises with less than 500 employees).

Emerging trends

A review of mandatory and voluntary sustainability reporting standards in 30 countries (chapter 4) has revealed that both international standards and mandatory and voluntary standards for sustainability reporting have been evolving. The increasing number of reporters seems to go hand in hand with an increasingly dense network of national and international standards for sustainability reporting.

Year	Regulatory approaches to sustainability reporting – Milestones 2006 – 2010
2006	GRI G3 Guidelines Amsterdam Global Conference on Sustainability and Transparency; Carrots and Sticks 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 external reporting by state-owned companies complementing existing accounting legislation (Sweden) Guideline on Fulfilling Social Responsibility by State-Owned Enterprises (China) Accounting for Sustainability Report
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) GRI Amsterdam Declaration on Transparency and Reporting King Code of Governance for South Africa (King III) SEC shifts policies to incorporate ESG concerns (USA) European Workshops on the disclosure of ESG information (European Commission) Initiation of review of OECD MNE Guidelines (OECD) Accounting for Sustainability launches "A Practical Guide to Connected Reporting"
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 OECD revision of MNE Guidelines ISO 26 000 to be launched United Nations Global Compact: 10 year anniversary GRI Guidelines: 10 year anniversary

Table 2: Sustainability Reporting Standards Milestones 2006 – 2010

Terminology

'Sustainability Reporting' is a broad term considered synonymous with others used to describe reporting on economic, environmental, and social impacts (e.g. triple bottom line, corporate responsibility reporting, etc.). Sustainability reporting is a practice to measure, disclose, and be accountable to internal and external stakeholders for organisational, environmental, social and economic performance.

'Integrated reporting' is still a new concept. The definition of the King III Code of Governance for South Africa is most often quoted and it defines it as an approach to integrate reporting across all areas of performance, reflecting the choices made in the strategic decisions adopted by the board, and should include reporting in the triple context of economic, social and environmental issues. The term "integrated report" is mostly used to refer to an annual report with sustainability information. However "integrated reporting" is sometimes also used to refer to a wider range of reports, including web-based information, etc.

A review of the mandatory and voluntary standards, codes, and guidelines identified in chapter four of this report confirms the multitude of terms and concepts used. Looking at current discussions in different fora at the international level, a movement away from the use of 'sustainability reporting' towards the more general concept of 'environmental, social, and governance' (ESG) disclosure has been observed.

Emerging trends at the national level

Both mandatory instruments issued by governments as well as voluntary instruments issued by governments and non-governmental actors (e.g. guidelines issued by industry associations as one example for self-regulation) were analysed. Research for this report revealed a multitude of laws, national standards, codes and guidelines for sustainability reporting from 30 countries across the globe. In contrast to the last report, additional emerging market countries have been reviewed. While international instruments are voluntary, the national instruments present a mix of mandatory and voluntary standards, codes and guidelines.

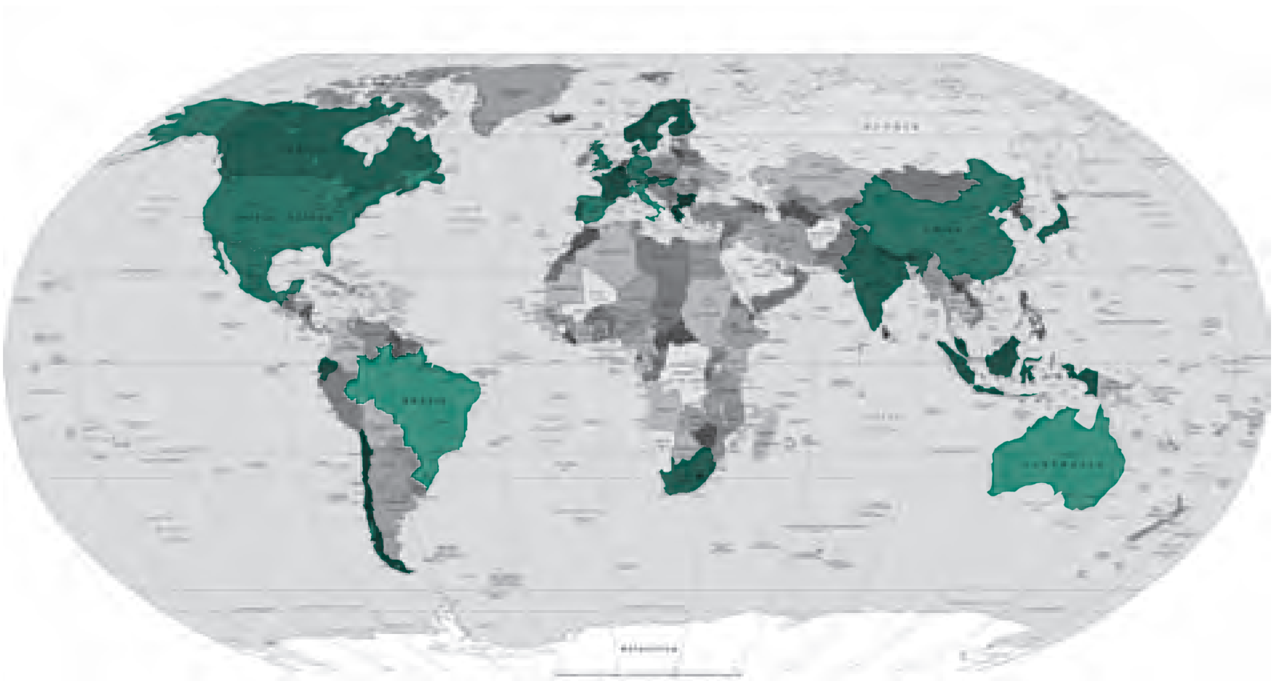


Figure 2: Countries reviewed in the report are shaded in green

The instruments analysed can be categorised according to the type of entities regulated, the level of transparency, the level of integration, and legislative fields covered.

Organisations/Entities regulated

Companies listed on a stock exchange
Companies listed on a stock exchange and companies of a certain size (assets, employees)
State-owned companies
Large emitters, energy intensive companies
Public Agencies
NGOs

Level of Transparency

To what extent is non-financial information disclosed?
To whom is non-financial information disclosed?

Level of Integration

To what extent are stand-alone reports required?
To what extent are integrated reports required?

Legislative fields covered

Accounting law
Company law (directors' report)
Financial services law/Securities law
Environmental law (general environmental disclosure, pollution inventories)
Climate change disclosure law
Social/Employment law (including Occupational Health and Safety)

Table 3: Categorisation of instruments analysed

"The vision of the Danish Government's Action Plan on Corporate Social Responsibility is to make the Danish corporate sector internationally renowned for responsible growth. A large number of Danish businesses work determinedly on corporate social responsibility, but far too few businesses release systematic information about their initiatives. And then it is difficult for them to gain recognition for their work. So some businesses need to be better at communicating about their initiatives. Reliable communication and transparency play a key role for the businesses to reap the full benefits of their initiatives because customers, consumers, employees, investors, etc. request such communication and transparency. The government's message is clear: the new government rules on how large businesses must report on corporate social responsibility can play an important role. We in Denmark welcome the rest of the world to a dialogue on our new law."

Carsten Ingerslev, Head of the Danish Centre for CSR, Danish Commerce and Companies Agency, Member of the GRI Governmental Advisory Group

The analysis of legislation and mandatory and voluntary standards, codes and guidelines revealed the following key findings:

Governments take the lead

Compared to four years ago, more governments have started to make sustainability reporting mandatory. Of the more than 140 national standards identified, approximately two thirds are mandatory. Examples are Sweden's *Guidelines for external reporting by state-owned companies* complementing accounting legislation and generally accepted accounting principles and Denmark's revised *Financial Statements Act*, requiring CSR disclosure for large companies. This development may form part of growing interest in 'new regulation', variants of 'smart regulation' that takes a more collaborative approach and requires improved sharing of relevant information so that regulations can reflect change and promote continual improvement, amongst others based on ongoing stakeholder feedback and disclosure of performance information.
In 2007 Sweden's Ministry of Enterprise, Energy and Communications issued Guidelines for external reporting by state-owned companies. According to these guidelines, which took effect in 2008, the state-owned companies are to present a sustainability report in accordance with the Global Reporting Initiative's (GRI) guidelines. Sustainability reports are to be quality assured by being independently checked and are to be published in time for the Annual General Meeting at the same time as the annual report. This action has resulted in a significant increase in sustainability reporting from Sweden's state-owned companies. The requirement was for companies to report or explain why they could not, resulting in more than 89% of Swedish state-owned companies having issued GRI reports.
In 2009 the Danish Government expanded the requirements in the Danish Financial Statements Act requiring reporting on environment and intellectual capital in the management's review to also include CSR reporting in general. About 1,100 of the largest businesses, listed companies and state-owned public limited companies are required to report on corporate social responsibility in their annual reports, or explain why they refrain from such reporting.[9]
The revised Act entered into force on 1 January 2009 and applies to financial years beginning on 1 January 2009 or later.
But governments have also become more active in issuing voluntary guidelines for sustainability or environmental reporting. They are designed to assist companies and/or public agencies themselves. Examples are the *Voluntary CSR Guidelines, 2009* issued by the Indian Ministry of Corporate Affairs. In December 2009 India's Ministry of Corporate Affairs launched voluntary guidelines for responsible business which aim to add value to the operations and contribute towards the long term sustainability of the business. These guidelines also aim to enable business to focus as well as contribute towards the interests of the stakeholders and the society. Pursuant to the guidelines the companies should disseminate information on CSR policy, activities and progress in a structured manner to all their stakeholders and the public at large through their annual reports, their website and other communication media. Another example is the *Environmental Reporting Guidelines, 2007* issued by the Japanese Ministry of the Environment.

Interestingly, many of the voluntary standards identified at the national level were issued by governments (Government Ministries). Often governments prefer to use "soft power" (Hohnen, 2007) first before they legislate. Moreover, they aim to provide guidance to companies without having to pass through a cumbersome parliamentary procedure. Soft "measures" often pave the way for harder measures, e.g. legislation. In this sense, voluntary standards are not only complementary, but they can also have a pre-law function.
The review of standards, codes and guidelines in chapter five revealed almost 50 voluntary standards, codes and guidelines of different types. Not only governments issue voluntary guidelines: a substantive part of these instruments are issued by non-governmental entities, for example industry associations or other private institutions. Examples include the *RSE.COOP Reporting Guidelines Programme, 2006* issued by CEPES, a Spanish Enterprise Confederation, the guidelines for social reporting in the financial sector published by the Italian Banking Association and the European Institute for Social Reporting, or the *King Code of Governance for South Africa (King III), 2009,* issued by the Institute of Directors in Southern Africa.

9 Danish companies that are members of the UN Global Compact and issue COPs are exempt from reporting.

Stock exchange initiatives in emerging market countries

Governments are not the only driving force for sustainability reporting standards – stock exchanges have been identified as another important actor contributing to the multitude of sustainability reporting standards (World Federation of Stock Exchanges, 2009; Lydenberg and Grace, 2008). Stock exchanges are increasingly raising ESG awareness and standards among listed companies. In particular, stock exchanges in emerging markets have taken initiatives requiring more transparency and better disclosure on ESG-related performance – for example, the standards issued by the Shenzen and Shanghai Stock Exchanges (China), the Bovespa Stock Exchange (Brazil) and the Johannesburg Stock Exchange (South Africa).

In 2009 a report was published by the World Federation of Exchanges (WFE) based on a sustainable investment survey of their 51 member exchanges. It demonstrates that there are a number of initiatives currently in place in terms of sustainable investment. These include strategies that raise ESG awareness and standards among listed companies, information products and services for sustainable investors, and specialised markets for specific sustainable investment niches. Many exchanges, particularly those in emerging markets, have introduced initiatives to enhance transparency and ESG-related performance and risks. Examples include the Shenzen Stock Exchange and the Shanghai Stock Exchange. Many of the exchanges also provide various types of sustainability indices. For the Johannesburg Stock Exchange and BM&FBOVESPA, improving sustainability standards among listed companies has been a core focus. There has been a strong emphasis on making index components and weightings available to the public.

There have also been initiatives in developed markets, for example in Australia. The Corporate Governance Council of the Australian Securities Exchange (ASX) amended its Corporate Governance Principles and Recommendations to include sustainability issues. The listing rules then require companies to disclose the extent to which they have followed these recommendations on an "if not, why" basis.

With regard to information products and services for sustainable investors the number of sustainability indices provided by WFE members has increased markedly since 2007. There are also a number of exchanges entering this field. The early entrants, and main players are the London Stock Exchange Group, NASDAQ OMX and NYSE Euronext, while the majority of new entrants are from emerging markets such as South Africa, Brazil, Korea, Indonesia, and India. Generally, in developed markets the focus is on investable indices which can be licensed to tracker funds or customised to client's specific requirements, while in emerging markets the focus has been on profile raising, investor confidence, and changing corporate behaviour. Several WFE members are also active in specialised markets such as carbon trading. Cleantech investing has also increased in recent years. The report can be accessed at http://www.world-exchanges.org/sustainability/WFE-ESG.pdf

"Integration of sustainability reporting and responsible business practice plays an increasingly important role in the burgeoning mainstreaming of responsible investment, as it enables companies to safeguard their operating environments while building long-term value for investors and other stakeholders. We are encouraged by the high standards being demonstrated by South African companies in this regard, affirming the value of a voluntary disclosure and performance framework such as the JSE's SRI Index."

Nicky Newton-King, Deputy CEO, Johannesburg Stock Exchange

Scope

The standards identified are still mainly targeted at companies – companies of a certain size, listed companies, state-owned companies, or large emitters (climate change related standards). Only a few voluntary guidelines addressed public agencies as reporters, for example in Italy. Non-governmental organisations are virtually not subject to any reporting obligation. GRI has issued a sector supplement for public agencies, and will launch similar guidance, targeted at NGOs. In both processes, public agencies and NGOs from many different countries have participated. It can be expected that in the coming years this might lead to an increased interest in sustainability reporting by public agencies and civil society. Recently, some governments have started issuing guidance on supply chain responsibility and reporting. One example is the Netherlands Social Economic Council's guidance on supply chain reporting.

National Standards and Legislation in a Globalised Economy

A key question is how these national voluntary and mandatory standards relate to international standards for sustainability reporting. In a globalised economy, where reporters are often entities with operations across the globe, reporting guidelines that transcend national boundaries add to the comparability of the reports and to the efficiency of reporting (and assurance). Regulators need to consider the value of mandatory reporting against an internationally recognised standard – this can improve comparability, avoid duplication, fast-track processes and ensure that goals from international agreements (some with national level reporting requirements) are reflected. Some countries explicitly refrain from developing national standards, and incorporate international instruments into their national policy instruments. Examples are both Norway's national White Paper[10] and Denmark's law on reporting.[11]

10 The White Paper uses the argument of global competitiveness of Norwegian business as argument to endorse the OECD MNE Guidelines, the UN Global Compact and GRI.
11 Denmark's new law rests heavily on the UN Global Compact COPs and recommends G3 in its Guidance document.

Emerging trends at the global level

Over the past four years the use of international standards has increased substantially.

Proliferation of Standards and Coherence.

There has been a proliferation of standards at the global and the national level. Indeed, in an increasingly globalised and complex world, international standards, codes and guidelines addressing sustainability reporting are continually evolving. This wealth of standards is a sign of an increasingly diverse and mature international framework for sustainability reporting. However, there is one risk: that the challenges of overlapping, conflicting, and sometimes even competing standards may arise. There is also a need to promote synergies between the different initiatives, to enhance coherence and convergence. Research conducted for this report has revealed that at the global level some of the initiatives identified have – as a first step – started to cooperate to ensure coherence among the increasingly confusing multitude of standards.

Initiatives rooted in International Organisations
• UN Global Compact Principles
• OECD MNE Guidelines
• UNPRI

Multistakeholder and Private Frameworks
• GRI G3 Guidelines
• ISO 26 000
• CERES Principles
• SA 8000
• AA1000APS
• GHG - WRI/WBSCD
• CDP

Table 4: International Initiatives with reporting relevance

Among all the international standards identified at the global level, the GRI G3 Guidelines are generally accepted as the most comprehensive guidance on sustainability reporting as a tool for measurement and communication (UNEP and KPMG, 2006; KPMG, 2008; 'the gold standard for sustainability reporting', see Richardson, 2008; 'The GRI Guidelines have become the de facto standard for sustainability reporting, see Ceres, 2010).

GRI offers a Sustainability Reporting Framework that ultimately aims to consolidate reporting against all the widely used normative sustainability and CSR principle frameworks.

Some of the international voluntary instruments identified provide a normative framework and address sustainability reporting only indirectly in the sense that they promote or encourage reporting, and some refer to the GRI G3 Guidelines. Examples are the United Nations Global Compact Principles, the United Nations Principles for Responsible Investment and the Carbon Disclosure Project:

- The signatories of the United Nations Principles for Responsible Investment commit to seek appropriate disclosure on ESG issues by the entities in which they invest, and principle 3 mentions the use of the Global Reporting Initiative's Guidelines for standardised reporting.
- In 2007 a linkage document showing how to use GRIs G3 Reporting Guidelines for the UN Global Compact's Communication on Progress was published by the two organisations. Under the UN Global Compact's COP Policy, participants are now encouraged to use the GRI sustainability reporting framework to produce a COP (see COP Policy as of 3 April 2009, para. 2.2.).
- The OECD Guidelines for Multinational Enterprises encourage "timely, regular, reliable and relevant disclosure on financial and non-financial performance, including environmental and social issues" (see III. Disclosure). They explicitly encourage social, environmental, and risk reporting and the use of high quality standards for disclosure, accounting, and audit (OECD MNE Guidelines, commentary on disclosure, para. 14 and 15). In December 2009 the OECD initiated a process of review of the OECD Guidelines for Multinational Enterprises. GRI has been formally invited to contribute to the disclosure dimension of the revision.
- Similarly, Draft ISO 26 000 provides guidance on the social responsibilities of business and other organisations. It is a management standard; not a reporting standard. It does however recognise that being socially responsible includes reporting on social responsibility performance (ISO/DIS 26000, ISO/TMB/WG SR N 172, see p. 75, Box 15). GRI has issued a linkage document explaining the linkage between ISO 26000 and G3.

Focus: climate change – theme-specific standards for sustainability reporting on the rise

Part of the increasingly mature regulatory framework for sustainability reporting is a focus on specific topical themes, for example climate change and human rights. John Ruggie, the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, for example states that "governments can support and strengthen market pressures on companies to respect rights. Sustainability reporting can enable stakeholders to compare rights-related performance." The UN Global Compact, Realizing Rights: The Ethical Globalization Initiative and GRI assembled a multi-stakeholder expert Working Group to shape greater consensus on what constitutes good human rights practice and measurement and include recent developments in the field like John Ruggie's "Protect, Respect and Remedy" framework in the existing reporting guidance.[12] In the future, water[13] and biodiversity-related standards will arise.

The review of legislation, standards, codes and guidelines has revealed a particular increase in climate change-related standards (at the national and international level). This has built on research and business initiatives to improve life cycle, footprinting and other methodologies for measuring and interpreting climate related data. At the national level, one prominent example is the *United States Securities and Exchange Commission (SEC)* which after a year of pressure applied by many civil society organisations shifted its policies on companies' public disclosure requirements, particularly with regard to the incorporation of ESG concerns. In January 2010 the SEC approved a new interpretive guidance – the 'Commission Guidance Regarding Disclosure Related to Climate Change' – which clarifies what publicly traded companies must disclose to investors about climate-related 'material' effects on business operations.

At the international level, the Carbon Disclosure Project is becoming one of the most prominent instruments in the field of climate change reporting. The CDP is a private global initiative promoting carbon reporting. Thousands of organisations from across the world measure and disclose their greenhouse gas emissions and climate change strategies through CDP. The CDP puts this information at the heart of financial and policy decision-making. The CDP's questionnaire invites reporting on non-financial matters. As part of their commitment to enhancing coherence between their guidance documents, CDP and GRI are currently developing a linkage document which includes the GRI G3 Performance Indicators regarding GHG emissions and CDP questions from the 2010 questionnaire (CDP and GRI, 2010 forthcoming).

A recent report reviewed a range of initiatives related to GHG accounting and reporting (ACCA and GRI, 2009). The subject of review was not only the most prominent standards and guidelines addressing the technical requirements of accounting and reporting, but also selected initiatives designed to compel or require accounting, reporting, and assurance. Examples include the voluntary GHG Protocol developed by the WRI and WBCSD since 1998, which was followed by ISO 14064 with its three standards that detail specifications and guidance for the organisational and project levels, and for validation and verification of GHG accounting and verification.

The ACCA/GRI report concluded that "in a context in which much accounting, reporting and verifying of GHG data is still voluntary, in most cases there is still no compelling argument to standardize" (ACCA and GRI, 2009). It concluded that a large variation in practice cannot be helpful to markets and policymakers facing increasing exposure to carbon and climate change risk. Consequently, it raises the question how the existing initiatives can contribute to more standardised, coherent and comparable future measurement, reporting and verification (MRV).

All in all, the study calls for credible and comparable measurement, reporting, and verification standards. It emphasises the need for standard-setters to engage at a higher level and to "move away from the proliferation of localised voluntary schemes that undermine the ability to develop the national accounts that the market and policymakers need to support better decision making" (ACCA and GRI, 2009).

On the one hand, the diversity of international standards, codes and guidelines directly or indirectly addressing sustainability reporting is a sign of an increasingly mature global framework. On the other hand, it is this diversity or ongoing proliferation of standards that also presents a challenge: how to effectively deal with the continuous complexity of evolving global standards to avoid a decline in popularity for sustainability reporting. However, it is promising to see that in the past few years, at least some efforts have been made by leading international sustainability reporting initiatives themselves to leverage synergies and to promote coherence and convergence.

Assurance trends

Assurance is an important means to enhance the credibility of sustainability reports and an increasing number of companies are seeking external assurance for their sustainability reports. The latest (2008) survey by KPMG found that 56% of the reports of the G250 companies have some form of third party commentary, while 40% utilised formal assurance statements by independent professional assurance providers. Including formal assurance is seen as a general trend as reporting practices become more mature (KPMG, 2008). However, the number of assured reports varies considerably from country to country.

Currently ISAE 3000 and AA1000AS are the main international standards used for assurance on sustainability reports. In addition, more national

12 www.globalreporting.org/humanrights. Further information can be found at http://www.business-humanrights.org/ToolsGuidance-Portal/Reporting/Introductorymaterial (last visited 31 March 2010)
13 See for example the 2010 Ceres Report "Murky Waters: Corporate Reporting on Water Risk" which evaluates and ranks the water disclosure practices.

assurance standards are evolving which focus on sustainability assurance. Out of all the countries reviewed for this publication, the following had some form of country-specific (draft) sustainability assurance standards: Australia, China, France, Germany, Japan, the Netherlands, Spain and Sweden.

Drivers for national assurance standards vary. They include the demand versus long lead time to develop international assurance standards for specific subjects like sustainability reports or greenhouse gas emissions. A brief comparison with the two main global standards identified above shows, for example, that terminology may be different (Australia), or country-specific requirements have been added (China). National assurance standards may also be sector-specific (e.g. the textiles sector in China). Others aim at integrating different aspects of existing complementary international standards (e.g. The Netherlands, Sweden).
There is, so far, no generally accepted standard for assurance on sustainability reports. However, due to the increasing need to ensure the reliability of greenhouse gas data in connection with emission trading schemes, the International Auditing and Assurance Standards Board (IAASB) issued a consultation paper "Assurance on a Greenhouse Gas Statement" in October 2009 which may develop into an international standard in this field. National accounting bodies and the European FEE continue to put pressure on the IAASB to develop a standard or at least a guidance document on sustainability report assurance.

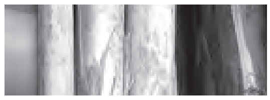
GRI recommends the use of external assurance for sustainability reports in addition to any internal sources (G3 Guidelines, 38). If external assurance is chosen, the G3 Guidelines require explanation of the scope and basis of any external assurance provided, and the relationship between the reporting organisation and the assurer (RG 3.13). Organisations should disclose information on their approach to assurance. The reporting organisation can only declare a "+" level when an assurance statement is published in the report. The key qualities for external assurance of reports using the GRI Reporting Framework are that (G3 Guidelines, 38):

- Assurance should be conducted by groups or individuals external to the organisation who are demonstrably competent in both the subject matter and assurance practices;
- Assurance should be implemented in a manner that is systematic, documented, evidence-based, and characterised by defined procedures;
- Assurance providers should assess whether the report provides a reasonable and balanced presentation of performance, taking into consideration the veracity of data in a report as well as the overall selection of content;
- Utilises groups or individuals to conduct the assurance who are not unduly limited by their relationship with the organisation or its stakeholders to reach and publish an independent and impartial conclusion on the report;
- Assesses the extent to which the report preparer has applied the GRI Reporting Framework (including the Reporting Principles) in the course of reaching its conclusions; and
- Results in an opinion or set of conclusions that is publicly available in written form, and a statement from the assurance provider on their relationship to the report preparer.

A survey conducted by KPMG found an increase since 2005 in reports with assurance in Denmark, Finland and Sweden in particular (KPMG, 2008). In May 2009 KPMG Sweden conducted a desktop study of the implementation of the Swedish Guidelines for external reporting by state-owned companies complementing accounting legislation. The results showed that 81% of the sustainability reports included in the study had also been subjected to external assurance. The Swedish Guidelines for external reporting by state-owned companies (2007) require companies to subject their reports to independent scrutiny and assurance.

In most countries, assurance of sustainability reports is voluntary, and no specific requirements exist for organisations conducting assurance. This is in contrast to financial reports, where corporate measurement, control systems and standards with regard to financial information are very sophisticated. If the maturity/ complexity of these measurement systems can be explained by the fact that disclosure of financial information is mandatory (Eccles and Kruz, 2010), the question arises whether an increasing number of mandatory sustainability reporting standards will also promote more sophisticated standards for assurance of sustainability reports.

4. Inventory of selected legislation, standards, codes and guidelines



4.1 Global[14]

The tables are based on desk research and do not represent a comprehensive list. Not all of them refer to integrated, comprehensive sustainability reporting. In the case of mandatory standards, many are linked to a single issue with limited disclosure requirements.

	Standards, Codes and Guidelines
	▪ The **Global Reporting Initiative (GRI)** provides the most recognised global standard with its framework for sustainability reporting. The GRI framework sets out the principles and indicators that organisations can use to measure and report their economic, environmental, and social performance. The cornerstone of the framework is the Sustainability Reporting Guidelines. The third version of the Guidelines – known as the G3 Guidelines – was published in 2006, and is a free public good. Other components of the framework include Sector Supplements and National Annexes. Sector specific supplements provide, amongst other things, sustainability indicators specific to the needs of sectors such as tourism, finance, telecommunications, mining, logistics, apparel and the public service. As of now, three sector supplements have been finalised, the Financial Services Sector Supplement (FSSS), the Electric Utilities Sector Supplement (EUSS), and the Mining and Metals Sector Supplement (MMSS), but a number of others are available as Pilot versions. National Annexes include unique country specific or regional sustainability issues. As of now, GRI has launched a pilot project to develop a National Annex for Brazil. The GRI plays a crucial role in sustainable development as provider of the world's most widely used sustainability reporting framework. As a network organisation, GRI provides a forum where those who take an interest in environmental, social and governance issues (ESG) and those organisations or individuals working in the Sustainability Reporting field can come together to advance the sustainability agenda. The foundations of the Reporting Framework – the GRI Guidelines – are

14 Although we have made a distinction between mandatory and voluntary standards and codes, it is not always possible to define all of them as strictly mandatory or voluntary. Some find themselves in the "grey zone" in between.

Standards, Codes and Guidelines

continuously developed by the network through a multi-stakeholder consensus seeking process to which anyone can contribute. www.globalreporting.org

- The **UN Global Compact** is the world's largest voluntary corporate citizenship initiative and provides a framework for organisations that are committed to align their operations and strategies with 10 principles in the areas of human rights, labour, the environment and anti-corruption. By 2010 its ten-year anniversary, the UN Global Compact had more than 7 000 participants. These included more than 5 000 business participants, of which approximately 50% were companies with more than 250 employees. Once a commitment is made by the CEO of a company joining the initiative, the company has to integrate the principles into its business operations, contribute to broad development goals (including the Millennium Development Goals), advance the ideals of the UN Global Compact and communicate annually on progress. Business participants are required to submit an annual Communication on Progress (COP) on the Compact website and to share the COP widely with their stakeholders.
  The COP must contain the following elements: a statement by the CEO expressing continued support for the UN Global Compact, a description of practical actions the company has taken to implement the principles, and a measurement of outcomes. Practical guidance is available on how to create a COP, as well as on how to use the GRI Reporting Framework in this process. www.unglobalcompact.org
- **UN Principles for Responsible Investment (UNPRI)** is an investor initiative in partnership with the UNEP Finance Initiative and the UN Global Compact. Launched by former UN Secretary-General Kofi Annan, the PRI is a set of voluntary best practice principles to assist investors in integrating environmental, social and corporate governance (ESG) issues into investment processes and ownership practices.
  The PRI now has over 640 signatories, representing over US$20 trillion in assets. Principle six of the PRI asks each signatory to 'report on their activities and progress towards implementing the Principles'. The PRI's annual Reporting & Assessment survey is an annual online questionnaire for PRI asset owner and investment manager signatories. The PRI is a voluntary and aspirational framework; however, participation in this survey is the one mandatory requirement for all signatories. Those signatories that do not fulfill this requirement will be publicly delisted from the initiative. PRI signatory responses are aggregated to create the annual PRI Report on Progress. Individual responses

Standards, Codes and Guidelines

are confidential; however, signatories are encouraged to publish their full responses on the PRI website. The aggregated reports and the published individual responses can be viewed on the PRI website. Principle three also encourages signatories to encourage the entities in which they invest to disclose ESG issues. www.unpri.org

- The **Organisation for Economic Co-operation and Development (OECD)** Guidelines for Multinational Enterprises include Section III on "Disclosure", which encourages timely, regular, reliable and relevant disclosure on financial and non-financial performance, including environmental and social issues. The OECD Principles of Corporate Governance which were introduced in 1999 and revised in 2004 also require timely and accurate disclosure on all material matters including financial performance, ownership, and governance. www.oecd.org
- The **International Organisation for Standardisation (ISO)** has developed more than 17,500 standards to date. Many of these standards deal with technical subjects across a multitude of sectors addressing issues of inter-operability, safety and health. In the last 20 years ISO standards have also addressed important organisational and management aspects with such standards as the ISO 9000 series on quality management, ISO 14000 series on environmental management, ISO 22000 on food safety management, ISO 24510 standards on water supply and treatment services and the new ISO 31000 standard on risk management. In the specific area of environmental reporting and communication, ISO's environmental management standard ISO 14001 indicates that a policy for communication is required. In the context of Europe the regulatory approach of the EMAS standard (see section on Europe) based on ISO 14001 indicates specific requirements for environmental reporting and communication. ISO 14063 gives further guidance to an organisation on general principles, policy, strategy and activities relating to both internal and external environmental communication. It utilises established communication approaches adapted to the specific conditions that exist in environmental communication. In 2010 ISO concluded a new international guidance standard on Social Responsibility (ISO 26000). The standard notes that to be accountable an organisation should at appropriate intervals report significant impacts related to social responsibility to concerned stakeholders. www.iso.org
- The **Coalition for Environmentally Responsible**

Standards, Codes and Guidelines

Economies (CERES) Principles (previously "Valdez"), 1992 were developed by CERES following the 1989 Exxon Valdez disaster. This ten-point code of conduct also introduced specific environmental reporting guidelines. Embedded in the code of conduct was the mandate to report periodically on environmental management structures and results. A driving force behind the launch of the GRI process in 1997, CERES continues to encourage corporate environmental responsibility through working with endorsing companies on meeting their commitment and reporting along the GRI Sustainability Reporting Guidelines. http://ceres.org

- The **SA8000 standard** is a voluntary, universal and auditable standard for decent work conditions that was developed by Social Accountability International, a multi-stakeholder NGO initiative. The SA8000 standard is based on the core conventions of the International Labour Organisation, the United Nations Convention on the Rights of the Child, and the Universal Declaration of Human Rights. As of 30 June 2009 there were 2,010 certified facilities, 64 countries represented, 66 industries, and 1,119,145 employees. www.sa-intl.org
- **AA1000 AccountAbility Principles Standard (AA1000APS), 2008** issued by the UK-based AccountAbility is used by organisations to develop an accountable and strategic response to sustainability, including reporting. It provides auditable criteria for each of the three principles of inclusiveness, materiality and responsiveness in the context of an AA1000AS assurance engagement.
- The **Extractive Industries Transparency Initiative, 2003,** which is based in Norway, aims to increase transparency in transactions between governments and companies within extractive industries. It requires regular public disclosure of all material oil, gas, and mining payments made by companies to governments and revenues received by the governments from these companies. www.eitransparency.org
- The **Carbon Disclosure Project (CDP)** is an organisation based in the United Kingdom that works with shareholders and corporations to disclose the greenhouse gas emissions of major corporations. Its mission is to "collect and distribute high quality information that motivates investors, corporations and governments to take action to prevent dangerous climate change." In 2008 it published the emissions data for 1,550 of the world's largest corporations, accounting for 26% of global anthropogenic emissions. The CDP represents 475 institutional investors, with a combined $55 trillion under management. Through annual climate change

	Standards, Codes and Guidelines
	information requests CDP seeks to encourage private and public sector organisations to measure, manage and reduce emissions and climate change impacts. A 'responding company' is a company that receives and responds to the CDP Information Request. A request covers: 1) Management's views on the risks and opportunities that climate change presents to the business, 2) Greenhouse gas emissions accounting, 3) Management's strategy to reduce emissions and/or minimise risk and capitalise on opportunity; and 4) Corporate governance with regard to climate change. The response to the information request provides a high level of visibility and accountability to all stakeholders including institutional investors. Information received through the annual CDP questionnaire on a corporation's greenhouse gas emissions is stored in the CDP's database. The information is readily available to investors and stakeholders. www.cdproject.net **Assurance standards** ▪ **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 organisation to account for its management, performance and reporting on sustainability issues by evaluating the adherence of an organisation 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

4.2 Regional

Europe	**Mandatory standards** ▪ **EU modernisation directive, 2003:** 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.

Country/Region	Standards, Codes and Guidelines
	Such reporting should include environmental and employee matters and key performance indicators, where appropriate (in consistence with Commission Recommendation 2001/43/EC). Member States may choose to exempt small and medium-sized companies from those non-financial reporting obligations in their annual reports. 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 have transposed the Modernisation Directive and most of the Member States have transposed Directive 2006/46 in their national laws. ▪ **The European Pollutant Release and Transfer Register (PRTR)** 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 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 has been 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://www.bipro.de/__prtr/index.htm ▪ In accordance with the **Integrated Pollution Prevention and Control Directive (IPPC)**, **1996** 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://ec.europa.eu/environment/air/pollutants/stationary/ippc/summary.htm **Voluntary standards** ▪ **The EU Eco-Management and Audit Scheme (EMAS), 1995** is a management tool for companies and other organisations, 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). This revision came into effect on 11 January 2010. One of the aims of this revision was to strengthen the rules on reporting through core performance

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	indicators. It states that organisations should make periodic environmental statements publicly available, and in order to ensure relevance and comparability of the information, reporting on the organisations' environmental performance should be on the basis of generic and sectorspecific performance indicators. http://ec.europa.eu/environment/emas/index_en.htm
North America	**Voluntary standards** ▪ The **Climate Registry, 2007** is a non-profit collaboration among North American states, provinces, territories and Native Sovereign Nations that sets consistent and transparent standards to calculate, verify and publicly report greenhouse gas (GHG) emissions into a single registry. The Registry supports both voluntary and mandatory reporting programmes and provides comprehensive, accurate data to reduce GHG emissions. http://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 who work collaboratively to combat climate change. WCI partners are currently developing a joint strategy to reduce regional greenhouse gas emissions in order to achieve the regional reduction goal of 15% below 2005 emissions by 2020. As part of this strategy, the WCI have developed a cap-and-trade programme that will begin in 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
Australia	**Mandatory standards** ▪ **Corporations Act, 2001** requires companies that prepare a director's report to provide details of the entity's performance in relation to 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

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	enquiries into CSR and the desirability of mandatory requirements for companies to report on the social and environmental impact of their activities. CAMAC has produced a detailed CSR discussion paper (November 2005) with an overview of regulatory requirements. www.comlaw.gov.au ▪ **Financial Services Reform Act, 2001** was promulgated in March 2002 and requires fund managers and financial product providers to state "the extent to which labour standards or environmental, social or ethical considerations are taken into account in the selection, retention or realisation of the investment." http://www.comlaw.gov.au ▪ **Energy Efficiency Opportunities Act, 2006** (with an amendment in 2007) 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 regulations to provide detailed requirements for assessment, reporting, verification and other elements of the programme. www.energyefficiencyopportunities.gov.au ▪ **National Pollutant Inventory, 1998** 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 the Environment, Water, Heritage and the Arts (DEWHA) is working in partnership with state and territory governments to improve the NPI. Changes will be implemented over the next 2–3 years. 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. http://www.npi.gov.au/ ▪ **ASIC Section 1013DA Disclosure Guidelines, 2003** issued by the Australian Securities and

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	Investments Commission. These guidelines are aimed at product issuers for disclosure about labour standards or environmental, social and ethical considerations in Product Disclosure Statements (PDS). The guidelines complement the Financial Services Reform Act mentioned above. www.asic.gov.au ▪ **New South Wales (NSW) Greenhouse Gas Abatement Scheme, 2003 –** Electricity utilities and certain large end-users of electricity (e.g. metal refineries) in the state of NSW are required to comply with greenhouse gas emission benchmarks, and to report annually on their compliance. Annual external audits are also required. www.greenhousegas.nsw.gov.au **Voluntary standards** ▪ **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 Global Reporting Initiative (GRI) Mining and Metals Sector Supplement or self-developed. A commitment to independent verification of reports is also required. A formal review of the operation of Enduring Value and its governance structures was undertaken in 2008 in consultation with stakeholders and the External Sustainable Development Advisory Group. Should this review lead to substantive amendment of the governance structures or the Framework, companies will be invited to recommit. http://www.minerals.org.au/enduringvalue/ ▪ **Triple Bottom Line Reporting in Australia, 2003** issued by the Department of Environment and Heritage is a guide to reporting against environmental indicators. It is consistent with the Guidelines of the Global Reporting Initiative (GRI). www.deh.gov.au ▪ **The Carbon Disclosure Project (CDP)** – Australia has been participating since December 2000. **Assurance standards** ▪ **Standard DR03422: General Guidelines on the Verification, Validation and Assurance of Environmental and Sustainability Reports, 2003** issued by Standards Australia. Work on this standard

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	was carried out by the joint Standards Australia and Standards New Zealand Committee QR–011 Environmental Management Systems. ▪ DR03422 was 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"
Austria	**Mandatory standards** ▪ **Austrian Commercial Code (UGB), §243** was amended by the ReLÄG in **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 where the content of annual reports is stipulated. http://www.ris.bka.gv.at (German text)
Belgium	**Mandatory standards** ▪ **The Social Balance Sheet, 2003** 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 greater than 20 members of staff, as well as foreign companies with a branch in Belgium or foreign NPI's with a centre of operation in Belgium are also required to produce a social balance sheet. The Social Balance Sheet holds specific information about the (nature & evolution of the) workforce such as the number of people employed, personnel movements, training. ▪ Article 4.1.8 of **VLAREM II, 1995** stipulates that certain companies have to issue an annual environmental report (only applicable for the region of Flanders). http://navigator.emis.vito.be

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Brazil	**Mandatory standards** ▪ **Law nº11638/2007,** changes some mechanisms of Law nº 6.404, from 15 December 1976 and Law nº 6.385, from 7 December 1976, including amendments to a corporation's responsibility on the elaboration and disclosure of their financial statements. This law institutes the obligation of including data about the creation and distribution of economic value in order to provide a basic indication of how the organisation has created wealth for stakeholders. The information should be reported in the Economic Value Generated and Distributed (EVG&D) table that must be included in the periodic Financial Statements disclosed by companies listed on Stock Exchanges. http://www.planalto.gov.br/ccivil_03/_ato2007-2010/2007/Lei/L11638.htm ▪ **Brazilian Accounting Norm (NBC) T 3.7, 2008.** The Federal Accounting Council (CFC) approved the NBC T 3.7 through the Resolution CFC Nº 1138/08, in order to provide patterns for disclosing the Economic Value Generated and Distributed (EVG&D). The norm NBC T 3.7 aims to establish patterns for the elaboration and presentation of the EVG&D in order to evidence the wealth that was created and distributed by the reporting organisation during a period of time. http://www.cfc.org.br/conteudo.aspx?codMenu=116 ▪ **Environmental NBC, 2009** issued by the Federal Accounting Council (CFC). In terms of future developments the CFC is drafting a new NBC in order to include environmental assets and liabilities as part of the published annual Financial Statements and to define the concepts and criteria for accounting the events and transactions that reflect the interaction between the organisations and the environment. The draft of the norm is under discussion and the process of public consultation has already started. http://www.cfc.org.br/conteudo.aspx?codMenu=67&codConteudo=4036 ▪ **Law Project nº3613/2008** states a company's obligation to disclose a social report. There has been a law project since 1997 that aims to obligate companies to publish CSR reports including information about labour practices, employment, community and environment. There were some previous law projects published in 1997, 1999 and 2003 (withdrawn), and the last one was launched in

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	2008 and depends on plenary assembly's approval. http://www.camara.gov.brr/proposicoes ▪ **Project Law – PL 32/99** creates and obliges companies with 100 or more workers to produce a social balance. http://www.camara.gov.br/sileg/Prop_Detalhe.asp?id=14958 ▪ **Instruction 480, 2009 from the Securities and Exchange Commission (CVM)** asks companies to disclose policies and procedures related to their business sensitive aspects and the sum of their board of directors' salaries. In a certain way it promotes more transparency of the companies in order to protect the investors. ▪ **Aneel Guidelines for Annual Sustainability Report – Despacho 3034/2006 – 21/12/2006** obliges all the energy utility companies to produce an annual sustainability report. http://www.aneel.gov.br/aplicacoes/leitura_arquivo/default.cfm?idaplicacao=43 ▪ There are many other municipal and state laws that create a stamp or award for "business citizenship" – a recognition for "responsible companies" and they are based on the Ibase model. Companies that produce a report are eligible for the competition (Law 8118/1998 – Porto Alegre; Law 118/99 – Uberlândia; Law 2843/2003 – Amazonas State; Resolution 005/98 – São Paulo; Law 7672/1998 – Santo André; Project of resolution 004/98 – João Pessoa; etc). **Voluntary standards** ▪ **NBR 16001, 2004** published by the Brazilian Association of Technical Standards (ABNT) provides minimum requirements for a company to implement a social responsibility management system. The standard is subject to certification and may be integrated with other rules and quality, environment, social responsibility or health and safety standards. ▪ **Carbon disclosure project.** Brazil joined the project in 2006. ▪ **The Ibase Model**, **1997**. The Brazilian Institute of Social and Economic Analysis (Ibase) is a federal non-profit charitable organisation, with no links to any religious institution or political party. When Betinho, who was a Brazilian militant sociologist, was the institute's president in 1997, he launched the campaign for voluntary publication of corporate annual social balances. The Ibase Balanço Social

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	(Social Report) consists of a statement disclosed every year by the corporation, providing information on projects, benefits and social and environmental actions addressed to employees, investors, market analysts, shareholders and the community. The statement provides quantitative information which is organised in a table or chart, in a clear and objective way, making it easier to make comparisons between different companies. http://www.ibase.br ▪ **Ethos Indicators on Corporate Social Responsibility**, **2001 – 2009** issued by the Ethos Institute. It is a non-profit organisation that acts on corporate social responsibility mobilisation and engagement, providing assistance for companies to improve their business in a socially responsible way. The Institute launched the Ethos Indicators as an evaluation system of organisational practices on social responsibility. They have an indirect impact on reporting by providing awareness and need to be used as part of a wider management process. These indicators were developed in 2000 and have been amended and reviewed yearly since then. They are organised in a questionnaire form that includes topics on values, transparency and governance, workforce, environment, suppliers, customers, consumers, community, government and society. Ethos Indicators are meant to be an internal tool to evaluate a company´s sustainability management and corporate social responsibility practices, including strategic planning and development monitoring. The results are compared to the CSR Best Practices on Confidential Benchmarking reports, developed by the Ethos Institute. In addition, sector supplement guidelines have been developed between 1999 and 2008. They provide the company with the possibility of evaluating the typical opportunities and challenges from their sector of business. The indicators are provided for the following sectors: electricity utilities, franchising, newspapers, financial, mining, pulp & paper, construction, land transport, oil & gas, bakery, bars and restaurants and retail. There are also indicators for small companies which became available in 2006. This is an adaptation from the original Ethos Indicator system to be applied to small businesses.

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	They were created by the Ethos Institute and SEBRAE (Brazilian Micro and Small Business Support Service). http://www.uniethos.org.br The Ethos Institute also released the basic Social Responsibility Principles in conjunction with the Brazilian Association of Pension Plan Closely-Held Companies (Abrapp) in 2004. These principles guide the definition of social responsibility criteria and practices by pension funds in their investments in listed companies. www.abrapp.org.br www.ethos.org.br **Assurance standards** ▪ **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. http://www.ibracon.com.br/publicacoes/resultado.asp?identificador=2832 ▪ **NBC T 15, 2004** approved by The Federal Accounting Council (CFC). It provides procedures and definitions for social and environmental reporting that communicates an organisation's social and environmental responsibility to civil society. It includes guidance on what kind of information should be disclosed about labour practices, employment, investments in social, health & safety and environmental issues, customer service, environmental liabilities and judicial sanctions. http://www.cfc.org.br/conteudo.aspx?codMenu=116
Canada	**Mandatory standards** ▪ **Canada's securities commissions** require public companies to report the current and future financial or operational effects of environmental protection requirements in an Annual Information Form. Environmental disclosure has faced increased scrutiny by Canadian securities regulators over the past several years. The Continuous Disclosure Review Program resulted in both the Ontario and the Alberta Securities Commissions investigating the adequacy of public disclosure, and the Alberta

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	Securities Commission, through their review released 17 February 2007, stated that the Commission will increase its focus on the adequacy of this disclosure in future reviews and encourages public issuers to improve their disclosure by increasing the specificity of any environmental risks likely to affect the issuer. ▪ **The Bank Act, 1991** requires banks and other financial institutions with equity of CDN$1 billion or more to publish an annual statement describing their contributions to the Canadian economy and society. ▪ **The Canadian Environmental Protection Act, 1999** requires companies meeting specific published reporting requirements to provide information on certain pollutant emissions for inclusion in the National Pollutant Release Inventory (NPRI). In addition to this and under the same Act, in March 2004 the Government of Canada announced the GHG Emissions Reporting Program which requires Canadian Large Emitters to report GHG emissions. http://laws.justice.gc.ca/en/C-15.31/ **Voluntary standards** ▪ **Canadian Standards Association (CSA) GHG Registries**, GHG CleanStart (2008), GHG CleanProjects (2007), GHG Challenge, GHG Reductions. The CSA's GHG registries have been created to assist companies to manage, measure and report GHG emissions, reductions and removals. The distinct registries focus on specific types of approaches to combating climate change such as the GHG CleanStart registry which aims to showcase companies' carbon neutral commitments and actions, and the GHG CleanProjects registry which quantifies emission-reducing projects. http://csa.carbonperformance.org/index.asp?mode=registries ▪ **Building the Canadian Advantage: A Corporate Social Responsibility (CSR) Strategy for the Canadian International Extractive Sector, March 2009.** The Government of Canada promotes the Global Reporting Initiative (GRI) for CSR reporting by the extractive sector to enhance transparency and encourage market-based rewards for good CSR performance.

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	http://www.international.gc.ca/trade-agreements-accords-commerciaux/ds/csr-strategy-rse-stategie.aspx
Chile	**Voluntary standards** **Guide for Preparing Sustainability Reports**, **2003** AccionRSE. The guide is aimed at organisations 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://www.accionrse.cl/app01/home/pdf/documentos/Guia_Reportes_Sustentabilidad.pdf ▪ **The economic dimension – social sustainability reports: towards basic quarterly financial statements**, **2006** Luis Perera Aldama. It presents a model that can be used by organisations of any size or sector. It shows the contribution of the organisation to different stakeholder groups (Government, Employees, Communities, etc). The model works by obtaining the information directly from the 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 organisations, not only in Chile but in the Latin American region. It should be noted that it is perfectly compatible with the GRI guidelines, as it is usually included in the economic performance section of a report, and not in replacement of GRI guidelines.
China	**Mandatory Standards** ▪ **Environmental Information Disclosure Act, 2007** (effective 1st May 2008) issued by the State Environmental Protection Administration of China. Corporations should disclose environmental information according to regulatory requirements. Environmental agencies are also encouraged to

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	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 standards 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 utilisation, 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). If the corporation has been listed (as outlined above) they must also provide the corporations name, address and legal representation, primary pollutants name, production method, density, volume, excess amount, corporate environmental protection facilities construction and operating status and strategic plan to react to environmental pollution incidents. Also, they must disclose within 30 days their environmental information in local media, and register it with local environmental agencies. These corporations are also liable for up to RMB 100,000 (US$ 13,020) in fines and public announcement of this. www.sepa.gov.cn ▪ **Guidelines on Environmental Information Disclosure by Companies Listed on the Shanghai Stock Exchange**, **2008**. These guidelines were issued by the Shanghai Stock Exchange. The 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

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	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 from 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 etc., promoting a sustainable environment and ecosystem, such as pollutant reduction, conservation of water and energy etc. http://static.sse.com.cn/en_us/cs/about/news/en_news_20080514a.html http://www.sse.com.cn/cs/zhs/xxfw/flgz/rules/sserules/sseruler20080514a.htm http://static.sse.com.cn/sseportal/ps/zhs/ssnss/dqbgpl.shtml www.sse.com.cn/cs/zhs/ywyy/ssb/lnotice.../attach20090108c.doc ▪ **Guidelines to the State-owned Enterprises Directly under the Central Government on Fulfilling Corporate Social Responsibilities**, **2008** issued by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC). The guidelines are proposed to comprehensively implement the spirit of the 17th CPC National Congress, and give the impetus to the Central State-owned Enterprises (CSOEs) to earnestly fulfill corporate social responsibilities, so as to realise comprehensive and sustainable development of social and environmental aspects of enterprises. According to the guidelines, the main contents of fulfilling CSR by CSOEs include:

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	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, participating in social public welfare programmes. The guidelines also set out the main measures for CSOEs to fulfill CSR, such as establishing CSR fulfillment mechanisms and CSR information reporting systems. http://www.sasac.gov.cn/n2963340/n2964712/4891623.html **Voluntary standards** ▪ **Guidelines on Corporate Social Responsibility for Banking Financial Institutions in China, 2009** issued by the China Banking Association (CBA). The 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 a CSR report for submission to CBA by the end of June 2009 and annually thereafter. http://www.kpmg.com.hk/en/virtual_library/Risk_advisory_services/China_Boardroom/CBU0905_20090417.pdf http://www.china-cba.net/bencandy.php?fid=44&id=1097 ▪ **Shanghai Municipal Local Standards on Corporate Social Responsibility**, **2008** issued by the Shanghai Municipal Bureau of Quality and Technical Supervision. The standards emphasise the following four major legal and moral responsibilities: Equity Responsibility: Labour & employee management; Environmental Responsibility: Resource treatment and environment protection; Integrity Responsibility:

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	Ethical business behaviour for stakeholders; Harmonious Responsibility: Government/Public sector relationships and contributions. Also, assessment criteria and work flow were developed with 67 sub-indicators calculated in a weighted average method to evaluate the enterprise's CSR performance. The local government encourages the enterprises to self-assess their CSR performance annually or periodically and release the results to the community and employees. http://service.pudong.gov.cn/csr/content.jsp?sj_fdir=csr_bjz&sj_dir=csr_bjz_csras&ct_id=234728 ▪ **China Sustainability Reporting Guidelines for Apparel and Textile Enterprises (CSR–GATEs), 2008** provides a guideline with comprehensive and quantifiable indicators to enterprises that are willing to publish SR reports. It aims to help enterprises voluntarily compile and publish reports on their economic, environmental and social performance of business operations, products and services. ▪ **Draft Guidelines on Corporate Social Responsibility Compliance by Foreign Invested Enterprises**, **2008** issued by the Ministry of Commerce (MOC). The draft guidelines are a long-term plan to encourage foreign companies to integrate into their businesses best practice standards that advance China's social fabric. These proposed standards are voluntary, but indicate that the Chinese government may look favourably on foreign companies committed to CSR. Under the guidelines, a CSR-compliant company must consider the responsibilities that it bears for its economic, social and environmental impact on Chinese society. The guidelines also encourage the foreign companies to establish a CSR reporting system and publish CSR reports. It also mentioned "the report should give objective and impartial disclosure of the company's CSR accomplishments, weaknesses and actions for improvement. The information contained in the report should be timely, easy to understand, factual and complete." http://www.dlapiper.com/files/upload/CSR_Guidance.pdf ▪ **Guidelines on Social Responsibility for Industrial Corporations and Federations, 2008** issued by 11 national industrial federations and associations

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	engaged in iron, steel, oil, chemicals, light industry, textiles, building materials, non-ferrous metals, electric power and mining industries. 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 regulatory 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, labour 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. http://www.chinadaily.com.cn/bizchina/2008-04/14/content_6614860.htm http://www.cnmn.com.cn/Show_20132.aspx ▪ **Shenzhen Stock Exchange Social Responsibility Guidelines for Listed Companies**, **2006** issued by the Shenzhen Stock Exchange. 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 the listing companies to establish the social responsibility mechanism and prepare social responsibility reports on a regular basis. The guidelines have listed the key points which should be included and disclosed in the social responsibility reports. http://www.szse.cn/main/en/rulseandregulations/sserules/2007060410636.shtml **Assurance standards** ▪ **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,

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	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. http://www.mof.gov.cn/kjs/zhuantilanmu/kuaijizhuanzeshishi/zyzz/200806/t20080618_46293.html ▪ **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 the textile and apparel enterprises. It has become the standard of independent verification carried out by 3rd 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. http://www.csc9000.org.cn/PDF/2008_ConfirmationCriterion.pdf
Denmark	**Mandatory standards** ▪ **The Green Accounts Act, 1995** requires certain listed companies to draw up green accounts and include a statement from the authorities. A draft for a new act has been prepared and might be worked from 2010. The approach in the new draft is that the number of mandatory green accounts should be reduced from around 1,000 to 700, some of the information should be given only every three years if the company has ISO 14001, and, some of the information required will be more aligned with EU requirements regarding statistical data on waste, emissions etc. ▪ **The Danish Financial Statements Act, 2001** requires 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. The requirements for reporting on environment and

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	intellectual capital in the management's review was included in the Financial Statements Act in 2001. In 2009 these requirements were expanded to also include CSR in general. According to a new section 99A in the Financial Statements Act state-owned companies and companies with total assets of more than EUR 19 million, revenues more than EUR 38 million and more than 250 employees must report on their responsibility to society (CSR). The new requirements on mandatory CSR reporting are required for financial statements for 2009 and onwards. The new rules for 2009 and onwards are expected to have an impact, as all the companies encompassed by the new rules must consider their approach to CSR and report about this approach. The explanatory notes to the amended law and accompanying guidance documents refer to and encourage the use of the Global Reporting Initiative Sustainability Reporting Guidelines. www.eogs.dk **Voluntary standards** ▪ The **Social Index, 2000** is a tool for measuring a company's degree of social responsibility on a score from 0 to 100. It requires external verification and certification to use the Social Index for external reporting. 27 organisations and companies have joined the Social Index, which mainly has an influence on companies' responsibility for employees. Now PriceWaterhouseCoopers has the secretariat for the Index. www.detsocialeindeks.dk
Ecuador	**Mandatory standards** ▪ **Environmental Management Law, 1999** issued by the Ministry of Environment. This law sets the principles and guidelines of the environmental policy. It determines the obligations, responsibilities, level of participation of the public and private sectors in environmental management, and states allowable limits controls and sanctions on this matter. Art 40. – Any natural or legal person that, during business or industrial activities, determines that they could cause or are causing environmental damage to ecosystems, must inform the Ministry in charge. www.ambiente.gov.ec Both of the regulations outlined below are based on the

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	above legislation. **Regulation of the Environmental Management Law for the Prevention and Control of Environmental Contamination, 2002** issued by the Ministry of Environment. This regulation sets the permits granted to activities that have an impact on the environment. Art 98. – Annual Report. – The company or natural person that causes discharges, emissions or spills towards the environment, including sewer systems, shall report them at least once a year to the entity that issues the permit for discharges, emissions and spills, in order to obtain the corresponding management administrative authorisations. www.ambiente.gov.ec. ▪ **Environmental Regulation for Hydrocarbon Activities, 2001** issued by the Ministry of Environment, and Ministry of Energy and Mines. This regulation aims to regulate hydrocarbon activities related to exploration, development and production, storage, transportation, industrialisation and commercialisation 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 ▪ **Mining Law, 2009** issued by the Sector Ministry, the National Mining Company, and the Regulations 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. 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

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	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. Art. 88. – Information processes. – After the granting of a mining concession and during all stages the concessionaire, through the State, shall adequately inform relevant authorities, communities and entities that represent social, environmental and union interests about the probable impacts, both positive and negative, of the mining activity. www.mineriaecuador.com **Voluntary standards** ▪ **Transparent System of Indicators of Business Environment Best Practice, 2008** Guayaquil Stock Exchange (BVG), Business Council for Sustainable Development in Ecuador (CEMDES). This initiative aims at developing a transparent system of business practices 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. On these premises, companies that adhere to this initiative voluntarily will be the ones that stand out in environmental responsibility in the long run, becoming a frame of reference regarding performance and gaining the market's credibility. 1. Companies that adhere to the principles and the agreement of this good practice system will voluntarily undergo evaluation in several matters such as: environmental quality management, company policies for sustainable development, except for energy; efficiency in energy; waste management, and equipment and facilities. 2. The initiative promotes public recognition and honours companies that have demonstrated work in favour of the city's sustainable development with

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	a "Certification". During the year's first quarter, CEMDES will call on companies to report their progress with regard to environmental responsibility. 3. Companies that enter the system must collect information for environmental indicators proposed in the Sole Presentation Form (FUP). These indicators are taken from the Guide for Preparing Sustainability Reports of the GRI. Certification can be granted to companies that complete the FUP appropriately. With this information at hand, companies may publish their results that show the high level of responsibility towards stakeholders. www.cemdes.org ▪ **Andean Plan of Good Corporate Governance: Fundamental Principles, 2005** Quito Stock Exchange (BVQ), Superintendence of Companies, The Andean Development Corporation (CAF). This initiative contributes a base document, setting the fundamental principles that companies should follow to obtain good corporate governance. This work is framed within the Andean Plan of Good Corporate Governance which, in short, proposes the use of additional behavioural 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 adequately spreading information, and sound use of resources and management of stakeholder relationships. 1. On their website, besides publishing information about the company's raison d'être and its products, companies should add a space for corporate governance, where financial statements appear. This should include the Board of Directors' activities, communication mechanisms with shareholders and the public, and relevant facts in an annual corporate governance report. 2. The annual corporate governance report should be the responsibility of the Board of Directors, regardless of the financial statements presented by the company. The report should contain at least the following: annual assessment of the internal rules for good corporate governance; ownership structure; policy on dividends and payments, the Board's composition; information about linked companies and relevant facts. www.supercias.gov.ec

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Finland	**Mandatory standards** ▪ **The Finnish Accounting Act, 1997** 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 the 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. ▪ The **Finnish Accounting Board** issued on 24 October **2006** general guidelines for 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 on 12 September **2006** 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.
France	**Mandatory standards** ▪ **Law No. 2001-420** related to New Economic Regulations (NRE operative since 2003) – Art. 116: environmental and social reporting is mandatory for listed companies, which are in many cases holding companies. The mandatory requirement on CSR reporting was introduced through an amendment in the New Economic Regulation Act. The amended NRE indicates that listed companies will be required to report on social and environmental performance in the management report. More detailed requirements followed in the enforcement order, issued a year later. The requirements are based on a list of forty indicators, many of them inspired by the GRI performance indicators. Some indicators were also taken from the "French social report", a list of social data required from all companies to show compliance with labour regulation.

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	▪ **Law of 7 July 1977 on the social review** mandates all companies with more than 300 employees to publish a social review (it includes more than 100 indicators). ▪ **Programme law related to the implementation of the multi-party debate on the environment, 2009**. General law regarding national environmental orientations: Art. 18 states that the Public Authorities will study the possibility of implementing mandatory reporting of energy use and greenhouse gas emissions for companies with more than 250 employees at the latest by 2013 and 2010 for listed companies. Art. 53 states that the Public Authorities will study the possibility of extending the NRE law to other companies, which exceed a threshold of net sales, balance sheet or number of employees. A large consultation of all stakeholders involved has been conducted by public authorities in order to reach a consensus on the sustainability decisions to be taken within the following years. Moreover, the impulse came from the political authorities, and objectives have been set up. It is a general law from which several decrees will result in a short time. http://ameli.senat.fr/publication_pl/2008-2009/581.html ▪ **Draft law for a national engagement towards the environment, 2009.** Implementation of the above-mentioned law (4.1): Draft Art. 26 states the requirement for companies with more than 500 employees in high emitting sectors (list to be defined) to publish the amount of their greenhouse gas emissions by at the latest 1 January 2011, with an update at least every 5 years. Draft Art. 83 extends the NRE law to companies exceeding a balance sheet threshold (to be defined) and with more than 500 employees. If the company creates consolidated financial statements, the information published consolidates data from the company and its affiliates or the companies it controls. Information is also provided on each of these affiliates or companies it controls if they are on French territory. http://www.senat.fr/leg/pjl08-553.html

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	Voluntary standards ▪ **ADEME Carbon footprint methodology, 2002** issued by the Environment and Energy Conservation Agency. This methodology enables a GHG (greenhouse gas) 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 an activity, whatever the activity, or from a collectivity. This methodology has been 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://www2.ademe.fr/servlet/KBaseShow?sort=-1&cid=15729&m=3&catid=15730 ▪ **Centre of Young Leaders and Agents of Social Economy Social Impact Assessment, 2002** is a tool for internal and external information exchange. By means of completing a questionnaire, companies can report on their social profile and performance. http://www.cjdes.org/1093-BILAN_SOCIETAL **Assurance standards** ▪ **Auditor's standards** regarding social and environmental information – A standard draft defines diligences to be applied by auditors regarding assurance on social and environmental information in sustainability reports.
Germany	**Mandatory standards** ▪ **The Accounting Law Reform (BilReG), 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). The requirements of Germany's commercial code are substantiated in German Accounting Standard No. 15 "Management Reporting", which is published by the German Accounting Standards Board and 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

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	management report: completeness; reliability; clarity and transparency; the conveyance of management's perspective; and a focus on sustainable value creation. Almost all companies of the N100 Germany required to publish a group management report now include non-financial key indicators in their annual reports.
Greece	**Mandatory standards** ▪ **Law 3487, 2006.** This is the transposition of the EU Modernisation Directive 2003/51/EC into Greek national legislation. Therefore, all companies covered by this law should implement it.
Hungary	**Mandatory standards** ▪ **Accounting Act, Act C of 2000**, Section 95. The EU Modernisation Directive (2003/51EC directive) was implemented in Hungary by the **Act XCIX** of **2004** approved by the Hungarian Parliament on 25th 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 the non-financial performance in the annual reports is mostly descriptive and has limited quantitative content. http://www2.pm.gov.hu/web/home.nsf/0/75B12EF24 4F4AF66C1256E1100328CE2?OpenDocument ▪ **Act XV of 2005 about GHG unit trading** – 25th April 2005. The assurance process is regulated in 91/2007. (XI. 21.) KvVM rendelet – 21st November 2007. Companies that are to be involved in GHG unit trading should produce a voluntary report with certification about GHG emissions. The number of reports was 244 in 2007 and 235 in 2008. Reporting and the result of the assurance report is not public. http://www.kvvm.hu/cimg/documents/2005_15_ UHGt.pdf

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India	**Mandatory standards** ▪ **The Companies Act, 1956** governs the overall regulation of companies in India and includes sections on disclosure and reporting on various aspects of company operations. Section 217 of the Act stipulates that the Board of Directors Report (attached to every balance sheet tabled at a company annual general meeting) shall contain information on conservation of energy. The latter is expected to include: energy conservation measures taken; additional investments and proposals, if any, being implemented for reduction of the consumption of energy; impact of the measures taken above for reduction of energy consumption and consequent impact on the cost of production of goods; and total energy consumption and energy consumption per unit of production in respect of specified industries. ▪ **Indian Chartered Accounts Institute (ICAI), 2008** promoted by the ICAI Accounting Research Foundation (ICAI-ARF), has undertaken a special project to suggest a suitable framework for sustainability reporting for Indian companies. It is compulsory for the companies to report on social, environmental and economic initiatives. A committee is being formed for the framework for standardising the disclosures related to sustainability reporting. Sustainability reporting has become mandatory for Indian companies that are planning to be listed abroad. www.icai.org ▪ Pursuant to **the Environment (Protection) Act of 1986** the federal government has provided that each covered organisation 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, 1948 (Amended in 1987).** There are no clearly defined means for public disclosure. Ideally, every factory in India is required to sub-

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	mit reports to their relevant state governments in the format mentioned under the Act. It covers information relating to labour and employment, working hours, accidents, 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. ▪ **Other Acts policies, rules and notifications:** India has an extensive environmental management system with a comprehensive set of environmental laws, specific statutory mandates, regulatory instruments, and institutional frameworks to implement and enforce environmental policy objectives. **Voluntary standards** ▪ **Voluntary Corporate Social Responsibility Guidelines** issued by the Ministry of Corporate Affairs (MoCA) on 24 December 2009. The guidelines contain 6 core elements namely, (i) Care for all stakeholders; (ii) Ethical functioning; (iii) Respect for workers' rights and welfare; (iv) Respect for human rights; (v) Respect for environment, and (vi) Activities for social and inclusive development. These are followed by guidelines for implementation which covers dissemination of information to stakeholders and the public. http://www.mca.gov.in/ ▪ **Corporate Responsibility for Environmental Protection (CREP), 2003**, is a charter promoted by the Central Pollution Control Board of India. It is an initiative which requires compliance by leading resource intensive industries. ▪ **A notice to all commercial banks to embrace principles of corporate social responsibility (CSR) and sustainable development**, **2007** was issued by the Reserve Bank of India (RBI). RBI believes that there is inadequate awareness in India on sustainability issues and financial institutions can play a vital role in sensitising their clients to the issues related to human rights and environment. This directive draws particular attention to the Equator Principles and Carbon Trading. http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=3987&Mode=0

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	▪ **SEBI Committee on Corporate Governance, 2003** 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. http://www.sebi.gov.in/circulars/2001/CIR032001.html. 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. A default list has been taken out by the concerned authority. http://www.corpfiling.co.in/notcomplying/links.aspx http://www.nfcgindia.org/librarynarayanamurthy2003.pdf http://www.nfcgindia.org
Indonesia	**Mandatory standards** ▪ **Law No. 40/2007 Concerning Limited Liability Company Law.** Article 66 mandates companies to include the implementation of environmental and social programmes in their annual report. ▪ **Capital Markets Regulation No. X.K.6.** dated 7 December 2006 mandates publicly listed company to disclose their CSR programmes in their Annual Report. ▪ **Finance Minister Regulation No. 316/KMK.016/1994** regarding partnership and community development guidelines mandates state owned enterprise to report partnership and community development programme and publish and submit an audited report. This regulation was superseded by State Owned Enterprise Minister Regulation No. SE-443/MBU 203, dated 16 September 2003 concerning guidance for partnership and community development program. In 2007 these regulations were revised by State Owned Enterprise Regulation No. PER-05/MBU/2007 dated 27 April 2007.

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Italy	**Mandatory standards** ▪ 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 the financial statements. ▪ **Directors' report on financial statements, 2009** issued by the Italian Accounting Association on environmental and personnel disclosures. This document 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. ▪ **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*). **Voluntary standards** ▪ **The Social reporting standards, 1997**, and the Social Reporting in the Public Sector, 2005, issued by the Study Group for Social Reporting (GBS – Gruppo Bilancio Sociale). The GBS guideline is used in preparing sustainability reports, in particular for public administration and local Italian companies. In recent years GBS published certain Research Documents, for example "Corporate Governance and CSR", "Social reporting for the University", "Social reporting for the Region", "Social reporting of the intangibles", and "Social reporting for Local Health Companies". The second, updated version of the GBS Social reporting standards is currently being drawn up. www.gruppobilanciosociale.org ▪ **Operational Guidelines for CSR in the banking sector, 2005.** The Italian Banking Association (ABI), together with the Institute for Social Reporting (IBS), has published guidelines for social reporting in the financial sector. These guidelines are used by banks. Additionally, ABI organises an annual meeting in Rome to analyse the status of sustainability reporting in the financial sector. In 2006 ABI released a new

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	publication, "Report for Stakeholders: A Guide for Banks." www.abi.it http://www.bancariaeditrice.it/portal/ssm/page.do?pageId=4395449 ▪ The **CSR-SC project, 2002** enables organisations to voluntarily participate and adopt a social report in accordance with pre-defined guidelines and set indicators. Many Chambers of Commerce have help-desks available to assist companies in implementing their reporting in accordance with the CSR-SC. ▪ **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 administration sector. ▪ **The Guidelines for the Social Reporting for Not-For-Profit-Organisation, 2010** issued by the National Authority for the not-for-profit registered organisations (Agenzia per le Onlus) explicitly refer to the GRI guidelines with regard to the adopted methodology.
Japan	**Mandatory standards** ▪ **Law Concerning the Promotion of Business Activities with Environmental Consideration, 2005** requires "specified entities", to publish an environmental report every year. http://www.env.go.jp/en/laws ▪ **The Pollutant Release and Transfer Register Law, 2001** concerns reporting of environmental releases of specific chemical substances and promoting improvements in their management. ▪ **Law concerning the Rational Use of Energy, 1979, Act on Promotion of Global Warming Countermeasures.** Companies that consume a certain amount of energy have the obligation to report the amount of energy consumption and greenhouse gas emissions to the government. The reported information is made public. The GHG Monitoring and Reporting Manual which gives detailed guidance on how to calculate GHG emissions that are to be reported to the Government has been issued by the Government.

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	Many companies refer to this manual in calculating GHG emissions that are disclosed in their CSR reports also. The law has therefore indirectly helped increase the comparability of GHG data in CSR reports. Available at http://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 the users of railways. It is also to ensure the sound advancement of the railway business by making the operation of the railway business appropriate and reasonable, and thus to advance the public welfare. As part of this act, railway businesses have to issue safety reports annually. Some railway companies have integrated safety reporting and CSR reporting. ▪ **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 the methods to ensure the safety of aircraft, to prevent problems arising from the navigation of aircraft, and to improve convenience for users through the proper and rational management of the aircraft operating businesses. This Act makes it compulsory for airline businesses to issue safety reports annually. ▪ **ELV Recycling Law, 2002.** The 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 the recycling of vehicles. All four-wheeled vehicles (including large vehicles and commercial vehicles such as trucks and buses) are principally subjected to the law. Auto manufacturers are required to report annually on how they have complied with the requirements of the law. **Voluntary standards** ▪ **Environmental Reporting Guidelines** issued by the Ministry of the Environment. Environmental Performance Indicator Guidelines for business have been issued by the Ministry of the Environment and were integrated into the newly revised Environmental Reporting Guidelines in 2007. The new Guidelines

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	set out the definitions and calculation methods for environmental performance indicators to be disclosed. Major revisions aside from that include the following: (1) If companies wish to report in accordance with the guidelines they are required, amongst 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 **Assurance standards** ▪ **Practical Guidelines for the Assurance of Sustainability Information, 2007** issued by the Japanese Association of Assurance Organisations 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 Organisations 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
Luxembourg	**Voluntary standards** ▪ **The Ten Principles of Corporate Governance, 2006** issued by the Luxembourg Stock Exchange. These principles were initiated following the European Commission launch of an Action Plan aimed at enhancing corporate governance within the European Union in 2003. The scope is to be in line with international practice and the recommendations of the European Commission, whilst taking into account the interests of all the stakeholders. The Ten Principles and their recommendations are highly flexible and are based on a "comply or explain" system. These principles are complementary to

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	Luxembourg legislation. The Ten Principles are broken down into recommendations with principles. 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. http://www.bourse.lu/application;JSESSIONID_BDL=CgR9KvLVfvSyJNDwytTyJH2yn72THnFbY7wm7GVQGf5GNfv5r6Gx!-1750491907!-1686929846?_flowId=PageStatiqueFlow&content=services/CorporateGovernance.jsp
Mexico	**Voluntary standards** ▪ **Clean Industry Certificate (CIL), 1997.** CIL is the result of the environmental/operational improvement of companies, motivated by the National Program of Environmental Audit that the Federal Environmental Protection Agency is implementing. This voluntary audit was implemented as a result of the General Law on Ecological Equilibrium. From the beginning to date, 7,616 CILs have been awarded by the federal authority, and during 2008, 902 CILs were awarded. The CIL was the first certificate on environmental themes to be developed in Mexico and, because of this, it has become an obligatory reference for Mexican companies, mainly for those whose industrial processes generate a big volume or concentration of toxic waste. Currently, it is a trusted 'voluntary certificate' with high acceptance by the interest groups linked to environmental issues and therefore, for the companies concerned, it is of great

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	value to receive such a certificate. http://www.profepa.gob.mx/PROFEPA/AuditoriaAmbiental/ProgramaNacionaldeAuditoriaAmbiental/ ▪ **Socially Responsible Company Distinction (ESR), 2001.** The ESR is a distinction that is awarded by the Mexican Centre for Philanthropy, an integral institution of the organisation called The Alliance for Corporate Social Responsibility in Mexico (Aliarse). The focus of the ESR is to document the activities of companies in issues of sustainability, such as ethics and corporate governance, quality of life within the organisation, link and commitment with the community and its development, and care and preservation of the environment. Since its launch to date 1,153 companies have received the ESR distinction and 349 companies received it in 2009. ESR has been adequately spread within the corporate community, albeit without a solid methodological base in the beginning, and it has been widely accepted by local companies. The demand for such a distinction has grown in recent years due to the participation of several Aliarse companies in Mexico. ESR is becoming increasingly attached (thematically and methodologically) to international standards on generating reports. Due to its flexibility and speed in evaluation, it is expected to continue to be in demand by Mexican companies until the groups of national interest require the use of international standards. http://www.cemefi.org/esr/ ▪ **Inventory on Greenhouse Effects (IGEI), 2004** 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. 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 2007, 47 companies presented their inventories and in 2008 there were 70 companies registered.

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	As a reference for Latin America, Mexico, through the SEMARNAT, decided to follow the trend of the European countries and, together with WRI and WBCSD, started this high impact programme on climate change issues. The technical complexity of the calculations and the release of conversion factors by the Federal Commission of Electricity have made the timely spread of reports an opportunity, since the results are made available between June and July of the next year of the analysis, making it impossible to match the times with those of sustainability reports which are published mostly in March to April. http://www.geimexico.org/inventario.html ▪ **Certificate on Corporate Social Responsibility (CRESE)**, **2007**. This is a managerial system on human quality and social responsibility that a company or institution has implemented. The system is certified by an 'Accreditation Council', an independent organisation formed by members of civil society. This initiative is promoted by 'Responsible Business A.C.'. The system offers the companies and institutions the best practices focused on the person, based on the common good of the organisation and which has the objective of 'Integral Human Development'. To date there are 8 companies registered that have received the certificate. http://certificadocrese.org/
The Netherlands	**Mandatory standards** ▪ **Dutch Civil Code, 1838** Section 2, Part 9 for annual reports. 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 organisations should, to the extent necessary for an understanding of the company's 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 no matter what their size and all large non-listed companies. http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:178:0016:0022:EN:PDF ▪ The **Environmental Protection Act, 1993** includes a section on environmental reporting for the 'largest

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	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. As required in the PRTR Regulation, the PRTR reports are assessed by competent authorities, which in the Dutch situation are provinces, municipalities, water boards or regional directorates of the Ministry of Public Works. To date, about 800 facilities submit a PRTR report. **Voluntary standards** ▪ **Guidelines for the integration of social and environmental activities in the financial reporting of companies** issued by the Dutch Accounting Standards Board (DASB). As the EU Modernisation Directive does not provide very specific guidance on reporting non-financial information, and in view of considerable interest in social reporting from Dutch companies and stakeholders, Social and Economic Council of the Netherlands (SER) (a government advisory council consisting of employers and workers´ associations and independent expert members) proposed that the DASB review its existing guideline 400 to provide specific guidance to companies on how to integrate non-financial information into regular financial annual reports 'Guideline for Annual Reporting 400'. The same Committee also issued guidance on separate social reporting. In view of evolving public expectations about company reporting on CSR, the SER asked the DASB in July 2008 to review its guideline 400 and guidance on separate social reporting again. The important change in this update is the inclusion of reporting on responsible supply chain practices. This new guidance was issued in November 2009 and will be applicable to reporting from 1 January 2010.

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	http://www.ser.nl/nl/publicaties/overige/2000-2008/2008/~/media/Files/Internet/Publicaties/Overige/2000_2010/2008/b27428/b27428_5.ashx ▪ 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. He also expects to include all the largest holdings in the national Transparency Benchmark of the Ministry of Economic Affairs. Depending on the ranking of individual companies he will enter into a dialogue with them regarding their transparency. In January 2010 The Netherland Ministry of Finance convened the state owned companies in a meeting, in which they were instructed to report on the basis of the GRI G3 Guidelines, as of the annual report of 2010. **Assurance standards** ▪ **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 Sustainability Reporting Guidelines. The standard is applicable to all engagements agreed after 1 July 2007. An English translation was published in July 2007 (3410N). The Standard defines the objective of the auditor: to form a reasonable basis for his conclusion that the sustainability report provides a reliable and adequate presentation of the reporting organisation's policy for sustainable development, as well as the activities, events and performance of the organisation relating to sustainable development in a reporting period. In the "Application Notes" particular attention is given to the characteristics of sustainability reporting (compared to financial reporting), intended users (or user groups) and the expertise required in the assurance team. Large audit firms reference this standard in their assurance

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	reports in the Netherlands although the scope of the engagement varies (not always the whole sustainability report).
Norway	**Mandatory standards** ▪ **The Norwegian Accounting Act, 1998** requires the inclusion of working environment, gender equality and environment-related issues in the Director's report. In addition it requires 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 foreign companies carrying out activities in Norway, which are subject to Norwegian taxation. ▪ The Norwegian White Paper **"Corporate Social Responsibility in a Global Economy" (2009)** announces the government's intention to submit for consultation a bill proposing the introduction of an additional provision requiring the largest companies with an accounting obligation to state which ethical guidelines or standards for social responsibility they follow and what the company has done during the accounting year to follow its social responsibility. Companies that do not have any guidelines will be obliged to disclose this. **Voluntary standards** ▪ **Norwegian Code of Practice for Corporate Governance, 2007**. The Oslo Stock Exchange, Oslo Børs, stipulates that all companies listed 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://www.nues.no/English/
Portugal	**Mandatory standards** ▪ The **29th Accounting Standard, 2004** issued by the Portuguese government will be replaced by the Financial Reporting Accounting Standard n° 26

Country/Region	Standards, Codes and Guidelines
	from the 1st January 2010 onwards. It states that organisations are obliged to include environmental assets, provisions, investments and expenses in their financial statements. Even though it is compulsory, most of the companies do not present it in a separate way. ▪ **Sustainability Report, 2006** issued by the Portuguese Department of Transportation and Communications. The Portuguese Department of Transportation and Communications has made it compulsory for the companies that are under its guardianship to publish a sustainability report. ▪ **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 relative to employment, labour-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.
South Africa	**Mandatory standards** ▪ **National Black Economic Empowerment Act, 2003**. This Act sets out a national framework for the promotion of 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. http://www.thedti.gov.za/ ▪ **Employment Equity Act**, **1998** 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. Companies, particularly in heavy industry, reflect the importance of the Act by reporting against the requirements of the Act. It is not, however, a major driver of reporting. www.info.gov.za/view/DownloadFileAction?id=70714 ▪ **Companies Act, 2008** provides for holding directors personally liable for poor performance and poor public disclosure of information. Consequently it is expected to have an important impact on reporting. Accessible at: www.info.gov.za/view/DynamicAction?pageid=544.za

Country/Region	Standards, Codes and Guidelines
	▪ **The Consumer Protection Bill, 2009** – The Consumer Protection Bill (soon to be enacted) has no mandatory implications for sustainability reporting. There is a Chapter on the "right to disclosure and information" but that is more around product labelling than sustainability reporting. However, GRI G3 has a whole section on "product responsibility performance indicators" covering aspects like customer health and safety, product labelling, marketing communications and customer privacy which are also part of the bill. Therefore, the Consumer Protection Bill should motivate companies to take product responsibility more seriously, identify risks, and report more detail on the implications of the bill. www.thedti.gov.za/parlimentary/bills/ConsumerProtectionBill.pdf ▪ **The Public Finance Management Act (PFMA), 1999** is legislation that carefully controls the behaviour of public entities and has some compulsory reporting requirements although only to government. More specifically, it sets the scene for government to get good value for money. It is all about good management and performing well. The PFMA applies to national and provincial government, whilst the **Municipal Finance Management Act, 2003** is applicable to local government. These Acts have similar requirements and introduce the same treasury norms and standards for the whole public sector in South Africa. This means that all areas of government, whether local government-driven or provincially driven, will operate within the same financial framework. www.treasury.gov.za/legislation/pfma/Default.aspx ▪ **Mineral Resources and Petroleum Bill, 2009 –** 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. **Voluntary standards** ▪ The **King Report on Corporate Governance, 1994** is a non-legislated code on good corporate governance. The King Report on Corporate

Country/Region	Standards, Codes and Guidelines
	Governance is the definitive document for South African corporate governance. The King Report has been updated and was released on 1 September 2009 (King III). This was preceded by recent global developments as well as the new Companies Act. It 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 **Johannesburg Stock Exchange (JSE) Socially Responsible Investment Index (SRI Index), 2004** encourages companies in the FTSE/JSE All Share Index that choose to participate to report publicly on sustainability related issues. www.jse.co.za/sri ▪ **Carbon Disclosure Project:** South Africa started participating in 2007. ▪ Various **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. Reporting against the criteria of this Act and the associated charters has driven the structure of some reports. ▪ Various **State-Owned Enterprise Shareholder Compacts, 2002.** Many of the state-owned enterprises have shareholder compacts with the Government Shareholder. Some of these compacts

Country/Region	Standards, Codes and Guidelines
	require reporting on sustainability issues. This has driven tabulated reporting on sustainability indicators in many parastatals. The role of the shareholder, being the government of South Africa, is to ensure that state-owned enterprises are efficient, well run and in a position to deliver on government's mandate.
South Korea	**Voluntary standards** ▪ **Environmental Reporting Guidelines, 2004** were addressed by the Ministry of the Environment. They developed Environmental Risk Evaluation guidelines, Environmental Performance Evaluation guidelines, and Environmental Accounting guidelines. ▪ **Sustainability management (SM) report guidelines, 2006** reflecting domestic conditions were addressed by the Ministry of Knowledge Economy. With regard to Corporate Social Responsibility in Korea, the Korean government has adopted "sustainability management (SM)" as a legal term. Korea adopted SM later than the United States and Europe and there is an insufficient number of sustainability reports published (around 150 as of April 2009). However, some Korean companies such as Samsung electronics, LG, POSCO, Hyundai Motors, etc., have developed a strategic approach to CSR.
Spain	**Mandatory standards** ▪ The **Resolution of 25 March 2002** of the Institute of Auditing and Accounting states that organisations are obliged to include environmental assets, provisions, investments and expenses in their financial statements. ▪ In addition, the **National Accounting Plan, 2007** for the Electricity Sector specifies environmental issues in more detail. The Spanish Inventory System (SEI) for air quality and protection of the atmosphere contains accumulated greenhouse gas emissions (GHG) and other atmospheric contaminants. It is the official inventory used to track air pollution and is used to comply with Spain's reporting requirements derived from international conventions on climate change (Kyoto Protocol), in Geneva (regarding

Country/Region	Standards, Codes and Guidelines
	long-distance pollution) and the European Union. The main sectors involved are the energy sector, manufacturing, construction, transport and waste treatment and elimination. ▪ The **PSOE's commitment towards a Social Responsibility Report for public agencies, expected by 2012.** The Spanish Socialist Party (PSOE), the party currently in power in Spain, included as part of its election manifesto the requirement that all public agencies present a Social Responsibility Report, establishing the main guidelines and sustainability recommendations for the public sector. www.psoe.es ▪ **Public Agencies Transparency Royal Decree, 2009** approved by the Spanish government. All Spanish public agencies are obliged to publish their annual balance sheets, the composition of their governing bodies and their ethics or good practice codes online. The Decree is currently pending official publication. www.meh.es ▪ **Draft Sustainable Economy Law, 2009** (Anteproyecto de Ley de Economía Sostenible). Pursuant to article 36 public enterprises will have to adjust their strategic plans within one year of the law being enforced in order to submit annual reports on corporate governance and sustainability reports in accordance with commonly accepted standards. Furthermore, it is suggested that the government will make available a set of characteristics and indicators for self-evaluation in social responsibility, in accordance with international standards (article 40 of the draft law). http://www.meh.es/Documentacion/Publico/PortalVarios/Gestión%20del%20Portal/Anteproyecto%20de%20ley%20de%20economía%20sostenible,%208%20enero,%20rev1.pdf http://www.meh.es/en-GB/Paginas/Home.aspx[I1] **Voluntary standards** ▪ **RSE.COOP Reporting Guidelines Programme, 2006** created by the Spanish Enterprise Confederation of the Social Economy (CEPES) and different federations of co-operatives. It has established a tool focused on co-operatives. This

Country/Region	Standards, Codes and Guidelines
	tool includes indicators to measure the level of compliance with each acquired commitment as well as to define the criteria for evaluating the level of engagement of each co-operative with corporate responsibility. http://www.cepes.es/listado.cfm?padre=389&idSeccion=390&idsec=sec_11 ▪ **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. In order to promote these actions, the law suggests that a logo be created to recognise companies that stand out in this field. www.mtas.es **Assurance standards** ▪ **ICJCE Action Guide, 2008** developed by the Institute of Chartered Accountants of Spain. It is based on the International Federation of Accountants. This guide establishes the procedures that an auditor should follow for verifying and reporting on sustainability reports. www.icjce.es
Sweden	**Mandatory standards** ▪ The amendment to the **Annual Accounts Act, 1999** 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 to include that certain companies have to include even more non-financial information in the Board of Directors' Report section of the annual report. This update is a result of the implementation of the Accounting Modernisation Directive (2003/51/EC) in Swedish legislation. ▪ **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 in accordance with the 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

Country/Region	Standards, Codes and Guidelines
	sustainability report shall also be quality assured by independent scrutiny and assurance. In May 2009 KPMG Sweden conducted a desktop study of the implementation of the guidelines. The result showed that 82% of the state-owned companies presented a sustainability report and the majority of the sustainability reports complied with GRI application level C. 81% of the sustainability reports had also been subjected to external assurance. http://www.sweden.gov.se/sb/d/8739/a/94120 **Voluntary standards** ▪ **Guidelines on environmental information in the Directors' Report section of the Annual Report, 1998** issued by The Swedish Accounting Standards Board (Bokföringsnaämnden). www.bfn.se **Assurance standards** ▪ **Draft recommendation on 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 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 revised recommendation has been used to provide assurance on sustainability reports for the fiscal year 2008. www.far.se
Switzerland	**Voluntary standards** ▪ **Sustainable Development Strategy, 1997** has been operated by The Federal Council as the basis for implementing its constitutional task of sustainable development in Switzerland. Alongside the federal policy guidelines, the current strategy also includes an action plan with concrete aims for the duration of the current legislative period (2008–2011). In the context of the Sustainable Development Forum, ARE works closely with cantons and municipalities and promotes sustainability processes at cantonal, regional and local level. Federal Council requires the periodic

Country/Region	Standards, Codes and Guidelines
	production of sustainability indicators to inform the public and political decision makers about the status of sustainable development and thus enable potential problem areas to be identified at an early stage. Although formulated for the cantons, the requirements have an indirect impact on businesses. www.are.admin.ch/themen/nachhaltig/index.html?lang=en ▪ **Guidelines on voluntary reduction of energy consumption and CO_2 emissions, 2007** published by The Swiss Ministry of Environment (Bundesamt Für Umwelt BAFU). The guidelines provide companies with an understanding of reducing their CO_2 taxes on fossil fuels by supporting them in establishing their own target agreement and optimising their energy and CO_2 profile. For this purpose the organisations have to exchange information with the relevant departments on a periodic basis. The guidelines were updated in 2007. http://www.bafu.admin.ch/klima/00493/00494/00496/index.html?lang=de These guidelines take into account regulations on reduction of CO_2 emissions (Articles 3, 4 and 5; http://www.bafu.admin.ch/klima/00493/00494/index.html?lang=de) and CO_2-Tax "CO_2-Abgabe" (Articles 1 and 3; http://www.admin.ch/ch/d/sr/641_71/index.html). ▪ **3-pillar Sustainability Charter, 2009** is based on the commitment of the signatories (Swiss tourism associations and transport services) to sustainability in the Swiss tourism industry, spreading the topic in the industry by raising awareness and supporting regular review and evaluation of the progress. The signatories work together on an implementation programme by setting up action plans regarding earning a certificate for environmental management by 2012, continual environmental monitoring, and regular reviewing of the development process. www.stnet.ch ▪ **Quality and Ethics Seal, 2009** has been set up by The Swiss Association of General Contractors (VSGU) for their members together with the Swiss Association for Quality and Management systems (SQS). They defined criteria and methodologies for this label. The aim is to guarantee the highest quality for Corporate Social Responsibility (CSR). www.vsgu.ch

Country/Region	Standards, Codes and Guidelines
United Kingdom	**Mandatory standards** ▪ **The British Companies Act, 2006** requires all UK listed companies to provide a narrative within their annual report on the company's strategies, performance and risks ("Business Review"). Companies listed on the London Stock Exchange should disclose in their annual review information on environmental, workplace, social and community matters. This is a requirement of the EU Modernisation Directive. The Business Review requirement was initiated instead of a mandatory Operating and Financial Review (OFR), which remains a voluntary standard. The result of a lengthy public debate over the last three years, the OFR text requires directors to consider factors such as environment and community issues (factors and trends) insofar as these are relevant for understanding not only the past but also future performance of the business. ▪ As part of the UK listing requirements, the **Combined Code, 2003** requires businesses to report on governance and internal control. The Turnbull guidance provided further details on the requirements for reporting on internal control. This was updated in 2006 by the Flint Review. The Financial Reporting Council recently undertook a review (July 09) of the Combined Code and no changes were recommended. ▪ The **Climate Change Act, 2008** was introduced to ensure that the UK accounts for all six Kyoto gases. It mandates the UK government to issue reporting guidance by October 2009. Additionally, by 6 April 2012 the government is required to exercise powers under the Companies Act to require the inclusion of GHG reporting in a company's Directors' Report. This is a significant change and any company reporting such information should follow the developments of this legislation. http://www.defra.gov.uk/environment/climatechange/uk/legislation/ ▪ The **Carbon Reduction Commitment (CRC), 2010** requires companies to measure and report on all their emissions related to energy use to the Environment Agency, and purchase allowances. Organisations that use more than 6,000MWh per annum (equating approximately to an annual electricity bill of £1,000,000) will be captured under the scheme. By

Country/Region	Standards, Codes and Guidelines
	the end of July 2011 CRC organisations will have to submit a Footprint Report of their total energy and emissions during the Footprint Year (April 2010–March 2011). Annual reporting will also be required. CRC organisations will have to monitor and report their emissions from all fixed point sources (not just electricity) annually and a director of the CRC organisation 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 5,000 companies included in the CRC will not previously have reported on non-financial information. http://www.decc.gov.uk/en/content/cms/what_we_do/lc_uk/crc/crc.aspx **Voluntary standards** ▪ **Environmental Reporting Guidelines – 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://www.dti.gov.uk/bbf/financial reporting/business-reporting/page21339.html
United States	**Mandatory standards** ▪ The **EEO-1 Survey** requires annual filing by the US Equal Employment Opportunity Commission regarding employment records, including the racial and gender profiles of employees. The revised survey must be used after 30 September 2007. Section D 'Employment Data' (ethnic and racial categories) was the only section revised at this point. It 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** (formally the Public Company Reform and Investor Protection Act, 15 USC 7245 7256), **2002** imposed several new

Country/Region	Standards, Codes and Guidelines
	reporting requirements for US-listed companies to increase corporate transparency (mainly corporate governance). Its Section 404 requirements for top executives to sign off on detailed internal controls have been accused of imposing too heavy a regulatory burden on companies, for example by not explaining the scope of internal and external checks required. Available at http://news.findlaw.com/hdocs/docs/gwbush/sarbanesoxley072302.pdf ▪ The **Securities & Exchange Commission (SEC)** – The **Securities & Exchange Commission (SEC)** – Under Regulation S-K, the SEC requires "appropriate disclosure...as to the material effects that compliance with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries." In Form K-10 the SEC requires disclosure on legislative compliance, judicial proceedings and liabilities relating to the environment. More specifically, SEC Rule S-K, Item 103 Instruction 5 (Environmental Claims) requires companies to disclose proceedings involving monetary sanctions over \$100 000. In addition, disclosure is required for any material estimated capital expenditure for environmental control facilities and for select legal proceedings on environmental matters. For foreign issuers in the United States, Form 20-F requires companies to "describe any environmental issues that may affect the company's utilisation of the assets." Compliance and Disclosure Interpretations (C&Dis) were reviewed and updated as needed and republished as of 3 July 2008. The last revision was 14 August 2009. These changes have not impacted CSR reporting. In October 2009 SEC reversed the existing policy under Rule 14a-8(i)(7) that had allowed companies to exclude shareholder resolutions requesting information on the financial risks associated with environmental, human rights and other social issues facing companies. In January 2010 the SEC announced that they will provide public companies

Country/Region	Standards, Codes and Guidelines
	with interpretive guidance on existing SEC disclosure requirements as they apply to business or legal developments relating to the issue of climate change. The Commission's interpretive releases neither create new legal requirements nor modify existing ones, but are intended to provide clarity and enhance consistency for public companies and their investors. http://www.sec.gov/rules/interp/2010/33-9106.pdf http://www.sec.gov/divisions/corpfin/ecfrlinks.shtml ▪ 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 Environmental Protection Agency. http://www.epa.gov/TRI/ ▪ **U.S. Environmental Protection Agency Proposed Mandatory Greenhouse Gas Reporting Rule, yet to be enacted.** The final rule was signed by the Administrator on 22 September 2009. On 30 October 2009 the final rule was published in the Federal Register (www.regulations.gov) under Docket ID No. EPA-HQ-OAR-2008-0508-2278. The rule became effective on 29 December 2009. This action included final reporting requirements for 31 of the 42 emission sources listed in the proposal. ▪ **The new reporting requirements** would apply to suppliers of fossil fuel and industrial chemicals, manufacturers of motor vehicles and engines, as well as large direct emitters of greenhouse gases with emissions equal to or greater than a threshold of 25,000 metric tons per year. The first annual report would be due to the EPA in 2011. This proposed rule would cause carbon dioxide-intensive industries in the United States to measure and report on the carbon dioxide emissions inherent in their operations. http://www.epa.gov/climatechange/emissions/ghgrulemaking.html ▪ **The proposed American Clean Energy and Security Act of 2009** issued by the United States Congress. It establishes a variant of a cap-and-trade plan for greenhouse gases to address climate change. The bill was approved by the House of Representatives on 26 June 2009 but is not yet approved by the U.S. Senate, nor is it signed by the President of the United States. The bill also includes

Country/Region	Standards, Codes and Guidelines
	a renewable electricity standard requiring each electricity provider that supplies over 4 million MWh to produce 20% of its electricity from renewable sources by 2020. This proposed law is designed to decrease the carbon intensity of the U.S. energy market by internalising the cost of GHG emissions, promoting renewable energies and supporting energy efficiency initiatives. They are likely to require organisations to report their direct carbon emissions. http://energycommerce.house.gov/index.php?option=com_content&view=article&id=1633&catid=155&Itemid=55 ▪ The **California Global Warming Solutions Act (Assembly Bill 32), 2006.** California's major initiatives for reducing climate change or greenhouse gas (GHG) emissions are outlined in Assembly Bill 32. Global Warming Solutions Act of 2006 which set the 2020 greenhouse gas emissions reduction goal into law. It directed the California Air Resources Board to begin developing discrete early actions to reduce greenhouse gases while also preparing a scoping plan to identify how best to reach the 2020 limit. The reduction measures to meet the 2020 target are to be adopted by early 2011. The bill establishes a timetable to bring California into near compliance with the provisions of the Kyoto Protocol. The law requires that by 2020 the state's greenhouse gas emissions be reduced to 1990 levels, a roughly 25% reduction in business-as-usual estimates. They are likely to require organisations to report their direct carbon emissions. http://www.arb.ca.gov/cc/cc.htm ▪ **California Assembly Bill 1103 ("AB 1103")** requires the disclosure of energy consumption data for the most recent twelve months from the United States Environmental Protection Agency's Energy Star Portfolio Manager ("Portfolio Manager") as part of the sale, lease, or financing of an entire non-residential building transacted on or after 1 January 2010 (the "Disclosure Commencement Date"). On 11 October 2009 Assembly Bill 531 ("AB 531") was signed into law, temporarily delaying for an indefinite period of time the 1 January 2010 commencement date under AB 1103.

Country/Region	Standards, Codes and Guidelines
	▪ **The National Association of Insurance Commissions (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 $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. The surveys must be submitted in the state where the insurance company is domiciled. http://www.naic.org/

5. Country profiles

This section provides more detailed information on the following countries: Australia, Brazil, China, France, India and South Africa. The country profiles have been prepared by different organisations or individuals[15] and all have different focus areas. The intention is to provide a brief narrative on the history of sustainability reporting and reporting standards in the specific countries, as well as a high level analysis of reporting trends.

5.1 Australia

Introduction

The developed nature and industrial characteristics of the Australian economy, has meant that a significant number of leading Australian corporations have embraced sophisticated and comprehensive levels of sustainability disclosure. The Australian regulatory environment and securities market structure are conducive to high standards of corporate governance and generally supportive of business transparency.
Take up of sustainability reporting has been substantially underpinned by the maturing of international reporting standards, in particular the Global Reporting Initiative (GRI G3), and the growing awareness of corporate citizenship frameworks such as the United Nations Global Compact.
The above said, the highly voluntary nature of such disclosure supports conclusions as to a wide range of motivating factors in the decisions to report. Research conducted by CPA Australia strongly supports a conclusion that current perceptions of sustainability reporting quality is relatively low, subject to variability across industry sectors and contains less decision-useful content than can be found in statutory based annual reports. This research points further to an expectation amongst users of sustainability information that government regulatory initiative is a key factor in driving further uptake. The dilemma is finding a way forward which compels this outcome without being excessively rule based. Experience suggests that highly prescriptive approaches will create a highly legalistic focus and stifle both openness and innovation.

Reporting standards

Among a range of challenges associated with achieving improved quality and penetration of sustainability reporting, perhaps the more significant are those of establishing greater connection with internal corporate performance, communicating performance in a concise and efficient manner, and assuring that disclosure achieves the highest possible levels of rigor.
The Australian Government has embarked upon a number of initiatives designed to build skills amongst both financial market participants and the professions that are essential to the achievement of higher levels of appetite for, and literacy in, sustainability and related non-financial information. Significant are the funding of a Responsible Investment Academy that will deliver training programmes to enable the investment community to better assess environmental, social and governance (ESG) impacts on investment considerations, and the commissioning by the Department of the Environment, Water, Heritage and the Art (DEWHA) of a national action plan for education for sustainability. These 'demand-side' approaches should, in time, add to the sophistication and efficiency with which sustainability information is produced and applied to a range of decision-making.
Both the actuality and the perception of the quality and reliability of sustainability disclosures are dependent on external verification conducted under a robust assurance framework. Research conducted by CPA Australia indicates that around half of the stand-alone sustainability reports currently produced in Australia are accompanied by assurance statements.
Over and above an appropriate domestic regulatory setting, the future uptake of sustainability reporting in Australia will be influenced by significant international endeavours. Significant are those directed towards developing practical tools that enable environmental and social issues to be integrated with strategy and financial performance disclosure. Similarly, it can be anticipated that there will emerge improved techniques for the measurement of ecological

15 Contributions by: Australia (John Purcell, CPU, Australia), Brazil (Ideia SocioAmbiental, Brazil), China (Sean Gilbert, GRI China Focal Point), India (Dr. Aditi Haldar, GRI India Focal Point), France (François Fatoux, Patricia Lavaud, ORSE), South Africa (Daniel Malan, USB). The country profiles reflect the opinion of the authors or the quoted sources.

and biodiversity relationships and their impacts on business decision-making. It is through these developments that the long-term future development of sustainability disclosure as a mainstream component of corporate reporting will be assured.

Assessment

Australia provides an interesting case of a non-interventionist approach to the take-up of sustainability reporting and the challenges of driving further uptake beyond "National Top 100" listed entities. In July 2009 Ernst & Young reported that, in 2008, 66% of the ASX 200 was reporting some level of sustainability information. This information was split almost evenly between content of annual reports and stand-alone sustainability reports – the latter predominantly based on the GRI reporting framework. In a comparable global context Australia lags, though not to a dramatic degree. The ICAEW in its 2009 report "Outside insights – beyond accounting" cited KPMG research (KPMG 2008) indicating in 2008, 83% of the Global Top 250 were providing sustainability information in one form or another, and that on average 45% of National Top 100s were producing stand-alone sustainability reports. Against the background of voluntary, and thus highly selective and potentially biased, disclosure it is difficult to draw firm conclusions as to the comparative quality of Australian sustainability reporting. Nonetheless, the 2006 UNEP/Standard & Poor's/ SustainAbility survey of global reports ranked three Australian companies amongst the 50 Leaders – BHP Billiton at 12, Westpac Banking at 17 and Mecu at 30. More recently, in 2009, CSR Asia launched its Asian Sustainability Rating™ which provides a benchmarking of the Top 20 companies by market capitalisation in each of ten Asian markets – Australia, China, Hong Kong, India, Japan, Malaysia, Pakistan, Philippines, Singapore and Thailand. Not unsurprisingly given comparative stages in economic and market development, 12 (60%) of the Australian reviewed companies were ranked in the top 20. In each of the four categories, namely Governance Codes, CSR Strategy & Communications, Marketplace & Supply Chain and Workplace & People, the Australian companies were ranked highest in aggregate whilst Japan and India respectively ranked highest for Environment and Community & Development. Australian performance overall reflects characteristics of broader regulatory development. What needs to be acknowledged is the significant representation from the banking & finance and extractive industry sectors, each of which are characterised by the competitive and marketplace conditions which have driven uptake amongst participants and facilitated a capacity to report.

Conclusion

Both the fallout from the global financial crisis (GFC) and the necessary preoccupation with the compliance obligations associated with the potential introduction in Australia of an emissions trading scheme, if not dampening interest in sustainability reporting, has delayed further significant uptake. The GFC has nonetheless focused critical attention on governance and ethical practices and the embedding of risk within products, particularly those of a complex financial character. Sustainability reporting's focus on these attributes of business behaviour along with non-financial reporting's greater orientation to communicating views on future performance will be significant in restoring the market, stakeholder and wider community confidence.

"Sustainability reports in Brazil are becoming an increasing reference for good business. This is not only because they are anticipating a regulatory trend, but also because the market already understands that they reduce liability risks and increase good business governance practices. It makes business sense and represents a huge step forward in social responsibility. We would never have gotten to this stage if the São Paulo Stockmarket didn't take the initiative of creating the Business Sustainability Index. The Brazilian case shows how a collective effort involving progressive business and key civil society players can pave the way towards public/private collaboration and a supportive regulatory framework"

- Ricardo Young Silva, Former Executive President of the Ethos Institute and Uniethos , President of the Board of the Yazigi Internexus, Pre candidate for the Senate by the Green Party.

5.2 Brazil[16]

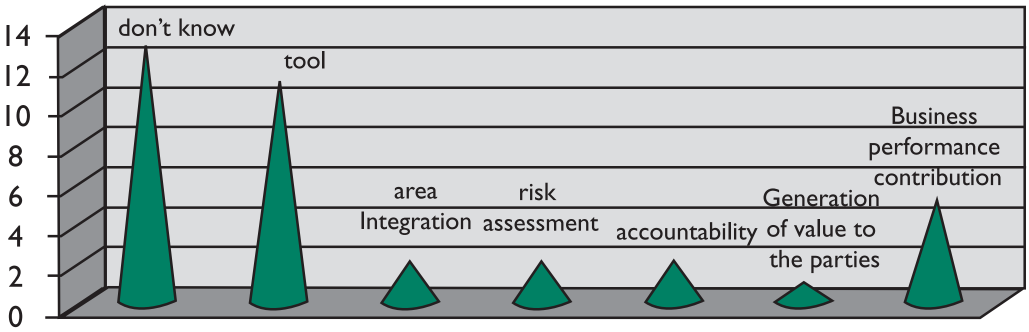
Introduction

It has been more than 20 years since the publication of the first social balance sheet, compiled in 1986 by Nitrofértil, a company acquired by Petrobras. Since then there has been much development in non-financial reporting in Brazil.

In the '80s, FIDES[17] developed a voluntary model for reporting which encouraged companies to report on their community involvement, environment and workers. The initiative did not, however, gain the expected support. Apart from Nitrofértil, only two other companies published social balance sheets in the '80s: Telemar and Banespa.

16 This section is a contribution by Ideia Sustentável, Brazil.
17 Fundação Instituto de Desenvolvimento Empresarial e Social.

What other function could the report have?



Source: Sustainability reporting: developments, scenarios and trends – Ideia Sustentável

In June 1997 Herbert De Souza, Betinho, launched a successful campaign for the voluntary disclosure of the social balance sheet. The number of firms reporting their social activities using his Ibase[18] model increased from 9 to 21 between 1996 and 1997. The number of companies that reported using this model continued to rise with 194 published social balance sheets recorded in 2002.[19]

The successful experience mobilised the law makers into drawing up a proposal to make the publication of the social balance sheets mandatory. In May 1997 the former Federal Congress Representative Marta Suplicy (PT/São Paulo) introduced to the Federal Congress a bill (projeto de lei 3116/1997) that would require all companies with over 100 employees to report their social information. The proposal was not approved, however, since the supporters of the bill were not re-elected. In 1999 Congress Representative Paulo Rocha (PT/Pará) resumed the discussion, but Bill 32/1999 remains under consideration by the Commission of Economy, Trade and Industry of the Federal Congress.

Consolidation of voluntary instruments

The absence of a regulatory framework has not prevented the practice of reporting non-financial information to move ahead in the country. In 2000 the Instituto Ethos[20] proposed indicators for the integration of corporate social responsibility practices into strategic planning and company performance. Concurrent with this movement, Brazil experienced the opening of its markets. As a result, companies had to adapt their management style to suit the international standards of corporate governance. The establishment of administrative councils, the formulation of codes of ethics and the managerial accountability to shareholders, encouraged by organisations such as the IBGC,[21] has played a determinant role for the development of reporting practices in Brazil.

In the '90s, the Total Quality Movement made inroads in the country along with the spread of certifications such as the ISO. This made clear not only the importance of the standardization of processes, but also prompted for a more efficient practice of resource management in balancing with ecosystems.

These movements provided the basis for the reporting of non-financial information. However, throughout the '90s social and environmental agendas followed parallel paths and only began to converge in the early 2000s. One of the reasons for this was the IPCC[22] scientific findings concerning climate change and its serious impacts on civilization. The phenomenon revealed a correlation between economic, environmental and social crises, clearly confirming the urgency of developing business models based on the triple bottom line.

The social and environmental performance of a business has become such a determinant vector in the decision-making process of different stakeholders that the *Bolsa de Valores de São Paulo* (São Paulo Stock Exchange), today *BMF/Bovespa,* created special listing segments, such as Novo Mercado (New Market)[23] and the Corporate Sustainability Index (ISE).[24]

However, the definitive integration of the reporting of economic, social and environmental information only occurred after the launching of the Global Reporting Initiative G3 guidelines in 2006. The GRI framework was able to integrate the various demands for information in a single tool, in this way attaining the preference of Brazilian companies.

Medium- and long-term challenges

The improvement of tools for collecting and reporting non-financial information in a systematic way is crucial for the disentanglement of the whole exercise in Brazil. This is demonstrated in the survey by *Ideia Sustentável* [25] "*Sustainability Reporting: evolution, trends and scenarios*". The survey, which investigates three periods in the

18 Instituto Brasileiro de Análises Sociais e Econômicas, founded by the sociologist Hebert de Souza.
19 Os balanços sociais publicados no modelo Ibase, ano a ano. http://www.balancosocial.org.br/cgi/cgilua.exe/sys/start.htm.
20 Non-profit organisation founded in 1998 by Brazilian businessmen to promote corporate social responsibility. http://www1.ethos.org.br
21 Instituto Brasileiro de Governança Corporativa.
22 Intergovernmental Panel on Climate Change.
23 The New Market is a listing segment for shares issued by companies that voluntarily adopt governance rules that are tighter than the ones foreseen in applicable ordinary legislation.
24 Launched in 2005, ISE informs potential investors about the sustainability of listed companies' operations, and in doing so it encourages listed companies to focus more on environmental, social, and corporate governance concerns: (http://www.ifc.org/ifcext/media.nsf/Content/IFC_Launches_Brazils_Sustainability_Index)
25 Available for download in: http://www.ideiasustentavel.com.br/pdf/Relatorios_de_sustentabilidade_evolucao_cenarios_tendencias.pdf

history of sustainability reporting: past, present and future, finds that the majority of companies (30 out of 50 respondents) began publishing sustainability reports from 2002 to 2005, a period that coincides with the spread of the GRI in Brazil.

For most companies surveyed, three main factors influenced their decision to publish a sustainability report: 20 respondents indicated the disclosure of environmental commitments and actions, 15 mentioned the need for being transparent to the market and stakeholders, and 11 mentioned improvement of management, strategy and company performance. Despite having shown progress in corporate social responsibility, the process of sustainability reporting still faces difficulties in the technical and cultural domains. According to the managers interviewed, the lack of a system or standard for information gathering, the technical unskillfulness, the internal resistance and the low involvement of senior management are some aspects that hinder the full exploitation of sustainability reporting's potential use as a management tool. This becomes evident when analysing key aspects of the reporting process such as stakeholder engagement. While companies recognise the importance of heeding public opinion regarding pertinent issues of interest, the dialogue takes place much more from an advisory stance than in an engagement capacity.
Another weakness is the reading level assessment of the publications. Half the surveyed companies (25) claimed not to have any instrument to gather input from readers on the reports. The other 25 companies cited some procedures of questionable effectiveness such as the use of response letters, interviews and rapid contact with stakeholders or even the prospect of spontaneous reactions. Given this situation, one of the clear challenges for the respondents in the study is how to produce more appealing, creative and enjoyable reports to improve readership. It is, therefore, how to "make communication simple for something methodologically complex" in the words of one of the managers interviewed.

Conclusion

Thanks to Brazil's rapid recovery after the last financial crisis, it has been identified as a strong candidate for becoming a world power. Expert opinion predicts that Brazil will become one of the five largest economies in the world in this decade, overtaking Britain and France and possessing abundant natural resources and being a new country places Brazil in a favorable position for renouncing the business-as-usual model, and embarking on the challenge of maintaining a sustainable economy.
To make this task possible it is important to overcome challenges such as lack of planning, a high state bureaucracy, the under-supply of basic needs like food, healthcare and education for a large percentage of the Brazilian population, and the weak incentives to develop new business models and technologies. By enabling the monitoring of performance using the three pillars of sustainability, the tools for publishing reports can help government leaders, businesses and citizens to make decisions that will lead Brazil towards a situation of sustainable development.

5.3 China

Introduction

In four short years, sustainability reporting in China – more commonly referred to as Corporate Social Responsibility Reporting – has exploded into activity. According to WTO Tribune, there were 6 reports released in China in 2004, but that number grew to over 600 in 2009. This growth in reporting is linked to the broader expansion of interest into corporate social responsibility. In 2005 Wen Jiao Bao outlined three principles for guiding development, including creating a harmonious society. This spurred government agencies on to encourage companies to adopt a policy of "corporate social responsibility", and to begin to explore what constituted CSR. Reporting has played a major role in helping to stimulate the development of management systems and in providing a systematic basis for approaching CSR.
The interest in CSR has been an almost inevitable outcome of China's rapid development which has uplifted hundreds of millions of people from below the poverty line, but which has come at significant environmental cost, and growing social tension over the distribution of wealth and the impact of environmental degradation on communities.

Reporting Standards

The directive from SASAC has had a profound effect on business in China. The directive affects the companies directly under the central government, which constitute most of the largest corporations in the country and are seen as key trend-setters for the rest of industry. Many of these companies have now issued CSR reports (many using the GRI Guidelines as a reference) and have also used the reporting process as an opportunity to begin developing more coherent strategies and internal systems.

The listing requirements of the Shanghai Stock Exchange have probably had the greatest reach in terms of numbers of companies affected and have accounted for a significant portion of the increase in 2009. These reports, however, have come in a range of formats from high-quality, stand-alone reports, to the addition of a few pages into an annual report, to a short, glossy document.
These listing requirements were at least partially stimulated by the Environmental Information Disclosure Act of 2007. Under the Act, the Ministry of Environment undertook to release information about environmental quality as

well as a list of companies that violated environmental standards. The Ministry of Environment then undertook to develop policies and actions that would make this information available and be used within the banking system and equity markets to influence investment patterns.

To date, early initiatives by sector associations and provincial governments have helped raise the profile of CSR amongst target companies, but have not generated significant amounts of reporting.

Assessment

Given the relatively recent development of reporting in China, it is yet early to make a detailed assessment of progress and impact. Certainly, initiatives of the government and stock exchanges have been very successful in stimulating a large number of companies to produce reports in a very short time period. Not surprisingly, the quality of reporting varies significantly depending on the level of commitment by the company and the quality of the underlying internal management systems within the company. Within reporting in China, there is still a strong emphasis on social commitments and activities although many companies still struggle to produce extensive quantitative data.

Looking forward, one of the challenges for China will be to extend reporting to companies beyond the larger, state-owned enterprises and publicly listed companies. A second challenge will be to extend reporting to small- and medium-sized enterprises, which often have limited incentive to invest in environmental and social management. Progress with SMEs will likely depend on the incentives provided by domestic and international buyers.

Conclusion

China currently represents one of the most dynamic countries in the world for sustainability reporting with many companies using it as an entry point for starting an internal process of professionalising and systematising their sustainability management systems. Even more important, China's entry into the world of sustainability offers the opportunity for organisations from China and other countries to dialogue on common understandings in the area of sustainability. Looking ahead to the coming twenty years, China will be a powerful factor in determining how environmental and social scenarios unfold on a global level. Therefore transparency, sustainability reporting, and global harmonisation will play a key role in determining whether the future of sustainability issues is one of cooperation and coordination or one of confused and at times conflicting understandings of sustainability.

5.4 France

Introduction

In 2001 the French parliament passed Article 116 of the New Economic Regulations Act (*Nouvelles Régulations Economiques – NRE*), which required all companies listed on the stock exchange to integrate social and environmental information in their annual report, specifically in the management report. More detailed requirements followed in the enforcement order that was issued a year later. The requirements are based on a list of forty indicators, many of them inspired by the GRI performance indicators. Some indicators were also taken from the "French social report", a list of social data required from all companies to show compliance with labour regulations.

Discussion

The tradition of non-financial reporting in France can be traced back to the '70s, when the President of the Republic requested a vote on a law in 1977, obliging all companies with 300+ employees to publish a social review that included more than 100 performance indicators. Other relevant laws introduced include:

- Professional equality between men and women: law of 9 May 2001
- Industrial risks: decree of 5 November 2001

While the adoption of Article 116 in 2001 did not give rise to much discussion at the French parliament, the text, which specifies its contents, methods and clauses, was subjected to dialogue and consultation by employers' organisations, trade-union and NGOs. These groups found it a difficult task to formalise a text applicable to all companies. Therefore, the text was made public only 10 months later, with the decree of 20 February 2002 and was generally negatively perceived by companies.

With the change of government in 2002 came a new strategy for sustainable development. The new government requested a review and assessment of the reporting law's application, appealing to OSRE to perform this study (published in December 2003).

Assessment

Review of the application of the NRE law

In 2004 ORSE and its members (companies, audit and consulting firms) worked on a review based on the reports published by the 40 largest companies.[26]

This report revealed the following: Most CAC 40 companies conformed to the obligation of social and environmental reporting. Interestingly, 10 out of 40 CAC 40 companies refer to the GRI, which testifies the concern of major companies to try and conform to an international standard.

Where the law specifies that social and environmental information should be integrated into the annual report, half of the CAC 40 companies preferred to disclose this information in a specific report.

Report Boundary

The definition of the reporting boundary proved to be one of

26 To access the full report please refer to the document available at www.orse.org.

the major difficulties for reporting companies. The strict reading of the law required companies to report on the holding company, (the one that is quoted on the stock exchange). However, the spirit of the law would expect companies to report on all their operations, in France as well as internationally. The report indicated that companies were at varying stages of sophistication in developing the necessary internal processes to report on all indicators required by the NRE.

While French regulation introduces suppliers into the reporting boundary, very few companies have information regarding this issue and when they do, it relates to hygiene and safety issues.

Online Reporting

While all companies provided online access to their sustainability report, only some went further and disclosed more detailed information, especially regarding their industrial operational sites on their website.

Contents of the report

The balance between social and environmental information varies according to companies, sectors and company histories.

- Few companies established the link between company policy, objectives and overall performance.
- Few companies established the link between the announced objectives and the indicators disclosed.
- Companies found it difficult to provide quantified elements: only 20% had more than 20 indicators: 10% have none.
- Few companies tried to position themselves against a benchmark: a performance disclosure is rarely made in comparison with peers in the sector.

However, most of the companies report on their rating from rating agencies such as Arese/Vigéo, Eiris or Sam) or on their presence in sustainability stock exchange indexes such as ASPI, FTSE4good or DJSI. It is a clear and meaningful sign that companies now acknowledge the principle and the validity of such ratings and use them as an argument of communication.

Evolution of the regulatory framework in France

A draft law for a national engagement toward the environment, 2009 "Grenelle 2".
– Article. 26 in the draft law states the requirement for companies with more than 500 employees in high emitting sectors (list to be defined) to publish the amount of their greenhouse gas emissions at the latest by 1 January 2011 with an update at least every 5 years.
– Draft Art. 83 extends the NRE law to non-listed companies that exceed a balance sheet threshold of over €43 millon and with more than 500 employees. If the company establishes consolidated financial statements, the information published consolidates data from the company and its affiliates or the companies it controls. Information is also provided on each of these affiliates or companies it controls if they are on French territory.[27]

Conclusion

The NRE law has acted as a catalyst by obliging quoted companies to integrate social and environmental concerns into their management. Furthermore, the NRE is about to be enlarged through the Grenelle 2. According the draft law, the NRE law may apply to about 2500 companies. Nevertheless, all types of stakeholders definitely need further information as well as training on reporting issues. In order to answer these needs, ORSE was mandated by the government to work on a platform dedicated to CSR. This website will be released in spring 2010.

The website project on Corporate Sustainability Reporting[28] will cover the most recognised initiatives on sustainability reporting of organisations. It will represent the French framework on corporate social responsibility and sustainability reporting at the European and international level.

The main objective of this website is to develop the quality of extra-financial disclosure by providing information on:

- Tools and instruments of reporting;
- The appropriation of the extra-financial reporting issues by companies and their stakeholders, and
- Links to websites with additional information.

The implementation of this website resulted from the reflections of the operational Committee called "*Companies and Corporate Social Responsibility*" within the framework of the "Grenelle of the Environment". The website will provide information on CSR disclosure but will not emphasise best practices in this field. Its aim is to guide companies in an educational way in their disclosure initiatives. Contents will be constantly evolving and the selection of published documents will be monitored by an expert committee gathering representatives of all companies' stakeholders (i.e. companies, asset managers, trade unions, government representatives etc).

5.5 India

Introduction

With India emerging as an economic giant amidst the Asian economies and the burgeoning globalisation, sustainability reporting as a business case for Indian companies is in its infancy, with the level of sustainability reporting in India still evolving. Although the awareness and understanding around the concept of sustainability reporting seems to be moderately clear, the movement of reporting has not taken a high priority amongst the Indian audience. Over the last five to six years, gradually only a few of the Indian companies are recognising the challenge of going global and are bracing themselves to keep up with the competition in the international markets with respect to voluntary reporting initiatives becoming

27 http://www.senat.fr/leg/pjl08-553.html.
28 http://www.reportingcsr.org.

market-based instruments. A small percentage of companies initiated voluntary reporting on environmental and social issues almost ten years ago, while others began just five to six years ago. For almost all of these companies the GRI Guidelines are the reference point against which reports are prepared although the scope and content of the reporting parameters are varied.

The history of non-financial reporting can be dated back to 1993 with the notification from the Ministry of Environment and Forests, Government of India requiring the submission of environmental audit reports by any industry, operation or process requiring consent to operate within the Water (Prevention & Control of Pollution) Act, 1974, the Air (Prevention & Control of Pollution) Act, 1981, or both, or authorisation under the Hazardous Wastes (Management and Handling) Rules, 1989 published under the Environment (Protection) Act, 198. The term 'Audit' was replaced by 'Statement' being self-submission by industry as a result of another notification by the Ministry of Environment and Forests, Government of India. It can also be seen that Indian companies disclose lengthy descriptions of their community development initiatives, energy conservation and consumption, waste and water management, qualitative health and safety disclosures, etc. Descriptions of governance structures and board committees are one of the most commonly reported indicators from regulatory and listing requirements.

A major challenge to the reporting community at large in India is to improve comparability amongst various forms of reports as well as the lack of explanation on how Indian companies decide on what issues are to be addressed or left out in their environmental, social or sustainability reports. It is left to the discretion of readers to draw their own conclusions.

Discussion

According to the IFC Sustainable Investments Country Report 2009, numerous organisations, such as TERI, the Confederation of Indian Industry (CII), the UN Global Compact and IFC itself are active in promoting corporate responsibility and sustainability reporting. ESG transparency and disclosure by Indian companies in the form of corporate sustainability reports and responses to the Carbon Disclosure Project are slowly improving, but from a very low starting point. Another baseline study conducted by the Emerging Markets Disclosure Project (EMDP) at the end of 2009 on corporate environmental, social and governance (ESG) reporting trends among the largest publicly traded companies in emerging markets suggests that the level of sustainability reporting in India is still evolving.
While currently there are no officially recognised guidelines or reporting standards on sustainability reporting (by accounting or regulatory bodies), Indian companies are becoming increasingly oriented towards global standards on sustainability reporting, in particular the Global Reporting Initiative framework.
There have been various efforts in India to develop awareness on sustainability reporting, its principles and processes. The certified learning service programme of GRI has instituted a pool of institutions and their trainers to cater to demands of a standardised reporting content and process. It seems that the awareness about the existence of the GRI Guidelines is on the increase.

On the other hand, two important initiatives have generated the movement of non-financial disclosure at a rapid rate. First, in 2008 Standard and Poor's CRISIL and KLD Research & Analytics announced the launch of the S&P ESG India Index, the first index of companies whose business strategies and performance demonstrate a high level of commitment to meeting environmental, social and governance [ESG] standards and incorporate sustainability measures into their investment decisions. Fifty Indian companies that meet certain ESG criteria were drawn from the largest 500 companies listed on the National Stock Exchange of India. The S&P ESG India Index is being maintained by India Index Services Ltd, a joint venture between CRISIL and the National Stock Exchange of India, which also manages the flagship S&P CNX NIFTY index of India's largest and most liquid companies. Second, the Ministry of Corporate Affairs, Government of India released "Voluntary Corporate Social Responsibility Guidelines" in 2009 with the objective that India Inc will adopt these voluntary guidelines and partner with the government in progressing the national development goals by exhibiting socially, environmentally and ethically responsible behavior in governance of its operations, generating long-term value and sustainability for itself while managing positive contributions to society. These guidelines ask a company to disseminate information on its CSR Policy, activities and progress in a structured manner to the public at large.

With every passing year, the disclosure for companies reporting on social and environment factors is increasing. A total of 56 companies across 12 industrial sectors in 2009 have come up with a report. A total of 35 companies have referred to GRI Guidelines, although with varying application levels and assurance approaches. A survey completed by the CII-ITC Centre of Excellence for Sustainable Development in 2007 mentioned that information regarding company's policies and programmes on environment, health and safety, corporate social responsibility, community development, human resource, supply chain, energy conservation, optimum resource utilisation through innovations, reduction of pollution, etc., followed by social elements like supporting local NGOs, promoting education in the local communities, campaigning against HIV/AIDS, promoting entrepreneurship in local youth and women, etc., are the common disclosure aspects.

Assessment

Companies in India have taken to disclosing their economic, environmental and social reports in a voluntary manner. These companies have recognised that reporting practices have led to systematic measurements and improvements in an incremental manner. This in turn has led to good reputation and brand building amongst various stakeholder groups including the investors. From the list of sustainability reports registered in the GRI website it is observed that many companies like ITC, Reliance Industries, Jubilant Organosys and Dr Reddy's are the leading companies with almost 6–7 years of experience in sustainability reporting. However, there are many companies from other sectors like engineering and construction, e.g. L&T, Mahindra & Mahindra of the auto sector; Infosys and Wipro Technologies from the ICT sector that have come up with innovative approaches to report presentation and establishing reporting processes only in the recent past. It is noteworthy that the five industrial sectors with the highest market value are petrochemicals; manufacturing; infrastructure; telecommunications; and banking which are showing a rising trend of reporting. For example, a move has been set in motion by the central regulating Reserve Bank of India (RBI) which would like major banks to play a pivotal role in sustainability issues by sensitising their clients to the issues related to human rights and environment. It is most often understood by the leading reporters that the purpose of issuing Sustainability Reports is to enlarge the scope of conventional corporate financial reporting and help companies to ensure transparent communication and engagement with their stakeholders in respect of the company's sustainability performance. However, the link between sustainability report content and stakeholder dialogues and their outcomes show few examples of an established, systematic approach. Early reporters of the Indian subcontinent need encouragement to report fully and regularly using the principles of materiality and stakeholder inclusiveness.

In India, the incorporation of environmental and social costs and benefits into mainstream financial reporting is an embryonic field at present but it is certain to grow. At present this approach and practice of considering a full array of metrics tied directly to business performance and risk management is yet to take root. Involvement and commitment of corporate accountants and strategy managers in sustainability management appears to be limited.

Conclusion

The evolutionary course of sustainability reporting is now taking shape as more companies move from informal statements to formal reporting. It is often expressed that the standardised framework of the GRI Guidelines provides an incremental road map for widening the scope of disclosure aspects. However, capacity building of local institutions that can further impart knowledge and expertise to companies to adopt the standardised framework is an important issue which needs to be considered.

It is also pertinent that Indian companies should adopt and establish a sound reporting process for identifying its material issues and target audience before embarking on the sustainability reporting agenda. This will help them to accrue the benefits of the reporting practice, ensuring accountability, transparency, consistency and comparability to its readers.

In many cases it is observed that some of the best sustainability reporting practices spring from countries with regulations, listing requirements and exchange-sponsored indexes. Investors should also use their leverage with government and stock exchanges to promote the practices of sustainability reporting. Efforts to promote these changes must be undertaken in parallel with those to engage companies individually to encourage sustainability reporting.

5.6 South Africa

Introduction

In part due to its political history and transition to democracy in the 1990s, South Africa has played a prominent role in the sustainability reporting movement. As a result of debates about disinvestment from South Africa under the old Apartheid dispensation, and driven by initiatives such as the Sullivan Principles in the USA, the transparency and disclosure debate was a lively one in South Africa from an early stage, even before the concept of sustainability reporting became popularised.

"Business is the main driving force for resource efficiency in the economy, for technology deployment and development, for infrastructure construction and providing financial services. But business can fulfill its role only if the right framework conditions – including those for reporting and disclosure – are in place. Valuing and sustainability reporting must increasingly become a more integral part of economic planning and decision-making by society, government and business."

Björn Stigson, President, World Business Council for Sustainable Development (WBCSD)

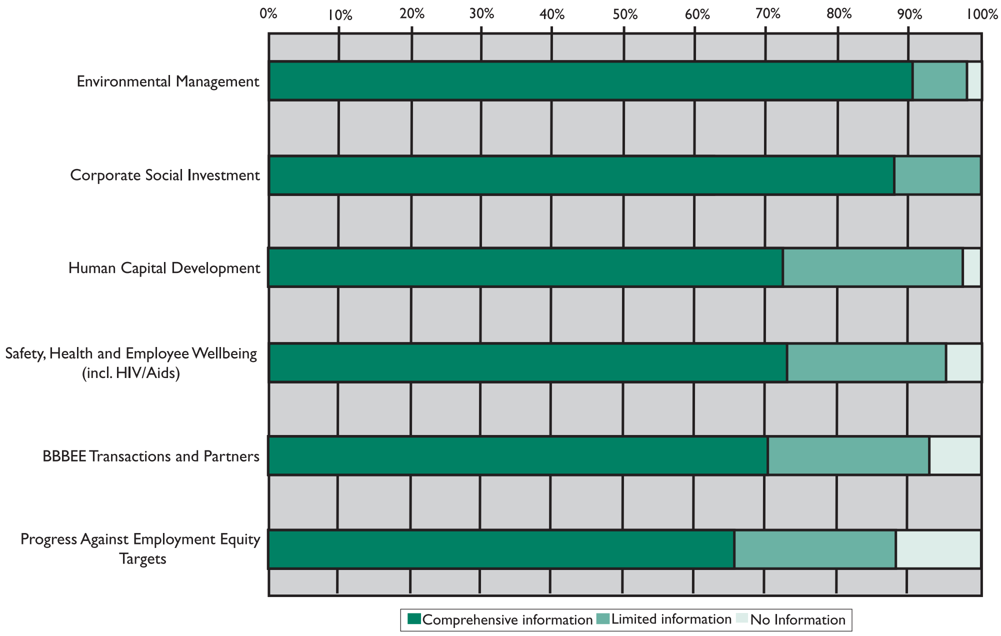


Figure 1: Issues addressed in sustainability reports

Since the transition to democracy in 1994 measurement and reporting on specifically social transformation issues (e.g. black economic empowerment and employment equity) have become entrenched in legislation. The fact that many of South Africa's largest companies are involved in mining and other heavy industries has also had a positive impact on environmental as well as health and safety reporting practices over the years. Consequently, South Africa is one of a few developing economies and the only country in Africa that shows significant reporting activities. This performance has been acknowledged in international surveys and is also reflected to some extent by the leadership positions of South African citizens in initiatives such as the Global Reporting Initiative and the ISO 26000 process.

Drivers of reporting

The main drivers of sustainability reporting are corporate governance requirements and the Johannesburg Stock Exchange (JSE) Socially Responsible Investment Index (SRI Index). An emerging driver is the new Public Investment Corporation (PIC) Corporate Governance Rating Matrix, with a strong emphasis on disclosure of social and environmental performance. From a governance perspective, the requirement for sustainability reporting was formalised by the second King Code on Corporate Governance (2002) that stated "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 third King Code of Governance Principles for South Africa (King III), which became effective on 1 March 2010, emphasises the importance of integrated reporting: "Sustainability reporting and disclosure should be integrated with the company's financial reporting . . . [t]he board should ensure that the positive and negative impacts of the company's operations and plans to improve the positives and eradicate or ameliorate the negatives in the financial year ahead are conveyed in the integrated report (King III, section 9.2, p 49). In addition, the JSE SRI Index encourages companies in the FTSE/JSE All Share Index that choose to participate 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. The PIC Matrix was developed in 2008 – as the single biggest investor on the JSE and one of the largest investment managers in Africa, the PIC's commitment to transparency and disclosure is likely to have a big impact on reporting practices over the next few years.

Who reports?

According to the KPMG International Survey of Corporate Responsibility Reporting 2008, 86% of the top 100 companies in South Africa include some level of sustainability reporting in their annual reports. Seventeen percent of companies issued a stand-alone report and 16% utilized some form of 3rd party comments. Climate change is a key driver for sustainability reporting, and one in four companies include reporting on their carbon footprint in their sustainability report. Unpublished research from 2008 by the Unit for Corporate Governance in Africa at the University of Stellenbosch Business School revealed that the top 40 listed companies report most comprehensively on environmental management issues, as illustrated in Figure 1.

Conclusion

In theory, South Africa remains in a leading position with regards to sustainability reporting standards. With a focus on integrated reporting in King III, which has been presented within an "apply or explain" environment, the country is likely to see a further increase in both the quantity and quality of sustainability reports. With comprehensive mandatory reporting requirements on both the social and environmental fronts and a growing interest in socially responsible investment the country will continue to provide interesting examples to fuel the "carrots or sticks" debate.

6. Conclusion

Our review of the current situation indicates that the regulatory framework is still evolving across the globe. While the regulatory instruments are purely voluntary at the global level, at the national level a dense network of voluntary and increasingly mandatory sustainability reporting standards and related legislation have been identified.

Key findings

The analysis of legislation and mandatory and voluntary standards, codes and guidelines revealed the following key findings:

Governments take the lead

Compared to four years ago, governments have increasingly started to make sustainability reporting mandatory. Of the more than 140 national standards identified, approximately two thirds are mandatory. Examples are Sweden's *Guidelines for external reporting by state-owned companies* complementing accounting legislation and generally accepted accounting principles and Denmark's revised *Financial Statements Act*, requiring CSR disclosure for large companies.

An emerging emphasis on a combination of (complementary) voluntary and mandatory approaches

The relationship between mandatory and voluntary approaches is framed differently today. Instead of presenting mandatory and voluntary sustainability reporting as exclusive options, they are in fact highly complementary. Assuming a complementary relationship between mandatory and voluntary approaches the challenge for governments becomes to determine the appropriate minimum level of mandatory requirements.

Gradual integration

Although in its infancy there is a trend towards gradual integration, resulting in a combination of corporate governance, financial and sustainability reporting into one reporting framework. This third trend may be a reaction to avoid new financial scandals and crises. It is also a sign of the maturing field of sustainability reporting, and can contribute to achieving the transition to sustainable markets and economies.

Stock exchange initiatives in emerging market countries

Governments are not the only driving force for sustainability reporting standards. Stock exchanges have been identified as another important actor contributing to the multitude of sustainability reporting standards. Stock exchanges are increasingly raising ESG awareness and standards among listed companies. In particular, stock exchanges in emerging markets have taken initiatives requiring more transparency and better disclosure on ESG-related performance – for example, the standards issued by the Shenzen and Shanghai Stock Exchanges (China), the Bovespa

Stock Exchange (Brazil) and the Johannesburg Stock Exchange (South Africa).

Scope

The standards identified are still mainly targeted at companies – companies of a certain size, listed companies, state-owned companies, or large emitters (climate change related standards). Only a few voluntary guidelines addressed public agencies as reporters. Non-governmental organisations are virtually not subject to any reporting obligation. This may change with continuing public pressure towards accountability of these non corporate entities, and with the appearance of the respective GRI sector supplements for public agencies and NGOs.

National Standards and Legislation in a Globalised Economy

A key question is how these national voluntary and mandatory standards relate to international standards for sustainability reporting. In a globalised economy where reporters are often entities with operations across the globe, reporting guidelines that transcend national boundaries add to the comparability of the reports and to the efficiency of reporting (and assurance). Regulators need to consider the value of mandatory reporting against an internationally recognised standard – this can improve comparability, avoid duplication, fast-track processes and ensure that goals from international agreements (some with national level reporting requirements) are reflected. Some countries explicitly refrain from developing national standards, and incorporate international instruments into their national policy instruments. Two examples are Norway's national White Paper[29] and Denmark's law on reporting.[30]

Proliferation of standards and coherence

There has been a proliferation of standards at the global and the national level. Indeed, in an increasingly globalised and complex world, international standards, codes and guidelines addressing sustainability reporting are continually evolving. This wealth of standards is a sign of an increasingly diverse and mature international framework for sustainability reporting. However, there is one risk: that the challenges of overlapping, conflicting, and sometimes even competing standards may arise. There is also a need to promote synergies between the different initiatives, to enhance coherence and convergence. That is why some governments are now referring to global frameworks like GRI or UN Global Compact, in order to avoid proliferation of national standards. In addition, research conducted for this report has revealed that at the global level some of the initiatives identified have – as a first step – started to cooperate to ensure coherence among the increasingly confusing multitude of standards.

In terms of taking the debate forward, we recommend the following:

- The strategic role of sustainability reporting in providing a competitive advantage should be acknowledged;
- A more active role for government regulators should be encouraged;
- Regulators should acknowledge the principle of complementarity – i.e. the regulator should raise the bar in terms of minimum reporting requirement, but leave enough space for voluntary disclosure and innovation;
- To encourage voluntary disclosure, beyond the minimum mandatory requirement, as well as innovation, regulators should consider relevant incentives;
- Mandatory standards should be simplified – this should be performed by stocktaking of standards at the country level and alignment with global standards where possible;
- All stakeholders should acknowledge convergence – stock exchanges, rating agencies and NGOs have to interact with regulators and reporters in order to take the debate forward.
- The option of integrated reporting should be seriously considered by all stakeholders, including regulators.

Further discussion and research needed

Today and tomorrow's debate on the future of sustainability reporting standards is focused on the following questions: (1) Whether and how to reach agreements on global or national reporting standards; (2) How regulation can speed up the pace of making relevant, accurate and comparable information available; (3) Whether sustainability reporting should become an integral part of financial reporting (integrated reporting); (4) Whether and how the current global sustainability and CSR frameworks should be further aligned and consolidated, avoiding unnecessary overlap and confusion; (5) The meaning of "materiality" and linking backward-looking with forward-looking reporting; (6) How to take into consideration the different information needs of different groups (target audiences); (7) Whether a report is conceived as the only vehicle of disclosure; (8) Whether and what steps should be undertaken towards a generally accepted approach to assurance of sustainability reports, and (9) The boundary of sustainability reporting (in particular the supply and value chain). Not only is more research needed on the questions raised above, but this report has also revealed a need for more in-depth analysis of legislation and the role of governments in sustainability reporting in the different regions of the world.

29 The White Paper uses the argument of global competitiveness of Norwegian business as an argument to endorse the OECD MNE Guidelines, the UN Global Compact and GRI.
30 Denmark's new law rests heavily on the UN Global Compact COPs and recommends G3 in its Guidance document.

Recommendations to government officials, politicians and other stakeholders with an interest in regulation

Institutional and legislative fragmentation

The art of government is knowing how, where, and when to intervene, using its full range of tools from regulation (both 'hard' and 'soft' laws) through subsidies to the use of 'soft power' (Hohnen, 2007). Finding the right mix of policies to promote sustainability reporting and ultimately the transparency and accountability of organisations is seen as one of the key challenges. This requires careful analysis of existing policies and considering ways of promoting harmonisation of approaches to ensure that new expectations of an evolving agenda are met.

A UNEP Workshop on sustainability reporting in 2005 came to the conclusion that "in most countries, reporting requirements on various/specific issues are still dispersed throughout national legislation. A first challenge for governments is simply to take stock of current reporting requirements for companies, laying the ground for improved integration and development of comprehensive sustainability reporting legislation."[31] This statement is still valid in 2010. A key characteristic of sustainability reporting standards is that they are still dispersed in different sectoral laws under different institutional entities. This reflects historical approaches in dealing with societal problems, which in the environmental field often involved introducing disclosure requirements focussed on individual resources, media and point sources of pollution. In a context of more complex supply and demand relations and a globalised world economy today, these approaches need to be complemented by more effective and integrated approaches." It is therefore proposed that governments considering the introduction of new public policies on reporting should, among other things, take into consideration the following:

- Existing legislative framework: Analysis of any policies or action plans across sectors. Analysis of legislation across sectors (e.g. company, environment, accounting legislation).
- Existing institutional framework: Review of institutional mandates. Analysis of competent authorities and ministries involved in financial and sustainability reporting. How is communication between institutions organised? Is a coordination mechanism or procedure in place?
- Identification of the main non-state actors in the field of sustainability reporting, and relevant actors such as rating agencies and investment analysts active at the interface of financial and sustainability reporting.
- Cooperation with national stock exchanges (e.g. minimum set of ESG disclosure requirements for listed companies).
- Increased interdependency between actors and countries beyond the nation-state and its borders, an aspect of globalisation that requires coordinated regulatory approaches among countries.
- Analysis of relevant international reporting standards, codes and guidelines, accompanied by a comparison of existing internationally accepted guidelines/standards and national frameworks.
- Promotion of coherence and convergence at the international level when contributing to the elaboration/revision of international standards. When approaching international standards, consider their credibility and voluntary nature, mindful of the supremacy (and therefore responsibility) of national laws and regulations.
- Take into consideration the international standards when acting at the national level, meeting local needs whilst considering internationally recognised expectations and avoiding unnecessary proliferation of standards. There is a growing international interest in methods and approaches that enable comparison across countries and enable markets to function in a more sustainable manner.

Annex 1 provides a list of eight basic sets of questions a governmental official new to this terrain needs to ask. The listing is not exhaustive, but provides an indication of key considerations at stake when approaching the subject. It has been created with governmental authorities in mind that are approaching the topic comprehensively for the first time. We trust that this will help identify support that may be required in deciding where to start when evaluating the local reporting landscape and the status nationally compared to developments abroad.

31 http://www.unepie.org/scp/gri/pdf/SectorMeet.pdf (last visited 8 February 2010).

Annex 1

1. **What information do I need?**
- how does it relate to the sustainability context (global/national/local)?
- is it qualitative or quantitative?
- is it on processes and systems and/or outputs and outcomes?
- is it information with short or longer term financial consequences for the company?
- whose decisions do I want to influence?

2. **Within what *boundaries* would I expect the organisation / company to report?**
- information on only the holding company, or all its subsidiaries and associates?
- only activities at the site level, or at national level, or on activities world-wide?
- do I need information on raw materials or suppliers?
- do I want to know about downstream business partners?
- do I need information on product impacts (use, end-of-life)?

3. **Who do I target? Considering major industries in my country and their respective economic, social and environmental impacts:**
- should I target specific sectors to report specified information?
- should I have the same requirements across all sectors?
- should I require reporting from only listed or large companies / organisations?

4. **How *complete* or *comprehensive* should the information I require be?**
- in terms of subjects or topics covered, e.g. governance, fair operating practices, environment, human rights, labour practices, consumer issues, community development?
- are there subjects or topics that require special attention within my country or areas of jurisdiction?

5. **Within what timeframe should I be requesting reporting for it to be useful?**
- how frequently and should I relate frequency to impacts? quarterly, annually, longer term?
- what should be the *period* of coverage, considering the nature of information involved and the capacities of the companies implied?
- in addition to past and current performance, to what extent can I expect the company to disclose future-oriented information and targets?

6. **How can I ensure the reported information is *accurate, clear and comparable* so that stakeholders can compare the performance of companies and sectors?**
- do I need to specify what gets measured and the required indicators?
- do I need to prescribe the methodology in a detailed protocol to ensure completeness and consistency over time and across companies?
- how do I ensure the information is easily accessible to different stakeholder groups?

7. **How do I ensure the reported information will be *reliable*?**
- has it been compiled via an *inclusive* process, involving external experts and stakeholders?
- do I need to know about internal governance and control over the information?
- do I want the information to be externally assured? At what level?

8. **How do I ensure the information I require is reported in a *balanced* manner?**
- how do I avoid the information being part of a public relations exercise?
- can I ask for negative as well as positive performance?
- should it just be factual (neutral) or do I want to know more about innovation / opportunities and dilemmas / risks?

Annex 1: Eight basic considerations for the regulator in approaching measurement and reporting on financial and sustainability performance (considering GRI reporting principles):

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8. Disclaimer and Acknowledgements

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This report does not claim to be an in-depth scientific study or analysis. It also does not aim to provide complete and consistent coverage of mandatory and voluntary reporting standards in the inventory of country-specific standards, codes and guidelines. The report does not include an assessment of the impact of the instruments identified in chapter 4.

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The country profiles, evaluations of existing reporting regimes and recommendations take into consideration the country-specific socio-economic background and legal systems in place. Given the varying approaches to sustainability reporting, the different underlying assumptions and the limited practical experience inherent in some of the more recent approaches, it has not always been possible to draw a justifiable conclusion. The valuations, classifications and judgements reflect the opinion of the authors or the quoted sources.

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