

**Earth Summit 2012**

**Briefing Note II**

**A Convention on  
corporate sustainability  
reporting**

**An extension of paragraphs 24 and 104 of the zero drafts of  
the Rio+20 outcome document**

*Presented by The Corporate Sustainability Reporting Coalition*

## AN INTERNATIONAL CONVENTION ON CORPORATE SUSTAINABILITY REPORTING

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The Corporate Sustainability Reporting Coalition of Institutional Investors urges Governments to agree at Rio+20 to develop a Convention on Corporate Sustainability Reporting. This is consistent with the call for greater corporate transparency in paragraphs 24 and 104 of the Rio+20 Zero Draft.

In our view, there need only be two core elements within such a Convention. First, the Convention would be a commitment by UN member states to develop national regulations, formal codes or listing rules that encourage the integration of material sustainability issues within the annual report of all listed and large private companies. Second, in order to be flexible, it would establish an opt-out for those companies that elect not to prepare such a report: they would be required to explain their rationale to their shareholders, creditors and other stakeholders. In other words, corporate sustainability disclosure would be on a “report or explain” basis.

Our coalition represents investors with assets under management of approximately US\$2 trillion. In addition we also include professional bodies, NGOs and other highly relevant stakeholders, including *inter alia*: the Association of Chartered Certified Accountants; the Global Reporting Initiative; the UN Global Compact; the UN Environment Programme Finance Initiative; the UN Conference on Trade and Development; the UN-backed Principles for Responsible Investment (with over \$30 trillion in assets under management by their members); and, the Carbon Disclosure Project (which itself acts on behalf of 551 institutional investors holding US\$71 trillion).

The coalition has been convened by Aviva Investors. In this role, Aviva Investors has prepared this briefing note for Governments to convey our strong belief that a commitment to develop a Convention on sustainability reporting should be one of the significant outcomes from Rio+20.

We hope that all stakeholders - individuals, financial institutions, governments, companies, academics and representatives of civil society - will support this idea in their own work and lend their weight to this initiative in advance of Rio. Those institutions wishing to explore supporting the Coalition should contact [public.policy@aviva.com](mailto:public.policy@aviva.com) (Please title the email "Earth Summit Support.")

*For more information on the Coalition and Aviva Investors, see the annex and [www.aviva.com/earthsummit2012](http://www.aviva.com/earthsummit2012)*

## KEY MESSAGES FOR THE NEXT DRAFT OF PARA 24 (ZERO VERSION)

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It is now almost twenty years since the first Earth Summit. As such the Coalition believes that June 2012 provides a momentous opportunity to move the corporate sustainability agenda forward. Consequently, this document makes a modest, market-based proposal that we believe represents the next step towards sustainable capital markets. In our view, Governments should express clearly at Rio+20 their commitment to develop a Convention on corporate sustainability reporting. The final Rio outcome document should include a recommendation that the General Assembly convene an ad hoc intergovernmental negotiating committee to prepare this convention for signature within two years.

An intergovernmental message from such an important international conference would signal to all listed and large firms that now is the time to act on sustainability. A clear message that an international convention drafting process is ongoing will generate an interest in those firms which have not yet evaluated the way their firm ought to contribute to a sustainable future in a globalized business market – some twenty years after the first Earth Summit highlighted its importance.

The measure we are proposing offers an opportunity not only to improve the long-term profitability of corporations, but to also improve returns to their investors. It should also improve the quality of markets they are listed on and make a positive contribution to the lives of those influenced, as we all are, by corporate activity.

Once the negotiation of the Convention is underway, the message to the seventy-five percent of listed firms which have not yet published sustainable development data will be clear: businesses should integrate sustainable development in the daily operations of their firm.

*For more information on the call for the Convention, see [www.aviva.com/earthsummit2012](http://www.aviva.com/earthsummit2012)*

## THE CONVENTION'S KEY PROCEDURAL ELEMENTS

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The Coalition is asking for intergovernmental support to make corporate sustainability reporting a “report or explain” requirement for all listed companies and large firms. The Coalition is also asking Governments to agree to call for the boards of directors of these enterprises to evolve an integrated corporate sustainability strategy through regular discussions and review of their firm’s sustainability directions.

Our proposed convention would be light-handed and procedural, setting out the essential goals and steps needed to introduce widespread corporate sustainability reporting, leaving operational matters to national Governments.

Because of the differences in legal regimes, business law, and national accounting standards, the Convention would not specify the legal or institutional mechanisms that would be most appropriate for a country to use in implementing the goals of this procedural convention. Depending on the jurisdiction, for some countries a code may work; for others, a change to the listing rules would be an option; for others reforming company law itself or a separate and new statute might be needed.

Our Convention also does not dictate the form that the report should take. This would be determined by corporate boards referring to the considerable amount of guidance that now exists and deciding for themselves what they believe to be material to a full understanding of the firm and its prospects.

High quality integrated reports from well managed companies already contain performance targets; recent trend data on the use of natural resources; levels of workforce training; impact on local communities; the sustainability of the business model; the regulatory context; the emissions of greenhouse gases; energy and material efficiencies ratios; or hazardous products/processes control systems. The management-prepared report could have a level of external assurance. In addition companies will always have the option of publishing an explanation as to why the board considers such a report and strategy to be unnecessary.

The act of reporting on sustainability will in itself engender fuller and more constructive consideration of the long-term growth and sustainability plans of the firm at the board level. The outcome of the board's deliberations would be incorporated in the firm's Reports and Accounts. This will ensure that hard corporate data and the board's strategy perspective would be used to inform shareholders and other stakeholders. The main purpose of this would be to create the right kind of discussions within boardrooms, throughout the business and between the company and its shareholders - encouraging investors to think about the sustainability of the firm.

Importantly, this transparency initiative is a market based mechanism that promotes enhanced self regulation within the market. Our proposal is intended to be light touch, flexible and sensitive to the national context. Governments would simply be creating an enabling environment for responsible long term investment to support and promote responsible long term corporate behaviour.

## OUR APPROACH IS FLEXIBLE AND ADAPTABLE

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By design, the Coalition's proposal for a convention has flexible format, a national implementation process, and a voluntary compliance approach at the firm level.

The Coalition believes it would be a mistake to attempt to create a one-size-fits-all approach specifying the key performance indicators for individual sectors or firms. This would preclude the need for boards of directors to consider the most material issues for their firm, which is one of the key benefits the investor coalition believes a Convention would create.

We also do not think it possible to craft a regulation that specifies a specific, detailed reporting template for the rich diversity of corporations around the world. Consequently, we have decided against proposing heavy handed regulation that tries to enforce one reporting template. This is also because regulation is often slow moving, lags the market, and encourages a minimum compliance mentality within the company.

Instead, we recommend requiring boards to consider the existing guidance and publish their thinking - supported by a 'report or explain' provision. This existing guidance includes but is not limited to material from the Global Reporting Initiative, the International Integrated Reporting Committee, the UN Global Compact, UNCTAD, the OECD Guidelines for Multinational Enterprises, the Sustainability Accounting Standards Board and the Greenhouse Gas Protocol of the World Resource Institute.

What needs to change within the existing system will vary for different jurisdictions. For example, where the regional code of Corporate Governance is embedded within the listing rules, then this document could be updated, requiring the support of all the bodies that govern this code. Where it is guided by the exchange itself, then the exchange can update the code itself. Where guided by primary legislation, then this will need to be changed.

We are seeking to stimulate a substantive board discussion on the risks and opportunities to a company arising from the challenge of sustainability. We believe that the vast majority of corporate boards will provide a strategic response to this challenge. We also expect that more companies will seek to compete on the quality of their disclosure in this area.

## THE CONVENTION WOULD ENHANCE INVESTOR DECISION-MAKING AND THE MOVEMENT TOWARD SUSTAINABILITY

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As expressed in the UN-backed Principles for Responsible Investing, *“environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios”*.

The Coalition believes that a systematic approach to reviewing the standards, values and sustainability risks and opportunities of business and ensuring that each business knows what is expected helps define and maintain a healthy long term organizational culture, where people have pride in their business, care for their customers and are highly motivated at their work. Understanding the potential impacts on the firm from diminishing access to raw materials is also important to the long term health of the business.

A significant number of buy and sell side firms including the investor members of our Coalition are integrating these issues into their valuations. This includes signatories to the UNPRI, and the institutional investors associated with the Carbon Disclosure Project. However, without global ESG performance reporting in all countries, the potential contribution of responsible investors toward a green global economy is significantly impaired.

For our part, we believe that companies would derive quantifiable benefits in the medium and long term from a regular review of their sustainability. Goldman Sachs, for example, has carried out analysis of the relationship between how companies address these ESG issues and the returns they generate. Based on their research, they contend that in a number of sectors there is a direct correlation between sustainable business practices and the longer-term financial success of that company. A similar conclusion was reached by WestLB. They published a study the materiality of extra-financial factors based on a sample of 540 European firms. It found evidence of a link between extra-financial risk, cost of capital to a firm and shareholder value. The report suggested that compiling a sustainability report was among the most important catalysts for change – contributing to accumulation of knowledge, questioning of processes and the establishment of suitable structures and practices.

This kind of non-financial reporting also helps companies to better integrate social and environmental issues into business operations and strategies. Recent research concluded that for companies which produced reports, *“both sustainable development and employee training become a higher priority for companies, and that corporate governance improves. Furthermore we find that companies implement more ethical practices...”* (Ioannou and Serafeim (2011), *“The Consequences of Mandatory Corporate Sustainability Reporting”*, London Business School & Harvard Business School)

*For sources cited in this section, see the annex*

## STOCK EXCHANGE AND RATING AGENCY ACTIONS TO DATE

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Stock exchanges based in Singapore, Johannesburg, São Paulo, Istanbul and elsewhere have required a serious ESG commitment from their listed firms. The Sustainable Stock Exchanges, an initiative by PRI, UNCTAD, Global Compact and UNEP FI has been urging all stock market listing

authorities to consider making it a listing requirement that companies consider how responsible and sustainable their business model is and put a forward-looking sustainability strategy to the vote at their AGM. The Sustainable Stock Exchange project will be hosting an event in Rio+20 – see Appendix 1 for the agenda.

Tellingly, **a new survey found that more than three quarters of stock exchange respondents welcomed a global approach to consistent and material corporate sustainability reporting.** Further, 75 percent of respondents favoured a ‘convention on corporate sustainability reporting’ where governments are asked to consider mandating that boards of companies: (a) consider sustainability issues in strategy discussions; and, (b) on a comply or explain basis, integrate those sustainability issues that they consider to be material into their Annual Reporting. This is why we believe this is a relevant issue for the global forum of the Earth Summit.

Some stock exchanges and international rating agencies have started to act on sustainable development reporting. The number of sustainability focused rating services continues to grow. One study by SustainAbility identified over 75 such indices. Amongst the better known ones are Dow Jones Sustainability Index, FTS4Good, Vigeo-Ethibel Sustainability Index, Maplecroft Climate Innovation Index and NASDAQ Global Sustainability Index. All of these sustainable development ratings are based on firm-provided data. The quality and accuracy of these indices are then heavily dependent on the breadth, depth and quality of published data from companies.

*For more information on stock exchange and rating agency programs, see the annex*

## A GLOBALIZED WORLD

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From our perspective, there are five features of the global economy that prompt the Coalition to call for a new convention.

1. Markets are driven by information. Relevant information on the long-term sustainability of business enterprises is not adequately available to investors, Governments and stakeholders.
2. Our planet needs to find a new alignment of natural resource consumption, social equity, and economic growth. This transformation cannot evolve without corporate executives, investors, bondholders, civil society organizations and policy makers having hard business data about the sustainable path of that enterprise.
3. We appear to have reached the limit of volunteerism: less than twenty-five percent of the world businesses are voluntarily disclosing their sustainability performance data to shareholders. An international convention would level the playing field and engage more companies on the journey toward business sustainability.
4. Government views on globalization and sustainable development matter to the business community. A clearly articulated message from Governments in an international context would provide appropriate leadership in the area of corporate sustainability.

5. There is a number of very useful sustainability reporting guidelines developed by leading international experts already being successfully implemented by leading companies. To gain traction, these systems need to be supported by an international policy framework.

*For more information on the existing reporting efforts, see the annex*

## GOVERNMENT COMMITMENTS AT THE EARTH SUMMIT IN 1992 AND 2002 PROVIDE THE FOUNDATION FOR A CONVENTION IN 2012

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In Rio in 1992 governments adopted Agenda21 and the Rio Principles of Sustainable Development. Both of these key documents include strong messages to Governments and the corporate community to increase the level and scope of their sustainable development activities and reporting. For example Agenda 21 (para 30.3) states: *“Business and industry, including transnational corporations, should recognize environmental management as among the highest corporate priorities and as a key determinant to sustainable development. Some enlightened leaders of enterprises are already implementing “responsible care” and product stewardship policies and programmes, fostering openness and dialogue with employees and the public and carrying out environmental audits and assessments of compliance.”* The proposed coverage of the Convention (listed and large firms) is in line with Agenda 21 and its frequent reference to *“large industrial enterprises and transnational corporations”*.

Ten Years later the Governments agreed in Johannesburg in paragraph 18 to *“Enhance corporate environmental and social responsibility and accountability. This would include actions at all levels to: (a) Encourage industry to improve social and environmental performance through voluntary initiatives, including environmental management systems, codes of conduct, certification and public reporting on environmental and social issues, taking into account such initiatives as the International Organization for Standardization standards and Global Reporting Initiative guidelines on sustainability reporting, bearing in mind principle 11 of the Rio Declaration on Environment and Development;”*

These calls for voluntary undertakings were somewhat successful and a process for corporate sustainability strategies and reporting initiatives expanded around the globe.

However, despite this progress, we are still a very long way indeed from the ultimate aim of transparency, comparability, and relevance of corporate non-financial information. In other words, these progressive voluntary initiatives have not been enough.

How do we know this? For the past few years, Bloomberg has added ESG issues to the financial data that we can source from their terminals. Bloomberg's terminals are in wide use by fund managers and analysts around the world. Their inclusion of ESG data enables us to analyse at a global macro country level the quantity and quality of non-financial data disclosed by companies. Analysing the data, less than one in four of the companies that Bloomberg has looked at to source ESG data published even just one of the data points that Bloomberg look for in their sector. We should emphasise that their focus is numerical data rather than narrative reporting which is more broadly available.

Put more precisely, just 23.6 per cent of the 19,641 companies that Bloomberg researched for ESG data had published any at data all. The score assigned by Bloomberg to that disclosure that did exist was just 27.16 per cent.

Clearly, pure voluntarism has not worked. Now would be an appropriate time, using the experimental results of the first 20 years, for Governments to build on this progress with a report or explain approach.

*For more information on Government commitments to corporate sustainability and disclosure, see the annex*

## THE CONVENTION WOULD SUPPORT GOVERNMENT MINISTRIES IN IMPLEMENTING THEIR OWN DOMESTIC GREEN ECONOMY PROGRAMMES .

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Senior Government officials with clear, up-to-date market data on corporate sustainability can better implement programmes for the transition to a green economy.

Ministries of food and agriculture can use the information from the corporate sustainability reports to assess how key food sectors are minimizing their greenhouse gases. Environment and climate change officials can use the reported information to see how the board of key firms understand their sectors sustainability impacts and responses. Civil servants in economic departments can integrate macro economic data and trends with data on ecosystem stressors, which were identified by corporate managers, in order to make country-wide policies in alignment with a green economy. Officials at national and regional health offices can use the reports to examine the transition in the demographics of workers, the migration of health issues, and the priorities of health and safety efforts by sector and geographic region. Trade policy staff can use the corporate-generated reports to monitor the environmental and trade related aspects of the transition to a low carbon economy.

Under this Convention, all of these potential benefits are based on national and sector choices about the format and scope of the data and individual firm-level choices about what to disclose and the rationale for specific firm level options.

## OUR SUPPORT FOR GOVERNMENT LEADERSHIP

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Some Governments have started to move on sustainable development reporting. For example, the Governments of **Argentina, China, Denmark, Ecuador, France, India, Indonesia, Malaysia, Norway, Singapore, Sweden, Spain and United Kingdom** have in recent years created laws, procedures, guidelines, and standards that are in line with the core purpose of the Convention we are proposing. These national initiatives have charted the way forward. Unfortunately this also means that less than ten percent of countries have aligned their corporate disclosure requirements with their announced commitment to sustainability.

The Commission of the **European Union** recently formally declared that they want “to implement worldwide sound corporate governance as well as international principles and standards on corporate social responsibility”. This effort at enhanced policy coherence by the EU and others will



stimulate useful board level discussions of sustainable development and corporate growth and we strongly welcome this initiative.

During the negotiation the new Convention on Corporate Sustainability Reporting, Government can count on investor members of the Coalition to back their efforts with public support and additional guidance as appropriate.

*For more information on these Government programs and the EU statement, see the annex*

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## **Members of the Corporate Sustainability Reporting Coalition (CSRC)** (as at March 17, 2012)

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Aon Hewitt Global Investment Practice	Global Reporting Initiative
Aviva	Hermes
Aviva Investors	Illac Ltd
Association of Chartered Certified Accountants	Institut RSE
BioRegional	MN-Services
BT Pension Scheme Management Limited	Numaï Partners
CA Cheuvreux	PaxWorld Management LLC
Carbon Disclosure Project	Peace Child International
Calvert Investment	Rabobank Pensionfund
Ceres	Save the Children
Church of Sweden	Sparinvest Group
Climate Change Capital	Stakeholder Forum
Climate Disclosure Standards Board (CDSB)	The Co-operative Asset Management
Colonial First State Global Asset Management	Traidcraft
Corporate Knights Capital	Trillium Asset Management, LLC
CorporateRegister.com Limited	Triodos Investment Management B.V.
Cyrte Investments	UNCTAD
Delta Lloyd Asset Management	UN Global Compact
EIRIS	UN PRI

Environment Agency Active Pension Fund	University of St Andrews Endowment Fund
Ethos Foundation	Via Gutenberg
Forum for the Future	Vigeo
Fronesys	VIP eV
FRR Fonds de réserve pour les Retraite	WWF-UK
Generation Investment Management	

Our Coalition was formally launched by Paul Abberley, Chief Executive of Aviva Investors London at the *United Nations Private Sector Forum of the General Assembly* in September 2011.

## BACKGROUND MATERIAL

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### Major Existing Reporting Efforts

**Integrated Reporting**, an approach advocated by the **International Integrated Reporting Committee** as well as The Prince's **Accounting for Sustainability Project**, links together an organization's strategy, governance and financial performance with its social, environmental and economic context. By reinforcing these connections, Integrated Reporting seeks to help business take more sustainable decisions and enable investors and other stakeholders to understand how an organization is really performing. An Integrated Report is a single report which is the organization's primary report, in most jurisdictions, the Annual Report or equivalent. By addressing the material issues for an organization, an Integrated Report aspires to demonstrate in a clear and concise manner an organization's ability to create and sustain value in the short, medium and longer term.

[www.theiirc.org](http://www.theiirc.org)

[www.accountingforsustainability.org](http://www.accountingforsustainability.org)

The **Carbon Disclosure Project (CDP)** works to transform the way the world does business to prevent dangerous climate change and protect our natural resources. They see a world where capital is efficiently allocated to create long-term prosperity rather than short-term gain at the expense of our environment. They use the power of measurement and information disclosure to improve the management of environmental risk. CDP has incentivized thousands of companies and cities across the world's largest economies to measure and disclose their greenhouse gas emissions, climate change risk and water strategies. We put this information at the heart of business, investment and policy decision making. [www.cdproject.net](http://www.cdproject.net)

The **Global Reporting Initiative (GRI)** is a non-profit organization that promotes economic, environmental and social sustainability. GRI provides all companies and organizations with a comprehensive sustainability reporting framework that is widely used around the world. [www.globalreporting.org](http://www.globalreporting.org)

The International Standard **ISO 26000:2010, Guidance on social responsibility**, provides harmonized, globally relevant guidance for private and public sector organizations of all types based on international consensus among expert representatives of the main stakeholder groups, and so encourages the implementation of best practice in social responsibility worldwide. The ISO26000 standard seeks to refine the best practices that have already evolved and disseminate the information worldwide for the good of the international community. ISO26000 on the web

Launched in 1999, the **Dow Jones Sustainability Indexes** are the first global indexes tracking the financial performance of the leading sustainability-driven companies worldwide. Based on the cooperation of Dow Jones Indexes and SAM they provide asset managers with reliable and objective benchmarks to manage sustainability portfolios. Currently asset managers in 16 countries manage a variety of financial products including active and passive funds, certificates and segregated accounts totaling over 8 billion USD based on the DJSI. [www.sustainability-index.com](http://www.sustainability-index.com)

## Diverse Government and Regional initiatives

In **Argentina**: the Buenos Aires City Council passed Law in 2008 requiring all local and international companies in the city with over 300 employees to generate annual sustainability reports. At minimum, companies are required to produce their reports in accordance with the Ethos Reporting Initiative's G3 indicators and the Accountability 1000 standard

In **China**: the State-owned Assets Supervision and Administration Commission (SASAC) released in 2008 a directive that strongly encouraged state-owned enterprises to follow sound CSR practices and report on CSR activities

In **Denmark**, the Financial Statements Act 2009, requires companies to include information on their social and environmental responsibility performance or to justify the absence of such information. This legally binds 1,100 of the largest Danish companies to produce a corporate responsibility report – or explain why they will not do so. The report should include policies and actions, as well as what has been achieved by the individual company as a result of their work with corporate responsibility. The reporting provision is also relevant for financial sector companies, and adherence to the Global Compact or the PRI is considered sufficient for compliance.

In the **European Union**, the requirement to report on non-financial information is contained in the Fourth Company Law Directive. This Directive requires companies to include non-financial key performance indicators, including information relating to environmental and employee matters. Given the way this provision is phrased, it leaves a broad discretion to companies when deciding whether or not to include ESG information in their reports. The European Commission announced in the Single Market Act (April 2011) that it will introduce new legislation on transparency of environmental and social information provided by companies.

In **Ecuador**, the 2009 Mining Law requires those entitled to mining rights to maintain records on consumption of materials, energy, water and other resources that reflect their operations. Included companies must also present an annual environmental audit that allows the control entity to monitor and verify compliance, and shall inform relevant stakeholders that represent social, environmental and union interests about the probable impacts of the mining activity

In **France**, the amendments to the Commercial Code (2010) require listed companies and companies with balance sheets or number of employees above a certain threshold to report on their CSR performance, including information on the way in which the company takes account of the social and environmental consequences of its activity as well as its societal commitments for sustainable development.

In **India**, the Ministry of Corporate Affairs issued in 2009 voluntary Guidelines for Corporate Social Responsibility encouraging Indian corporations to improve CSR. The guidelines outline six core elements for companies to address, including adopting sustainable environmental policies, undertaking activities for economic and social development of communities and geographical areas, and disseminating information on CSR policy, activities, and progress. Relevant information should be disseminated to all stakeholders and the public through their website, annual reports, and other communication media

In **Indonesia**, the 2007 Limited Liability Company Law mandates that companies involved in operations that affect natural resources create and implement corporate social responsibility programs. Companies that do not carry out or implement "social and environmental responsibility" programs can be subject to government sanctions

In **Malaysia**, a 2007 government law requires all listed companies to publish corporate social responsibility information in their annual reports.

In **Norway**, the Public Companies Act requires business corporations to include in their annual reports information on activities that could have an influence on the environment and steps taken to prevent negative impacts.

In **Singapore**, the 2011 Government's Code on Corporate Governance provides principles and guidelines to listed companies and their boards to impel them towards a high standard of corporate governance, with the objective of creating sustainable and financially sound enterprises that offer long-term value to shareholders.

In **Sweden and Spain**, legislation requires companies with government participation to publish corporate governance and sustainability reports.

In the **United Kingdom**, the Company Act of 2006 contains a provision comparable to the one embedded in the Fourth Company Law Directive.

Information on Government policies has benefited from research published in  
"Current Corporate Social Responsibility Disclosure Efforts by National Governments and Stock Exchanges"  
by the Initiative for Responsible Investment and  
The Hauser Center for Nonprofit organizations at Harvard University  
[http://hausercenter.org/iri/?page\\_id=596](http://hausercenter.org/iri/?page_id=596)

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## Sustainability and Stock Exchanges

“Stock exchanges have overwhelmingly reaffirmed that they have a responsibility to encourage greater corporate responsibility on sustainability issues: three quarters of the respondents to the survey questionnaire supported this view (about the same as respondents in the 2010 survey). This strong conviction is reflected in the advances made by exchanges in including provisions of guidance or encouragement of sustainability disclosure by issuers, the proliferation of sustainability indices and the transition of voluntary disclosure requirements to a stricter “comply or explain” basis in some markets. In another positive finding, more than half of the survey respondents indicated that their exchanges had already provided guidance to issuers on global sustainability reporting initiatives or materiality of sustainability issues to encourage improved ESG disclosure. The detail and mandate of such guidance varies significantly. Finally, in one of the most significant and convincing responses, 86 percent indicated that they either already had or were planning to launch sustainability indices of their own.” Extract from Responsible Research’s **Sustainable Stock Exchanges Initiative**, March 2012

Source of Cheuvreux quotation: Cheuvreux: Sustainable Stock Exchanges: Leveraging the ESG Momentum. October 2009

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### Further details on other multistakeholder corporate disclosure proposals

The **Dialogue on a Convention for Corporate Social Responsibility and Accountability (CSRA)** is a stakeholder-led, international conversation on corporate responsibility and how it relates to the Rio+20 goals. The objective of this dialogue is to influence the conversation at Rio+20 to such an extent that the international community decides to establish a convention on CSRA that includes an international legal framework aligning corporate practices with sustainable development objectives. Participants include CIVICUS, AVIVA Investors, GRI, Ethos Institute, and Climate and Sustainability Platform.

The **Prince of Wales Foundation’s Accounting for Sustainability Project** is an initiative to develop an international framework for the embedding of sustainability goals into private and public sector decision-making and reporting. Convened by the Prince of Wales, among others, the Prince’s Accounting for Sustainability Project engages business, NGOs, academics, and accounting bodies in order to create viable partnerships that represent the sectors of society that need to “tackle the economic invisibility of nature.”

The **Business Action for Sustainable Development Coalition** is comprised of leading international business groups and seeks to coordinate the participation of the private sector in Rio+20. Convened by the International Chamber of Commerce, the World Business Council for Sustainable Development, and the United Nations Global Compact, this coalition intends to use Rio+20 to encourage businesses to embrace voluntary sustainability principles by voice the need to accelerate efforts toward achieving sustainability. At Rio+20, the Coalition plans to provide policy input by helping engage governments with businesses on sustainability issues, representing business and industry at the Major Groups Programme, and by organizing an event during the Conference in which business leaders will showcase their progress toward sustainability since the 1992 Rio Summit.

The **Natural Capital Declaration** is a financial sector initiative to integrate the idea of Natural Capital (the economic value of an ecosystem) into financial products and services. The Declaration, currently supported by Netherlands Rabobank and National Australia Bank, calls on the public and private sectors to recognize natural capital as a critical economic, ecological, and social asset. The goal of the Declaration is to get national governments to require companies to disclose their dependence and their impact on Natural Capital, and to discourage businesses from eroding natural capital according to international agreements. At Rio+20, the Declaration seeks to develop an understanding of natural capital and its effect on the financial sector, integrate natural capital into decision making, and to build a global consensus on a reporting method for natural capital.

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### ***Prior Government commitments to corporate sustainability and disclosure:***

#### **Extracts from OECD Guidelines on Multinational Enterprises, (2011 edition), Chapter III Disclosure**

1. Enterprises should ensure that timely and accurate information is disclosed on all material matters regarding their activities, structure, financial situation, performance, ownership and governance. This information should be disclosed for the enterprise as a whole, and, where appropriate, along business lines or geographic areas. Disclosure policies of enterprises should be tailored to the nature, size and location of the enterprise, with due regard taken of costs, business confidentiality and other competitive concerns.
2. Disclosure policies of enterprises should include, but not be limited to, material information on:

- a) the financial and operating results of the enterprise;
- b) enterprise objectives;
- ...
- f) foreseeable risk factors;
- g) issues regarding workers and other stakeholders;
- h) governance structures and policies, in particular, the content of any corporate governance code or policy and its implementation process.

3. Enterprises are encouraged to communicate additional information that could include:

- a) value statements or statements of business conduct intended for public disclosure including, depending on its relevance for the enterprise's activities, information on the enterprise's policies relating to matters covered by the *Guidelines*;
- b) policies and other codes of conduct to which the enterprise subscribes, their date of adoption and the countries and entities to which such statements apply;
- c) its performance in relation to these statements and codes;
- d) information on internal audit, risk management and legal compliance systems;
- e) information on relationships with workers and other stakeholders.

4. Enterprises should apply high quality standards for accounting, and financial as well as non-financial disclosure, including environmental and social reporting where they exist. The standards or policies under which information is compiled and published should be reported. An annual audit should be conducted by an independent, competent and qualified auditor in order to provide an external and objective assurance to the board and shareholders that the financial statements fairly represent the financial position and performance of the enterprise in all material respects.

### **Extracts from the 1992 Rio Declaration on Environment and Development of relevance to a call for a convention on corporate sustainable development in 2012**

Principle 11 ; States shall enact effective environmental legislation. Environmental standards, management objectives and priorities should reflect the environmental and development context to which they apply. Standards applied by some countries may be inappropriate and of unwarranted economic and social cost to other countries, in particular developing countries.

Principle 12 : States should cooperate to promote a supportive and open international economic system that would lead to economic growth and sustainable development in all countries, to better address the problems of environmental degradation. . . .

Principle 16 : National authorities should endeavour to promote the internalization of environmental costs and the use of economic instruments, taking into account the approach that the polluter should, in principle, bear the cost of pollution, with due regard to the public interest and without distorting international trade and investment.

### **Extracts from the 1992 Agenda 21 of relevance to a call for a convention on corporate sustainable development in 2012**

**7.17** During the period 1993-2000 all countries should undertake, with the active participation of the business sector as appropriate, pilot projects in selected cities for the collection, analysis and subsequent dissemination of urban data, including environmental impact analysis, at the local, state/provincial, national and international levels and the establishment of city data management capabilities. United Nations organizations, such as Habitat, UNEP and UNDP, could provide technical advice and model data management systems.

**8.50** The Statistical Office of the United Nations Secretariat, in close collaboration with relevant United Nations organizations, should strengthen existing mechanisms for technical cooperation among countries. This should also include exchange of experience in the establishment of IEEAs, particularly in connection with the valuation of non-marketed natural resources and standardization in data collection. The cooperation of business and industry, including large industrial enterprises and transnational corporations with experience in valuation of such resources, should also be sought.

**19.16** Industry should provide data for substances produced that are needed specifically for the assessment of potential risks to human health and the environment. Such data should be made available to relevant national competent authorities and international bodies and other interested parties involved in hazard and risk assessment, and to the greatest possible extent to the public also, taking into account legitimate claims of confidentiality.

**19.40** Governments and relevant international organizations with the cooperation of industry should:

- b.** Improve databases and information systems on toxic chemicals, such as emission inventory programmes, through provision of training in the use of those systems as well as software, hardware and other facilities
- d.** Provide knowledge and information on severely restricted or banned chemicals to importing countries to enable them

to judge and take decisions on whether to import, and how to handle, those chemicals and establish joint responsibilities in trade of chemicals between importing and exporting countries;

**19.52** Governments, through the cooperation of relevant international organizations and industry, where appropriate, should:

- c. Develop guidelines and policies for the disclosure by manufacturers, importers and others using toxic chemicals of toxicity information declaring risks and emergency response arrangements;
- d. Encourage large industrial enterprises including transnational corporations and other enterprises wherever they operate to introduce policies demonstrating the commitment, with reference to the environmentally sound management of toxic chemicals, to adopt standards of operation equivalent to or not less stringent than those existing in the country of origin;

**30.3** Business and industry, including transnational corporations, should recognize environmental management as among the highest corporate priorities and as a key determinant to sustainable development. Some enlightened leaders of enterprises are already implementing "responsible care" and product stewardship policies and programmes, fostering openness and dialogue with employees and the public and carrying out environmental audits and assessments of compliance. These leaders in business and industry, including transnational corporations, are increasingly taking voluntary initiatives, promoting and implementing self-regulations and greater responsibilities in ensuring their activities have minimal impacts on human health and the environment. The regulatory regimes introduced in many countries and the growing consciousness of consumers and the general public and enlightened leaders of business and industry, including transnational corporations, have all contributed to this. A positive contribution of business and industry, including transnational corporations, to sustainable development can increasingly be achieved by using economic instruments such as free market mechanisms in which the prices of goods and services should increasingly reflect the environmental costs of their input, production, use, recycling and disposal subject to country-specific conditions.

**30.8** Governments should identify and implement an appropriate mix of economic instruments and normative measures such as laws, legislations and standards, in consultation with business and industry, including transnational corporations, that will promote the use of cleaner production, with special consideration for small and medium-sized enterprises. Voluntary private initiatives should also be encouraged.

**30.9** Governments, business and industry, including transnational corporations, academia and international organizations, should work towards the development and implementation of concepts and methodologies for the internalization of environmental costs into accounting and pricing mechanisms.

**30.10** Business and industry, including transnational corporations, should be encouraged:

- a. To report annually on their environmental records, as well as on their use of energy and natural resources;
- b. To adopt and report on the implementation of codes of conduct promoting the best environmental practice, such as the Business Charter on Sustainable Development of the International Chamber of Commerce (ICC) and the chemical industry's responsible care initiative.

**30.14** Industry and business associations should encourage individual companies to undertake programmes for improved environmental awareness and responsibility at all levels to make these enterprises dedicated to the task of improving environmental performance based on internationally accepted management practices

**30.22** Business and industry, including transnational corporations, should be encouraged to establish world-wide corporate policies on sustainable development, arrange for environmentally sound technologies to be available to affiliates owned substantially by their parent company in developing countries without extra external charges, encourage overseas affiliates to modify procedures in order to reflect local ecological conditions and share experiences with local authorities, national Governments and international organizations.

**30.26** Business and industry, including transnational corporations, should ensure responsible and ethical management of products and processes from the point of view of health, safety and environmental aspects. Towards this end, business and industry should increase self-regulation, guided by appropriate codes, charters and initiatives integrated into all elements of business planning and decision-making, and fostering openness and dialogue with employees and the public.

**36.20** Governments, industry, trade unions, and consumers should promote an understanding of the interrelationship between good environment and good business practices.

## **Extracts from 2002 Johannesburg Plan of Action of relevance to a call for a convention on corporate sustainable development in 2012**

18. Enhance corporate environmental and social responsibility and accountability. This would include actions at all levels to:
- (a) Encourage industry to improve social and environmental performance through voluntary initiatives, including environmental management systems, codes of conduct, certification and public reporting on environmental and social issues, taking into account such initiatives as the International Organization for Standardization standards and Global Reporting

Initiative guidelines on sustainability reporting, bearing in mind principle 11 of the Rio Declaration on Environment and Development;

19. Encourage relevant authorities at all levels to take sustainable development considerations into account in decision-making, including on national and local development planning, investment in infrastructure, business development and public procurement. This would include actions at all levels to:

(a) Provide support for the development of sustainable development strategies and programmes, including in decision-making on investment in infrastructure and business development;

(b) Continue to promote the internalization of environmental costs and the use of economic instruments, taking into account the approach that the polluter should, in principle, bear the costs of pollution, with due regard to the public interest and without distorting international trade and investment;

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*References for studies cited in Business Leaders section :*

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Goldman Sachs study : GS Sustain: Challenges in ESG Disclosure, October 2009.

WestLB study: Garz, H & Volk, C. What really counts: The materiality of extra-financial factors, WestLB, February 2007.

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