

**January 4, 2006**  
**Developments in International Sustainability Reporting**  
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Responding to the growing popularity of socially responsible investing, a number of countries have modified their financial reporting requirements to add environmental and social information. The New Economic Regulations (*Nouvelles Regulations Economiques* or NRE) adopted by France impose this integrated annual reporting on corporations listed on the French stock exchange. Among the required disclosures is an explanation on how the company engages environmental activist groups, consumer groups, educational institutions and impacted populations on sustainability issues of concern.<sup>1</sup> A 2005 UK law requires the largest companies in the country to provide an Operating and Financial Review (OFR) as part of their annual financial report. Like its French counterpart, this report covers information on the company's relationship with stakeholders and its environmental and social matters that may affect the development and performance of the company.<sup>2</sup> In South Africa, the King Commission recommended in its Code on Corporate Governance that all companies listed on the Johannesburg Securities Exchange disclose information on economic, social and environmental performance.<sup>3</sup> The Canadian Securities Administrators, a group of provincial securities authorities, issued model national securities-reporting requirements calling for companies to identify any social and environmental policies they have adopted which are fundamental to operations, and to describe the steps taken to implement them.<sup>4</sup> Financial reports in Sweden must include a brief statement on the company's environmental aspects, as well as information on gender diversity, employee sick leave, and governance issues. Norway and Australia also require companies to include environmental statements in their financial reports.<sup>5</sup>

Public sustainability reporting is also the subject of a wide range of international voluntary initiatives. The European Union's Eco-Management and Audit Scheme (EMAS)—a voluntary environmental management standard—requires participating companies to publish a public, externally verified “environmental statement” describing the organization's environmental policy, programs, and management systems as well as its significant environmental impacts and their effects, and environmental goals and performance results.<sup>6</sup> There are over 30 other frameworks for voluntary environmental and sustainability reporting, too.<sup>7</sup> Guidance has been issued in the UK, Japan, Canada, Germany, the Netherlands, Austria, Australia, and Hong Kong.<sup>8</sup> Of all these initiatives, the most notable is the Global Reporting Initiative (GRI), a worldwide collaborative effort instituted in 1997 among activists, investors, companies and various professional associations.<sup>9</sup>

The GRI Sustainability Reporting Guidelines call for sustainability reports to be prepared in accordance with certain principles on report content (inclusivity, relevance and materiality, completeness) and on the quality of reported information (balance comparability, accuracy, timeliness, clarity, assurability). The Guidelines ask for information on the reporting entity's strategy, organizational profile, governance, and stakeholder engagement, as well as its commitments and management approach on sustainability matters. In addition, the document lists specific performance indicators spread across the Triple Bottom Line categories: economic, environmental, and social (labor, human rights, society, product responsibility). As of 2005, the Guidelines were being employed to some extent by well over 750 companies, with approximately 15 percent of them being self-declared “in-accordance” reporters that applied the Guidelines fully as intended.<sup>10</sup> In 2004, 18 North American research analysts representing nearly over \$230 billion in assets pressed all publicly traded companies to prepare GRI reports.”<sup>11</sup> The third generation of the Guidelines (“G3”) will be finalized in October 2006.

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<sup>1</sup>Law number 2001-420 (May 15, 2001).

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See, Mary Lou Egan, et al., *France's Nouvelles Regulations Economiques: Using Government Mandates for Corporate Reporting to Promote Environmentally Sustainable Economic Development*, paper prepared for presentation at the 25<sup>th</sup> Annual Research Conference of the Association for Public Policy and Management, Washington, DC, November 2003, at

<http://www.bendickegan.com/pdf/EganMauleonWolffBendick.pdf> (last visited January 3, 2006).

See also, Sarj Nahal (international director, ARESE), *BSR Analysis and Trend Reporting: Mandatory CSR Reporting: France's Bold Plan* (Business for Social Responsibility, 2002), at

<http://www.bsr.org/BSRResources/Magazine/CSRTrends.cfm?DocumentID=844> (last visited January 3, 2006)

<sup>2</sup> UK Statutory Instrument S.I. 2005/1011, effective March 22, 2005 available at UK Department for Productivity, Energy and Industry, *Operating and Financial Review (OFR)*, at <http://www.dti.gov.uk/cld/financialreview.htm> (last visited January 3, 2006).

UK Accounting Standards Board, *Operating and Financial Review (OFR)*, at <http://www.frc.org.uk/asb/technical/projects/project0054.html> (last visited January 3, 2006).

<sup>3</sup> King Committee on Corporate Governance, Institute of Directors in Southern Africa, "Code of Corporate Practices and Conduct," *Executive Summary of the King Report of 2002* (March 2002), at <http://www.ecseonline.com/PDF/King%20Committee%20on%20Corporate%20Governance%20-%20Executive%20Summary%20of%20the%20King%20Report%202002.pdf> (last visited January 3, 2006) sect 5.1.

See also, William Baue with Graham Sinclair, "Johannesburg Securities Exchange Requires Compliance with King II and Global Reporting Initiative," *Social Funds.com*, at <http://www.socialfunds.com/news/print.cgi?sfArticleId=1174> (last visited January 3, 2006).

<sup>4</sup> Canadian Securities Administrators, *Continuous Disclosure Obligations, Form 51-102F2, Annual Information Form*, item 5, section 5.1(4), December 19, 2003, at [http://www.osc.gov.on.ca/Regulation/Rulemaking/Current/Part5/rule\\_20031219\\_51-102\\_con-dis.pdf](http://www.osc.gov.on.ca/Regulation/Rulemaking/Current/Part5/rule_20031219_51-102_con-dis.pdf) (last visited January 3, 2006).

<sup>5</sup> See, David Case, "Corporate Environmental Reporting as Informational Regulation: A Law and Economics Perspective," *University of Colorado Law Review*, vol.76, issue 2, Spring 2005 (hereinafter "Case Article on Environmental Reporting").

See also, Association of Chartered Certified Accountants and CorporateRegister.com, *Towards Transparency: Progress on Global Sustainability Reporting 2004* (2004), at [http://www.accaglobal.com/pdfs/environment/towards\\_trans\\_2004.pdf](http://www.accaglobal.com/pdfs/environment/towards_trans_2004.pdf) (last visited January 3, 2006) (hereinafter "ACCA-CR Reporting Survey 2004").

<sup>6</sup> See, Case Article on Environmental Reporting, at 402-407.

<sup>7</sup> See, Folkert van der Molen, *Guidelines and Tools for Environmental Reporting*, at [http://www.enviroreporting.com/mjv\\_link2.htm](http://www.enviroreporting.com/mjv_link2.htm) (last visited January 3, 2006).

See also, Case Article on Environmental Reporting, at 396-387.

See also, Association of Chartered Certified Accountants and CorporateRegister.com, *Environmental, Social and Sustainability Reporting on the World Wide Web: A Guide to Best Practices* (2001), at <http://www.accaglobal.com/pdfs/environment/ACCA-RJ3-002.pdf> (last visited January 3, 2006) (hereinafter "ACCA-CR Web Reporting Practices 2001"), at 39.

<sup>8</sup> ACCA-CR Reporting Survey 2004, at 12.

Directorate-General for Employment and Social Affairs, European Commission, *Compendium of National Public Policies on CSR in the European Union*, at [http://europa.eu.int/comm/employment\\_social/soc-dial/csr/index.htm](http://europa.eu.int/comm/employment_social/soc-dial/csr/index.htm) (last visited January 3, 2006).

<sup>9</sup> Global Reporting Initiative Sustainability Reporting Guidelines, at <http://www.globalreporting.org/> (last visited January 3, 2006) (hereinafter "GRI Guidelines").

<sup>10</sup> GRI Web Site, at <http://www.globalreporting.org/> (last visited January 3, 2006).

<sup>11</sup> Social Investment Forum, "Analysts at 17(sic) Leading Socially Responsible Investment Firms Urge Stronger Corporate Reporting" *Social Investment Forum News* (October 6, 2004), at <http://www.socialinvest.org/areas/news/100604-CorporateReporting.htm> (last visited January 3, 2006).