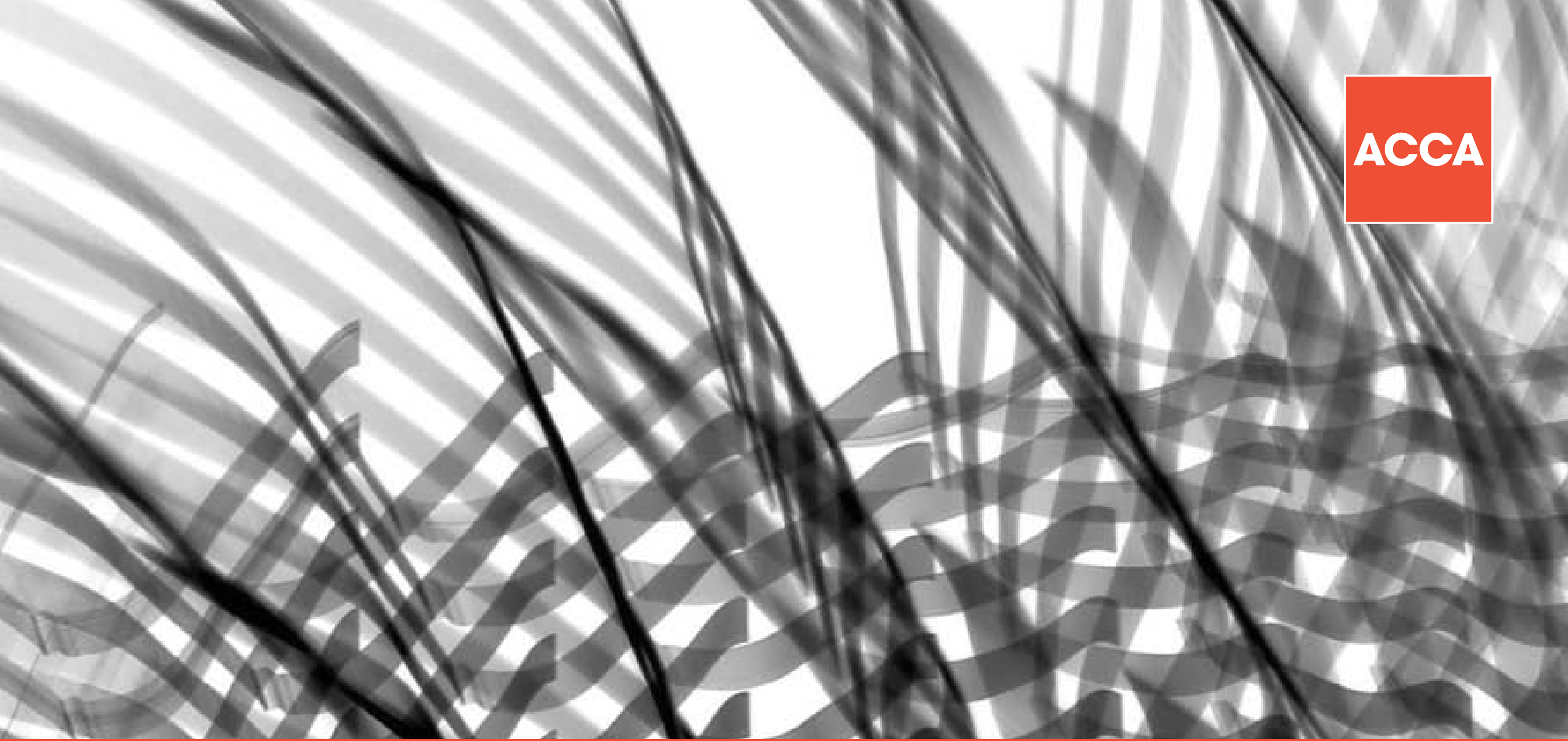

ACCA

Paragraph 47: international perspectives one year on

About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies in all stages of development. We aim to develop capacity in the profession and encourage the adoption of consistent global standards. Our values are aligned to the needs of employers in all sectors and we ensure that, through our qualifications, we prepare accountants for business. We work to open up the profession to people of all backgrounds and remove artificial barriers to entry, ensuring that our qualifications and their delivery meet the diverse needs of trainee professionals and their employers.

We support our 162,000 members and 426,000 students in 170 countries, helping them to develop successful careers in accounting and business, with the skills needed by employers. We work through a network of over 89 offices and centres and more than 8,500 Approved Employers worldwide, who provide high standards of employee learning and development.

ABOUT ACCA'S GLOBAL FORUMS

To further its work, ACCA developed an innovative programme of global forums which brings together respected thinkers from the wider profession and academia around the world.

Global Forum for Sustainability
In the context of increasing environmental regulation and the need for businesses to identify and manage a more diverse range of risks, the goal of the Global Forum for Sustainability is to articulate and communicate the relevance of sustainability issues for the business community and the accountancy profession. It monitors international trends and developments in sustainability and leads ACCA's contribution to policy development in this area.

In order to capture stakeholder and national perspectives on paragraph 47 (the reporting outcomes of Rio+20), ACCA held a series of focus groups in Australia, Canada, Hong Kong, South Africa, UAE, and the UK. The participants represented a range of stakeholders in corporate sustainability reporting.

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Contents

Introduction

Paragraph 47

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

'PARAGRAPH 47', *THE FUTURE WE WANT* (UNCSD 2012).

ABOUT THIS REPORT

ACCA wanted to capture stakeholder and national perspectives, as well as levels of understanding of paragraph 47, to ensure that any developments reflect balanced and international views. ACCA therefore held a series of focus groups in six countries around the world, including:

- Australia
- Canada
- Hong Kong
- South Africa
- UAE
- UK.

The focus groups brought together a total of 49 experts in sustainability and corporate reporting, who represented a range of stakeholder groups, including:

- corporates
- accountants
- reporting and CSR specialists
- investors
- NGOs.

This report presents the key opinions expressed during both the six focus group discussions and in response to a questionnaire that was circulated, from stakeholder and national perspectives. It represents the majority view, and may not be shared by all participants involved.

RIO+20

The United Nations Conference on Sustainable Development (Rio+20) took place in June 2012 and brought together world leaders, along with thousands of participants from governments, the private sector, NGOs and other groups, to shape a collective approach to reducing poverty, advancing social equity and ensuring environmental protection.

At Rio, and at a number of preliminary negotiations in the months preceding the June conference, negotiations focused on the text of the conference outcome document – *The Future We Want* (UNCSD 2012). The document set out a common vision for eradicating poverty and unsustainable patterns of production and consumption, and identified the range of actors (including the private sector) necessary to engage when addressing such wide reaching and complex issues.

Included within the document was an acknowledgment of the importance of corporate sustainability reporting as a tool for enhancing sustainable development. Over the six-month negotiating period, the wording was significantly weakened from its original state. There was strong and wide campaigning by many organisations,[1] including ACCA via its policy paper *Making a Difference at Rio+20* (ACCA 2012), calling for a strengthening of the original wording. Although a number of national delegations wanted to have the text excised from the document entirely, it is encouraging that even the weakened text remained in the final document. The text as it stands keeps corporate sustainability reporting on the political agenda, and it does make reference to future support from the UN system. Further to that, the Group of Friends of Paragraph 47 (GoF) has used the text as a catalyst for action on the topic of corporate sustainability reporting and is actively looking to recruit new members.

1. Such as the Corporate Sustainability Reporting Coalition (CSRC), a coalition of financial institutions, professional bodies, NGOs and investors that is being convened by Aviva. ACCA is a member.

GROUP OF FRIENDS

In order to promote and advance best practices on corporate sustainability reporting, the governments of Brazil, Denmark, France and South Africa formed the Group of Friends of Paragraph 47 (GoF) at the Rio+20 conference. The GoF is being supported by the United Nations Environment Program (UNEP) and the Global Reporting Initiative (GRI) and aims to create a platform where the providers of corporate sustainability reports (companies) can communicate with the users of reports (investors and other stakeholders), reporting standard-setters, UN agencies and civil society groups. In doing so, the GoF is seeking to progress corporate sustainability reporting on a government level, in a manner that unites the needs of a range of stakeholders (UNEP 2013). Specific efforts of the GoF include:

- creating a 'roadmap' for further promotion of corporate sustainability reporting (CSR), including options for capacity building in developing countries
- drawing up a broad inventory of existing best practices in the field of CSR that can serve as models
- engaging additional governments with the GoF.

Since its creation in June 2012, the GoF founding members have been joined by the Norwegian and Colombian governments.

THE POST-2015 DEVELOPMENT AGENDA

While negotiations at Rio+20 failed to result in a global policy framework on sustainability reporting, there is potential for stronger agreements to come out of the post-2015 development agenda. At present, the UN is working with governments, civil society and other partners beyond the expiry of the Millennium Development Goals (MDGs) in 2015.

The process followed on from Rio+20, and is due to continue through 2013 and 2014. In order to inform the process, the UN formed a high-level panel of experts, who published a set of recommendations in May 2013. Included were a number of references to corporate sustainability reporting, including calls for a mandatory 'comply or explain' regime to be phased in for all companies with a market capitalisation above $100 million equivalent.

Stakeholder perspectives

This section presents common and specific stakeholder perspectives that were expressed across the six focus groups. It represents the majority view, and may not be shared by all participants.

COMMON PERSPECTIVES

Sustainability reporting will help.
All stakeholder groups thought that greater levels of sustainability reporting would help efforts to address global environmental and social issues. They saw a need for a focus on corporate performance (and on better management) to ensure that companies make progress on addressing their environmental and social impacts.

Government regulation is important.
The majority of stakeholder groups thought that government-led action was an important means of increasing the quantity and quality of corporate sustainability reporting. Many companies would not attempt to issue sustainability reports without there being some form of regulatory or legislative requirement to do so. Regulations can be seen as a means of 'kick starting' wider adoption of sustainability reporting before companies begin to understand the reputational, commercial and performance benefits of doing so. Nonetheless, a box-ticking approach should be avoided, any legislation should be carefully thought through, and stakeholders should be consulted during their development.

There are changing pressures to report.
The stakeholders considered that the current main drivers of sustainability reporting were stakeholder pressure and marketing benefits. When asked what the expected key drivers would be in five years' time, stakeholder pressure was still important, but legislation had emerged as a key driver.

The need to use current frameworks.
Current reporting frameworks should be used to inform and develop international best practices on sustainability reporting. These frameworks were viewed as extremely useful and well established, so it would be inefficient to try and 'reinvent the wheel'.

Rio+20 was a missed opportunity.
There was disappointment at both the level of government commitment at the Rio+20 summit and the final text of paragraph 47, which is too weak to catalyse any corporate action. This was seen as a missed opportunity to send a strong message to corporates underlining their part in sustainable development. It was argued that governments paid more attention to addressing the fallout from the financial crisis and euro debt crisis, themselves symptoms of an unsustainable economy, than trying to make any progress on sustainable development.

Paragraph 47 has too few friends.
There was surprise at the low number of countries joining GoF, and stakeholders thought that the EU, Korea and many more Latin American nations could have been more vocal supporters of paragraph 47.

Stakeholder perspectives, continued...

CORPORATE PERSPECTIVES

Reporting alone is not sufficient.
Reporting is an important way in which companies can address environmental and social problems, but reporting alone will not be sufficient. Companies need to commit to the development process, and reporting should flow out of wider corporate initiatives.

Let the company decide.
A number of corporate stakeholders felt that companies would be better left to decide for themselves the level and scope of reporting, rather than being subject to regulation. This view diverged from that of other stakeholder groups, who largely thought that greater levels of regulation would be an important means of increasing the level of sustainability reporting.

ACCOUNTANT PERSPECTIVES

Behaviour is influenced by reporting.
Reporting tends to drive corporate behaviour as it forces companies to measure their environmental and social impacts, and this provide better visibility that facilitates managing performance.

Market mechanisms are more effective.
Market mechanisms, such as stock exchange disclosure requirements, are more effective tools for increasing the quantity of sustainability reporting than regulatory/legislative factors. Laws and regulations tend to require companies to meet a minimum standard, while market mechanisms provide scope for companies to differentiate themselves by going further than set standards.

REPORTING AND CSR SPECIALIST PERSPECTIVES

There is a need to involve industry groups.
Although governments should play an important role in determining what companies should report, industry groups should also be closely involved. Ideally, governments would collaborate with industry groups in developing reporting standards, and take a regulatory position to ensure compliance with the standards.

The right data must be measured.
Greater levels of sustainability reporting would help global efforts to address environmental and social problems, but companies would need to collect the right kind of data and present them in manner that is consistent, comparable and reliable, to ensure that reports are useful to the company's stakeholders.

INVESTOR PERSPECTIVES

Guidance and assistance are needed.
Companies need guidance and assistance to help determine the scale and scope of reporting. This would ensure better consistency and comparability, providing investors with a greater insight into the role of the corporate sector in causing and solving sustainability problems, which would then inform investment decisions.

NGO PERSPECTIVES

More than reporting is needed.
While many countries have seen an increase in the level of reporting, environmental and social problems have also increased. Greater levels of transparency allow stakeholders to understand a company's impacts, but they can only be minimised through specific corporate action.

GRI is preferred.
NGOs preferred the Global Reporting Initiative (GRI) reporting framework to all others, as it encourages companies to take into account and report to a wider range of stakeholders.

Reporting status

CANADA

Canadian companies, along with those in many countries around the world, have an increasing awareness of the role that corporate information disclosure and transparency can play as an instrument for enabling better corporate economic, environmental and social performance. This is demonstrated well by the fact that 79% of Canadian companies published some form of sustainability disclosure in 2011, an increase from 62% two years earlier (KPMG 2011). Although sustainability disclosure in Canada is predominantly a voluntary process, there are a few mandatory reporting standards that focus mainly on environmental impacts and liabilities.

The Canadian government has not historically shown leadership in sustainability issues in recent years, with the country opting to withdraw from the Kyoto protocol in 2011 and drawing criticism at the Rio+20 conference. The role of industry and accounting bodies will therefore be important in setting standards for sustainability reporting in Canada. This may change in the future, as the federal government in Canada is making moves towards greater transparency for the extractives industry as a means of ensuring better governance of natural resources.

UNITED KINGDOM

Levels of sustainability reporting in the UK are very high by global standards, with 97 of the companies listing on the FTSE 100 producing sustainability reports in 2011 (Pilot 2011). The fact that so many companies are producing reports demonstrates that the corporate sector in the UK is aware of the importance of sustainability to its long-term success. Many companies in the UK go beyond producing a sustainability report, with 56% of the FTSE 100 companies integrating corporate responsibility into their group strategy (Pilot 2011). This high level of reporting is due in part to the laws and regulations set by government, as the UK has a range of mandatory and voluntary standards, codes and guidelines for sustainability reporting.

SOUTH AFRICA

South Africa has been a leader in sustainability reporting, driven largely through the corporate governance codes developed by the King Committee on Corporate Governance. In recent years, the Johannesburg stock exchange (JSE) has included within its listing requirements that companies must adopt the principles detailed in the King III report and report their progress on a 'comply or explain' basis in their annual report. As a result, South Africa became the first country with mandatory integrated reporting for listed companies.

South African delegates were strong supporters of sustainability reporting at Rio+20, as a means of enhancing global development efforts. South Africa was also a founding member of the GoF. As a result, South Africa is in a position to influence international efforts to spread best practice on corporate sustainability reporting around the world.

THE UAE

Levels of sustainability reporting in the UAE are low by international standards, which is a reflection of a wider trend across the Gulf Cooperation Council (GCC) region. In 2012, only 5% of the largest GCC companies were producing sustainability reports, a significantly lower proportion than among the largest companies in Europe and the Americas – with reporting levels at 100% and 89% respectively (KPMG 2012). This low level of reporting is an indicator that the topic is still nascent in the region. Considering that the country is vulnerable to the effects of climate change, especially those concerning water scarcity and food security – a significant issue considering that the UAE has one of the world's highest rates of carbon dioxide emissions per head of population – one would expect a greater focus on sustainability in years to come, which may translate into higher levels of corporate sustainability reporting.

As the business case for sustainability gains momentum, it is highly likely that the number of companies incorporating sustainability measures into their corporate strategies and corporate reports will increase. As a result, UAE should look to leverage international best practice and engage with initiatives such as the GoF on the subject of corporate sustainability reporting.

HONG KONG

Although the Hong Kong Special Administrative Region is part of China, it operates a separate and distinctly different political, administrative and legal system. The Hong Kong government has a number of sustainability-focused initiatives that present both an opportunity and a challenge to companies operating in Hong Kong.

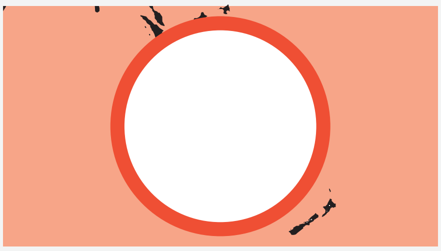
There are a few leading Hong Kong-based companies that have been producing sustainability reports for a number of years, but historically the amount has been low by international standards. This is likely to change in the future, driven largely by Hong Kong Exchanges and Clearing Limited (HKEx), which has issued an ESG Reporting Guide on recommended best practice and appended this to the Listing Rules. The HKEx intends to raise awareness among Hong Kong companies through a series of training sessions in the second half of 2013. The level of compliance may be reviewed in the next year. These are modest but positive steps for greater corporate sustainability reporting in Hong Kong.

AUSTRALIA

As in many countries around the world, sustainability reporting is voluntary in Australia. Despite this, 85 of the top 100 listed companies choose to produce some form of sustainability report (ACCA and the Net Balance Foundation 2012). These reports vary in their scale and scope, but the fact that so many companies produce reports is a positive sign considering that sustainability has traditionally been a divisive topic in Australia (for example, there were campaigns against the carbon price that was introduced by the Australian government in 2012).

Recent events, such as the record heat wave that took place in early 2013 or the widespread flooding in early 2011, show that Australia is vulnerable to extreme weather events, which are expected to increase in frequency owing to climate change. As such, one would expect both the government and the private sector to increase their efforts to address sustainability issues in future. This in turn should lead to an increase in the quantity and quality of sustainability reports in Australia.

Country perspectives:
Is the paragraph 47 wording strong enough to change corporate behaviour?



THE AUSTRALIAN VIEWPOINT

Economic instability led to weaker commitments.
The wording was not believed to be strong enough, and three main reasons were given for this.

1. The Rio+20 conference took place during a period of economic instability, which limited any stronger commitments on sustainability reporting. With the consequences of the 2008 financial crisis still very much present in many countries around the world, as well as the Eurozone debt crisis, it was no surprise that any proposals calling for a greater regulation of business were challenged.

2. A number of key reporting frameworks such as the GRI and IIRC frameworks were either being developed or undergoing a period of change, so it would have been difficult to mandate non-financial reporting.

3. The resource constraints of developing countries prevented any greater commitments. Governments in less-developed countries often lack the necessary resources and skills to enforce mandatory requirements on companies, which highlights the need for further work on the subject to enable the development of realistic, enforceable legislation.

THE CANADIAN VIEWPOINT

Vague with no reference to materiality.
The inclusion of paragraph 47 in the outcome document was seen as a small measure of success, but the language used therein is considered too vague to have any real impact on the corporate sector in Canada. The wording lacks anything meaningful for companies to implement and has no clear objective. This may be due to the challenges of creating a statement that is acceptable to a community as diverse as the government negotiators at the Rio summit.

The wording does not make any reference to materiality, which could result in reports that include information that is not relevant to a company's stakeholders or that fail to address the most significant issues facing the business.

The private sector may be a better promoter of corporate sustainability reporting in Canada than a UN or government-led initiative. The mechanisms already in place to 'name and shame', such as expulsion from business groups or reputational damage associated with unsustainable business practices, may be more effective.

THE HONG KONG VIEWPOINT

Purely aspirational and unlikely to change corporate behaviour.
The current wording is purely aspirational, and lacks the necessary 'teeth' to have any noticeable impact on corporate behaviour. Nonetheless, the mention of corporate sustainability reporting was seen as a positive outcome, particularly as there were so many differing country viewpoints to integrate.

The level and awareness of sustainability reporting is low, and so paragraph 47 remains largely unknown across the business world in Hong Kong. The majority of companies have not made the necessary investments to enable them to produce sustainability reports and so any legislation or regulations coming out of Rio+20 would have been unpopular.

THE SOUTH AFRICAN VIEWPOINT

Weak but better than nothing.
The weakened text of paragraph 47 reflects the much lower ambitions of the Rio+20 conference as a whole, but even a weakened reference to corporate sustainability reporting is considered a good thing. There was surprise that more countries did not support paragraph 47, especially considering that many – such as Canada, Sweden, the UK and the US – have national policies and regulations that require companies to report on sustainability matters.

The current wording of paragraph 47 is not sufficient to change corporate behaviour alone, but does call for stakeholders in corporate reporting to work together on the topic, which South African delegates saw as essential. Government-led initiatives are important, but will only succeed if all stakeholders in corporate reporting collaborate.

Although many countries could benefit from the experiences of South Africa, there is a perceived disconnection between national and corporate reporting in the country. It was argued that more could be done to close this gap and, in doing so, companies operating in South Africa would gain a much clearer picture of how their local impacts relate to national sustainability targets.

THE UAE VIEWPOINT

Little impact in a largely non-reporting region.
Paragraph 47 would have little impact on the corporate sector in the UAE owing to the country's current low levels of sustainability reporting and limited government action on the subject. The UAE has few official standards on sustainability, and as a result companies operating there have little regulatory pressure to consider sustainability or produce sustainability reports. This may change in the future, as the government's recent economic vision does make reference to sustainability.

The ownership structure of businesses in the UAE also acts as a barrier to greater levels of transparency. Many companies in the country are family owned, and therefore report only what is necessary to meet legal requirements. As reporting on non-financial matters is not common practice, companies see high levels of transparency as a risk to their competitive advantage.

THE UK VIEWPOINT

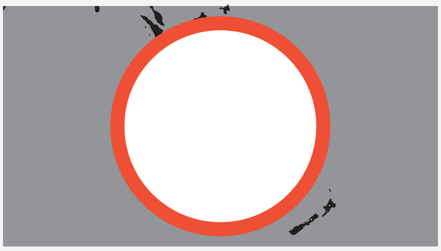
An achievement but harmonisation and consistency critical.
The reference to sustainability reporting within the Rio+20 outcome document was an achievement: having recognition at the international level represented a very positive step, but the challenge now is to interpret the text at the local level.

Participants doubted that initial hopes that paragraph 47 would call for an international framework for sustainability reporting were realistic, as countries that are currently developing their own sustainability reporting policies would be reluctant to change to a framework that would have to be based on 'lowest common denominators' in order to be globally applicable. Instead, UK delegates saw harmonisation as a more practical approach, with national policies built up from a standard 'floor', and extending beyond environmental issues to include social and other measures.

Consistency was considered important given that inconsistent global sustainability policy development could result in a 'tax haven effect', where organisations only commit to sustainability in countries where policy is least stringent, with concern voiced that harmonisation could have the same result if based on minimum standards.

'Reporting for reporting's sake' is pointless, and it was argued that any initiatives to enhance corporate sustainability reporting should focus on improving the sustainability performance of companies and ensuring that their reports are relevant and meaningful in the context of their business and their stakeholders.

Country perspectives:
If paragraph 47 were to be implemented, what would be the key challenges?



THE AUSTRALIAN VIEWPOINT

Convert sceptics and consider mandatory measures.
For paragraph 47 to have any impact in Australia, the challenge is to make a significant effort to ensure that the many stakeholders in sustainability reporting understand the benefits of corporate sustainability initiatives. There are many climate sceptics in Australia, and sustainability has historically been a politically divisive topic. The fact that certain powerful shareholder bodies have a conservative stance towards sustainability was seen by delegates as a barrier to greater government action on the subject. A mandatory approach would be the best way of ensuring that many more companies report on their environment, social and governance (ESG) impacts.

The Australian Stock Exchange could also play an important role in driving sustainability reporting in Australia. Stock exchanges arguably have a greater influence over listed companies than do governments. While such an approach would only affect listed companies, it would also encourage sustainability reporting for SMEs if listing requirements specified that reporters must address the sustainability impacts that exist within their supply chains.

THE CANADIAN VIEWPOINT

Utilise existing initiatives and build political will.
The challenge is to ensure that any new sustainability reporting programme builds upon existing government initiatives, having determined what is in place, seen what is working and then establishing which elements could be voluntary or mandatory. To maximise effectiveness, the government must consult relevant stakeholders in addition to taking into account the various industry-specific and mandatory sustainability reporting guidelines already established by industry groups or regional governments.

Another challenge is to build political will to maximise the chances of success. Canada is a very disparate nation in which there are many different views, and where national sustainability policies are not aligned with economic strategies. One solution is to demonstrate to the Canadian business community that sustainability, of which reporting is a part, is in its best financial self-interest.

THE HONG KONG VIEWPOINT

Introduce enforcement mechanisms for any new measures.
Regulation is an effective means of ensuring that more companies examine their sustainability impacts, but the challenge is to ensure that both compliance rates and the quality of disclosure is high. Regulation could result in reporting for the sake of reporting – becoming a 'box ticking' exercise rather than a driver of sustainable business change.

In China, the State-Owned Assets Supervision and Administration Commission (SASAC) has mandated CSR reporting for state-owned enterprises (SOEs), which has led to a large increase in reporting. Hong Kong could learn from this.

HKEx's new voluntary guidelines on ESG reporting are in a position to become a key driver of enhanced transparency for listed companies. The challenge is to increase this impact further by incorporating the guidelines from purely advisory to a 'comply or explain' listing requirement. HKEx is monitoring developments, including those at more experienced exchanges and key initiatives such as the Sustainable Stock Exchanges Initiative. Sustainability indices, where companies need to meet specific standards to be included, can also have a positive impact: their use by investors may enable companies to reduce their costs of capital.

A hybrid approach, incorporating all the above methods, would be very effective, as this would combine both the push of regulation and the pull of indices.

THE SOUTH AFRICAN VIEWPOINT

Use past experience to limit any challenges.
The general reporting environment is more developed in South Africa than in other countries around the world because of requirements such as those from the Johannesburg Stock Exchange (JSE), whose listing rules are much more stringent than paragraph 47. The experience of introducing these mandatory requirements will help overcome any potential challenges of implementing paragraph 47.

The JSE requirements have led to an increased number of sustainability reporters, although more could be done to improve their quality. Integrated reporting is still a relatively new concept and many companies are not yet integrating sustainability into their corporate strategies, and nor do they have reporting systems that are developed enough to capture all the data relevant for producing a good integrated report.

Engaging SMEs continues to be a challenge. Potential ways of encouraging greater sustainability reporting from SMEs include:

- adapting existing guidelines and standards such as ISO 26000 and the GRI Guidelines to make them relevant to smaller businesses

- engaging with investors, especially private equity investors, so that they call for information on the sustainability performance of the companies they invest in.

THE UAE VIEWPOINT

Build a solid business case to enhance levels of understanding.
The major challenge is that the level of knowledge and understanding of sustainability is relatively low in the UAE. A good starting point, therefore, would be to provide training and guidance to companies. The majority of companies have implemented few or no sustainability initiatives, and those that have done focus on philanthropic projects rather than assessing material sustainability issues.

The challenge is to have a solid business case for sustainability central to any corporate initiative, demonstrating that progressive companies can increase profits and market share while also addressing their environmental and social impacts. A common definition of sustainability, and an explanation of what it means in the UAE context, would also aid this process.

Highlighting the reputational risks of not being transparent about sustainability impacts could also be a good way of increasing the level of sustainability reporting in the UAE, as well as taking a sectoral approach, as certain industries are more progressive in their approach.

THE UK VIEWPOINT

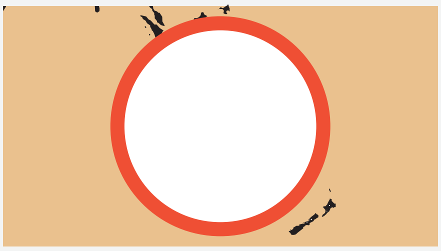
Critical to include all relevant companies.
The challenge would be to ensure that, when any paragraph 47 programme is introduced, all relevant companies are covered. Recently introduced legislation in the UK demonstrates that 'eligibility' can be a problem. From 2013, listed companies in the UK will be required to report on their greenhouse gas emissions. Although this is a positive step, focusing purely on listed companies may adversely affect the competitive advantage of listed companies if they compete against large private companies. It is positive that paragraph 47 refers not only to listed companies, but also to large private companies, which is a similar approach to that of proposed EU initiatives. The latter would require all large companies to report on non-financial matters, such as their diversity and environmental policies, thus affecting companies on the basis of their size, not just their listing status.

An additional challenge would be to raise awareness, within sustainability reporting guidelines and standards, of the importance of transparency in areas such as human rights, corruption and tax policy. Currently, focus tends to vacillate between environmental concerns.

Engaging SMEs also continues to be a challenge. As SMEs make up a significant proportion of businesses in the UK, simplified versions of key reporting guidance and standards are needed to improve the uptake in reporting.

Coalitions of relevant stakeholders in sustainability reporting have a role to play in the UK and could add significant value by demonstrating the importance of sustainability reporting to both governments and companies alike.

Country perspectives:
Paragraph 47 and the needs of developing countries: how can they be considered?



THE AUSTRALIAN VIEWPOINT

Financial support and knowledge transfer necessary.
There was a sense that the wording used within paragraph 47 was somewhat ambiguous in its references to 'developing' countries. 'Developing' could mean either countries that are developing economically or countries that are starting 'on the journey of reporting'. In either case, the GRI's Focal Point offices were considered a good way of promoting sustainability reporting around the world owing to their mandate for educating wider audiences about the topic.

For less-developed countries, financial assistance was seen as an important mechanism for funding the development of sustainability reporting frameworks. Beyond financial assistance, it would also be important to transfer knowledge and skills in sustainability reporting. This knowledge transfer should not just flow one way, as many developing nations (in particular the BRIC nations) have their own experiences to share.

THE CANADIAN VIEWPOINT

Stock exchanges to drive progress.
Although supportive of the concept of sustainability, the developed world often does not bear the brunt of unsustainable production and consumption and thus perceives the associated problems stemming from these as a largely developing-country issue. There is also a reluctance to sign up to initiatives that are considered potentially damaging to the national image, even though these steps may offer significant benefits to developing countries.

Acknowledgement was made of the efforts of certain developing countries, such as India, that are demonstrating reporting leadership and have introduced more mandatory reporting guidelines than many developed nations.

Stock exchanges can be an important driver by including sustainability reporting requirements within listing rules, although some exchanges are concerned that companies may choose to list where regulations are less stringent, in effect creating a race to the bottom to avoid high compliance costs. It needs to made clear, therefore, that disclosure and regulation are not at cross-purposes with corporate objectives.

THE HONG KONG VIEWPOINT

Build on social business case.
The best way to build capacity is to build an understanding of the value provided by sustainability and to dispel the myth that it is a corporate burden. This lack of knowledge of the benefits of incorporating sustainability into corporate strategy was recognised as a key barrier to greater levels of reporting both in Hong Kong and elsewhere.

In those developing countries where the private sector has a much greater understanding of sustainability than the public sector, private companies should take the lead, especially multinational companies that can apply cross-border capacity building by addressing supply-chain sustainability issues and providing responsible and sustainable products and services.

Where there is poor national transparency and accountability, the role of NGOs as a driver for change is important and hence there is a need to build NGO capacity.

THE SOUTH AFRICAN VIEWPOINT

Can play a regional role in Africa.
South Africa has a unique opportunity to assist developing countries in their drive to create a more transparent and accountable business environment, especially on the African continent, although care needs to be taken not to impose its approach on others. Any efforts need to be sensitive to the cultural, social, political and environmental contexts in each country. South Africa should provide case studies and examples that communicate the value of sustainability.

Corruption is a major challenge in many countries in Africa, so efforts to promote transparency might be actively discouraged by either local government or the business community. In some countries there is a clear business benefit in helping to build stronger governance mechanisms, while in others corruption is so entrenched that neither the government nor private sector is considered to have any active interest in sustainability.

THE UAE VIEWPOINT

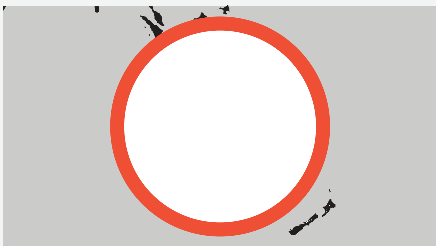
Capacity building is important to drive progress.
There is a significant knowledge gap about sustainability in general and sustainability reporting more specifically in the UAE. It was believed that the country would certainly benefit from the capacity-building efforts of coalitions such as the Group of Friends of Paragraph 47, as the experience of countries that have made more progress in sustainability reporting can inform the progress of the UAE. Improving the knowledge and skills of local Emiratis is an important issue because 92% of those living in the country are expat workers.

THE UK VIEWPOINT

Lessons to learn from emerging countries.
Some key developing and emerging countries – such as India, Brazil and South Africa – are actually at the forefront of sustainability reporting possibly because they have greater experience of and exposure to environmental and social issues. Nonetheless, despite strong national government support, implementation and compliance can still be poor.

Care needs to be taken when providing advice to developing countries, as poorly planned capacity-building initiatives, or 'North to South only' conversations, could be perceived as patronising. Knowledge transfer should primarily be between countries with similar experiences, such as the current transfers between South Africa and Mexico.

Country perspectives:
Which current models and frameworks represent best practice?



THE AUSTRALIAN VIEWPOINT

Demonstrate the relationships between the key frameworks.
All the current reporting frameworks have their individual strengths: the GRI offers technical depth; integrated reporting frameworks represent an important bridge between financial reporting and sustainability reporting; SASB is strong on sector-based materiality. Even so, there is a gap when it comes to context or geographically based reporting, or that with a focus on local impacts.

The many different frameworks for companies to choose from create confusion for companies in Australia: there should be greater clarity on how they fit together. This is a big stumbling block for sustainability reporting, as companies hesitate to commit significant resources to developing the reporting systems necessary for producing good sustainability reports if they are not clear about the aim.

Any reporting framework should have a clear focus on material issues and provide guidance on identifying material impacts.

THE CANADIAN VIEWPOINT

Make any initiative principles and process based.
Principles-based frameworks were considered more valuable than prescriptive approaches, as these tend to encourage a 'checklist' approach to reporting. The best reporting frameworks should provide guidance on materiality assessment so that companies can address their stakeholder needs and identify their key impacts. Reporting frameworks should focus more on the process of reporting rather than providing companies with a series of indicators.

Although principles-based frameworks will assist reporters in producing highly relevant reports, such reporting requires sophisticated accounting systems to capture all the necessary information. This will be beyond the resources of many companies, especially SMEs, and so SME-focused reporting guidelines are necessary.

THE HONG KONG VIEWPOINT

Report on the issues that matter.
While the GRI is the clear leader, in Hong Kong the proliferation of standards may have acted as a deterrent to reporting. Companies are reluctant to invest in the reporting systems necessary for complying with a particular framework if it is not clear which one represents international best practice. At the same time, there could never be a 'one size fits all' standard owing to the importance of considering local context when producing a sustainability report.

Many delegates agreed that any reporting framework should provide clear guidance to companies on how to determine which issues are sufficiently material to include within a report, rather than allowing companies simply to list a large number of key performance indicators (KPIs). If companies are presented with a list of KPIs, without the sort of process that GRI has for selecting the most important issues, they are likely to 'cherry pick' the ones they report rather than focusing on the issues that really matter.

THE SOUTH AFRICAN VIEWPOINT

Focus on performance and strategy.
It was noted that any reporting framework needs to encourage companies to focus on the sustainability performance of their operations, and not just on producing reports for reporting's sake. There are a number of South African companies that have a good understanding of the impact of non-financial issues on their businesses and are integrating sustainability into their strategies: such companies should be used as examples of best practice, to provide a benchmark for less mature companies.

THE UAE VIEWPOINT

Adapt to first timers.
Delegates argued that most businesses in the UAE are not equipped to adopt any of the current sustainability reporting frameworks at present. Many companies are deterred from using existing frameworks because they consider they lack adequate systems for capturing the information necessary for producing a comprehensive report.

UAE country-specific or Gulf Cooperation Council (GCC) region-specific guidelines for first-time reporters would be of great benefit to companies intending to start producing sustainability reports. Such guidelines could be developed by a coalition of relevant local stakeholders. The coalition could include local companies, accountants and accounting bodies, NGOs, business organisations and government representatives.

THE UK VIEWPOINT

Build around materiality.
The availability of many frameworks can confuse sustainability teams and often results in long and unreadable reports. The emerging frameworks such GRI's G4 and the International Integrated Reporting Council's <IR> reporting framework are expected to provide stronger guidance on materiality, so this confusion may be reduced in the near future.

Recommendations

On the basis of the six conversations between the 49 experts, a number of recommendations have been put forward. These recommendations are intended for both the GoF and any government intending to proceed with paragraph 47 implementation.

1. FOCUS ON MATERIALITY

Reports that focus on the most significant issues are more meaningful and informative than those that include everything, hiding key messages and confusing stakeholders. Companies should therefore report on only their material issues and provide information on the materiality process undertaken, which is important for stakeholders in understanding issues and seeing how they were selected.

2. OUTCOMES-BASED AND CONTEXT REPORTING

Any new initiative should require reports to provide relevant context, to show full appreciation of how corporate performance contributes to national and global policy and of how targets align with industry benchmarks or other measures. Context is important to understanding what difference a company's actions make, and thus how well it is performing in the bigger scheme of things and how it is contributing to sustainable development.

3. FACILITATE THE INTEGRATION OF SUSTAINABILITY INTO CORE BUSINESS STRATEGY

Mandating sustainability reporting will increase the quantity of reports but not the quality. Companies produce higher-quality reports when they make the effort to understand their sustainability impacts fully and to develop specific programmes and initiatives accordingly.

Any new initiative should provide guidance to reporters on how they can integrate sustainability more thoroughly into their strategies, and the business case for doing so.

4. COLLABORATE AND CONSULT WITH KEY STAKEHOLDERS

Companies should produce reports that are relevant to an audience who are representative of the various stakeholders affected by their operations. Any new initiative should be developed through a collaborative process that pulls together the key stakeholder groups that have an interest in corporate reporting. This multi-stakeholder approach will ensure that all key issues have been raised and considered, resulting in a greater chance of acceptance and success.

5. USE STOCK EXCHANGES AND THEIR INFLUENCE OVER LISTED COMPANIES

A number of stock exchanges around the world are showing how they, through their listing requirements, are able to influence the scale and scope of corporate reporting within their jurisdictions.

Any new initiative should engage stock exchanges, which in turn should be coordinating their efforts, through bodies such as the World Federation of Exchanges or the International Organization of Securities Commissions (IOSCO), in setting standards around sustainability disclosure.

6. BUILD ON EXISTING FRAMEWORKS AND HARMONISE REQUIREMENTS

There are a number of international, national and industry-wide sustainability reporting frameworks that have been in use for many years. It would be unnecessary and inefficient to try to develop completely new standards. Any new initiative should build on the knowledge and experience of existing frameworks, and begin to harmonise the proliferation of reporting guidelines so as to aid comparability and reduce confusion.

7. DEVELOP AN AWARENESS OF LOCAL KNOWLEDGE AND LIMITATIONS

The level of knowledge and understanding of sustainability in general and sustainability reporting, from all stakeholders, in particular differs significantly around the world. Any new initiative would, therefore, need to be sensitive to local knowledge levels when developing guidelines and be workable for both the leading and laggard countries in sustainable reporting.

8. ADAPT TO NATIONAL AND SECTORAL NEEDS

Any framework adopted should be flexible in order to encompass the specific needs of both national and sectoral issues. Nonetheless, it is still important to achieve comparability across the reports, and any new initiative should meet that challenge. A principles-based rather than a rules-based approach could allow for national and sectoral differences, as the former is far less prescriptive than the latter.

9. CAPACITY BUILDING SHOULD BE A MULTI-WAY LEARNING AND SHARING PROCESS

A mixture of developing, emerging and developed countries are currently helping to enhance levels of reporting around the world. A number of different approaches are being taken, and those involved should try to work collaboratively to share experiences and learning points, always being sensitive to local needs and without being patronising.

10. INCLUDE AS MUCH SOCIAL AS ENVIRONMENTAL TRANSPARENCY

Corporate reporting on environmental issues has evolved far more than that on social issues. This imbalance needs to be addressed and any creation of a new initiative is a good opportunity to do so. Material social impacts should be at the core of any new initiative.

11. SCALE DOWN FOR SMES

While the majority of companies in the private sector are SMEs, the primary focus of existing sustainability reporting guidelines is on large or listed companies. Any new initiative needs to be adapted to the needs and capacity of SMEs.

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Appendix: The focus group delegates

ACCA would like to thank all those who contributed to the paragraph 47 focus groups. A full list of those who attended is provided below.

Name	Organisation	Position	Country
Anne Copeland	Copeland & Partners Ltd	Director and sustainability advisor	Hong Kong
Ben Ridley	Credit Suisse	Sustainability aAffairs – Asia Pacific regional head and VP	Hong Kong
Carlota Garcia-Manas	EIRIS	Head of research	UK
Carol Adams	Integrated Horizons	Founding director	Australia
Conor Lawler	Atlantis The Palm	Vice-president finance	UAE
Corli Le Roux	Johannesburg Stock Exchange	Head of SRI index and sustainability	South Africa
David Burns	UHY Saxena	Partner	UAE
David Simpson	InterPraxis Sustainability Advisory & Assurance	Director	Canada
Deniz Sasal	AccountAbility	Senior associate – advisory services	UAE
Doug Morrow	Corporate Knights Capital	Managing director	Canada
Douglas Kativu	GRI	Head of GRI Focal Point South Africa	South Africa
Emma Bedlington	Stratos Inc	Senior consultant	Canada
Esther Rodriguez	KPMG	Associate director, climate change and sustainability	UAE
Francis West	Save the Children	Senior private sector adviser	UK
Glenn Frommer	MTR	Chief sustainable development manager	Hong Kong
Hannah Routh	PwC	Director, sustainability and climate change	Hong Kong
Helena Barton	Corporate Context Limited	Managing director	South Africa
Hendrik Rosenthal	Business Environment Council, Hong Kong	Director – policy and research	Hong Kong
Hugh Gozzard	Deloitte	Principal	Hong Kong
Ian Glover	National Grid	Environmental sustainability manager	UK
Ian Jameson	Eskom	Chief advisor – climate change and sustainable development: sustainability division	South Africa
Imelda Dunlop	The Pearl Initiative	Executive director	UAE
Jeanne Ng	CLP Holdings	Director – group environmental affairs	Hong Kong
Jeannet Lingan	Stakeholder Forum	Acting head of policy and advocacy	UK
Jeannette Vinke	American University of Sharjah	Senior lecturer	UAE

Name	Organisation	Position	Country
Jo-Anne Matear	Ontario Securities Commission	Manager, corporate finance branch	Canada
Karen Ho	WWF	Business engagement leader	Hong Kong
Katie Dunphy	KPMG	Senior manager, climate change and sustainability services	Canada
Louise Haigh	Aviva	Public policy manager	UK
Louise Venables	KPMG	CRC specialist	UAE
Malango Mughogho	WWF South Africa	Sustainable business programme manager	South Africa
Mara Chiorien	CSR Asia Hong Kong	Country director	Hong Kong
Mardi McBrien	Climate Disclosure Standards Board	Chief operating officer	UK
Matthew Bell	Ernst & Young	Partner	Australia
Michelle Homes	National Bank of Abu Dhabi	Manager – corporate sustainability and responsibility	UAE
Mimi Marrocco	University of Toronto	Higher education consultant	Canada
Nelson Switzer	PwC	Director and leader, sustainable business solutions	Canada
Pat Laughlin	BCSD UK	Chairperson	UK
Paul Holland	KPMG	Director, sustainability advisory services	UK
Portia Bangerezako	Industrial Development Corporation	Senior specialist – environmental, health and safety department	South Africa
Rebecca Gunn	N/A	Independent consultant	Australia
Robert Gibson	Civic Exchange	Fellow	Hong Kong
Shireen Naidoo	KPMG	Director	South Africa
Stefanie O'Gorman	Jacobs	Director of economics and policy	UK
Steve Ong	Hong Kong Exchanges and Clearing Limited	Vice-president, head of accounting affairs, Listing Division	Hong Kong
Sue Charman	WWF	One planet finance leader	UK
Terence Jeyaretnam	Net Balance	Director	Australia
Tokelo Sekese	Grant Thronton South Africa	Senior manager: sustainability and integrated reporting	South Africa
Volker Soppelsa	The Environment Agency – Abu Dhabi	Sustainability policy advisor	UAE

Organisations represented at the focus groups included the following.

- Aviva Investors
- Business Council for Sustainable Development United Kingdom
- Business Environment Council 商界環保協會
- CDSB Climate Disclosure Standards Board
- 思匯 Civic Exchange
- CLP
- Copeland & Partners Ltd
- Corporate Context
- Credit Suisse 瑞信
- Deloitte. 德勤
- EIRIS
- Ernst & Young
- Global Reporting Initiative Focal Point South Africa
- GrantThornton
- Integrated Horizons
- InterPraxis
- Jacobs
- KPMG
- NBAD
- net balance
- OSC Ontario Securities Commission
- Pearl Initiative
- pwc
- Save the Children
- Stakeholder Forum
- Stratos
- UHY Saxena

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