STAFF PAPER

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IASB Meeting

Project	**Wider corporate reporting**
Paper topic	An initial survey of the landscape and implications for the Board

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Purpose of this paper

1. The purpose of this paper is to outline to the Board the results to date of my research into the area of wider corporate reporting. It is (deliberately) described as an initial survey of the topic. Each of the subject areas covered in this paper remain to be examined in more depth and there are some topics (assurance in particular) that have yet to be dealt with at all. While I have had some informal interaction with some internal and external parties, the research to date has been largely desk-based, and any errors of commission or omission are mine.
2. This paper also covers a summary of the implications for the Board's work, as I see them as this stage. The options for what the Board might do are set out in the accompanying Agenda Paper (AP) 28B for this meeting.

Structure of the paper

3. This paper is structured as follows:
   a. the background to the work that has been undertaken and why is set out in paragraphs 4-5;
   b. an introduction to terminology (paragraphs 6-10);
   c. a summary of the wide landscape of the multiple frameworks, standards, goals and codes in the wider corporate reporting arena (paragraphs 11-19);
   d. a summary of the attitudes as I see them to date of some of the major stakeholder groups: investors (paragraphs 20-29); the policy-making and regulatory communities, including Stock Exchanges (paragraphs 30-50); the accounting profession (paragraphs 51-53); companies (paragraphs 54-

58); and academia (paragraphs 59-64). The views of other groups, including representatives of civil society, have still be to be examined;

e. a summary assessment of my researches to date (paragraph 65);

f. a summary of the potential implications for the Board's work (paragraph 66); and

g. questions for the Board to consider.

Background

4. The issue of the role that the Board should play in the area of wider corporate reporting was examined by the IFRS Foundation Trustees in their last review of the structure and effectiveness of the organisation. In the light of the responses to their public consultation on that review, the Trustees took the view that the Board should continue its current stance of co-operation and co-ordination with other bodies in the corporate reporting arena[1]. This includes the Board continuing to be an active participant in the Corporate Reporting Dialogue (CRD) (on which more below). The aim of the current approach is to ensure that the Board remains fully aware of developments across the whole range of corporate reporting and can take steps, if and when appropriate, to maintain the relevance of IFRS Standards within that range. In reaching this view, the Trustees took account of the views of the Advisory Council expressed at its October 2014 meeting that the Board must stay at the forefront of such discussions, because they are very important to ensuring the future relevance of the Board's work[2].

5. The Trustees noted that the Board had dedicated some staff resource to this area, with a plan to develop a study of what the future role of the Board should be in the wider corporate reporting landscape. This paper is the first output of that work.

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[1] See the June 2016 *Trustees' Review of Structure and Effectiveness: Feedback Statement on the July 2015 Request for Views*, available at: http://www.ifrs.org/About-us/IFRS-Foundation/Oversight/Trustees/Trustee-reviews-of-structure-and-effectiveness/2015-Review-of-Structure-and-Effectiveness/Documents/Review-of-Structure-and-Effectiveness-Feedback-Statement.pdf.

[2] See the *Public report of the IFRS Advisory Council Chairman to the Trustees and the IASB on the October 2014 Advisory Council meeting* at: http://www.ifrs.org/Meetings/MeetingDocs/Advisory%20Council/2014/October/AC-report-October-2014.pdf .

The first challenge: terminology

6. In the review of structure and effectiveness referred to above, the Trustees used the generic term 'wider corporate reporting' as shorthand for any reporting by companies that falls outside the financial reporting published in the primary financial statements and the notes to those statements. The Trustees did not specify what that wider reporting might cover and how it is described.
7. In reality, it is difficult to find a precise definition of what is corporate reporting, as the answer can vary depending on a range of factors, such as stakeholder interest, developments in wider society (for example, an increasing focus on gender and other diversity issues), and developments in the regulatory and policy-making arenas (such as human rights and climate change issues).
8. In practice, what constitutes other areas of general purpose corporate reporting falls into a number of categories, in particular:
    a. Narrative reporting – the generic term used to describe a report that gives users of financial reports information that provides a context for the related financial statements, as well as setting out a company's strategy, performance and prospects. Examples include Management's Discussion and Analysis (MD&A) (North America), the Non-financial statement as part of the management report (European Union, EU), and the Operating and Financial Review (Australia). The Board's 2010 Practice Statement *Management Commentary* provides non-mandatory guidance for such a contextual report;
    b. Integrated reporting – defined by the International Integrated Reporting Council (IIRC) in its International Integrated Reporting (<IR>) Framework as "a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term"[3];

[3] IIRC (December 2013) *<IR> Framework*, available at: http://integratedreporting.org/wp-content/uploads/2015/03/13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK-2-1.pdf. See Section 1.A.

c. Corporate governance – reporting on the system by which companies are directed and controlled;

d. Remuneration – reporting on companies' policies on executive remuneration and how those policies have been implemented;

e. Sustainability – also referred to as Corporate Responsibility, Corporate Social Responsibility (CSR), Environmental, Social and Governance (ESG) reporting (the terms here are used interchangeably, although some parties view them as different things), which seeks to communicate how companies understand and manage their impact on people, society and the environment in order to create value.

9. How companies report on such issues also varies, with some incorporating the above factors into their annual report, others producing separate specific reports, or a combination of the two. In some cases, the reporting 'suite' is determined by regulatory requirements and in other cases it is purely voluntary. In this paper, unless referred to in specific examples, the focus is more on what should be reported (in terms of content), rather than how it is reported (whether in one or more reports).

10. The terminology is equally challenging from the investor perspective, with a range of terms used to describe the process whereby investors look beyond traditional financial measures and incorporate sustainability/ESG factors into their investment decision-making. The preferred term accepted by industry organisations is Sustainable and responsible investing (SRI) [4] and that is the general term used in this paper, except where specific references to other terms are quoted.

Wider corporate reporting: a wide and confusing landscape

11. There are multiple frameworks, standards, goals and codes in the corporate reporting arena, and – other than in the area of financial reporting - an absence

[4] See, for example, Barclays (31 October 2016 *Sustainable investing and bond returns: Research study into the impact of ESG on credit portfolio performance*, available at: https://www.investmentbank.barclays.com/our-insights/esg-sustainable-investing-and-bond-returns.html?trid=40099969&cid=disp_sc01e00v00m04GLpa12pv29, Glossary at pages 8-9.

of globally accepted standards for reporting on value creation ('value creation' is defined in the <IR> Framework as "The process that results in increases, decreases or transformations of the capitals[5]). It is also the case that no standards for sustainability reporting are globally accepted in the same way that IFRS Standards are widely accepted around the world (in particular through the endorsement for the use of those Standards by jurisdictional authorities). The closest to global acceptance is the Global Reporting Initiative (GRI), whose standards are used by companies in over 90 countries, but for the most part on a voluntary basis[6].

12. There is evidence that shows the extent of the issue and the confusion in trying to gain a comprehensive and coherent understanding of the landscape. A report by the Organisation for Economic Co-operation and Development (OECD) and the Climate Disclosure Standards Board (CDSB) in 2015[7] refers to CDSB research that suggests that there are almost 400 different "provisions, products or offerings that directly or indirectly affect reporting of complementary (sustainability) information".

13. On the same theme, the 2016 version of the *Carrots and Sticks* report on global trends in sustainability reporting, regulation and policy[8] reveals a total of 248 mandatory and 135 voluntary 'reporting instruments' in 64 countries and regions[9]. In this context, by 'reporting instruments' the authors mean any instrument, mandatory or voluntary, that requires or encourages organisations to report on their sustainability performance. The statistics show a surge in the

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[5] The reference is to the six capitals in the <IR> Framework, ie financial, manufactured, intellectual, human, social and relationship, and natural capital.

[6] Taiwan probably comes closest to a mandatory requirement, with specific references to GRI Guidelines and Sector Guidance made in the Taiwan Stock Exchange *Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies* (October 2015), at: http://twse-regulation.twse.com.tw/ENG/EN/law/DAT0201.aspx?FLCODE=FL075209.

[7] OECD and CDSB (November 2015) *Climate Change Disclosure in G20 Countries: Stocktaking of corporate reporting schemes*, at: https://www.oecd.org/daf/inv/mne/Report-on-Climate-change-disclosure-in-G20-countries.pdf.

[8] The *Carrots and Sticks* report is a periodic review of the state of play in sustainability reporting, regulation and policy, produced jointly by KPMG International, the Global Reporting Initiative (GRI), the UN Environment Programme (UNEP) and the Centre for Corporate Governance in Africa. First produced in 2006, the 2016 edition is the fourth in the series. The report can be accessed at: http://www.carrotsandsticks.net/.

[9] Reference is also made in other sources to there being almost 400 initiatives related to disclosing sustainability information, in particular concerning climate change. This was, for example, quoted in a speech made by Mark Carney, Chairman of the Financial Stability Board, in September 2015 *Breaking the Tragedy of the Horizon – climate change and financial stability*.

number of reporting instruments since the last edition of *Carrots and Sticks* in 2013, which revealed 130 mandatory and 50 voluntary reporting instruments in 44 countries and regions. While the authors see this growth as encouraging, they also express concern that the landscape of reporting instruments is “increasingly complex and fragmented”. They call upon the bodies that issue reporting instruments to focus on co-ordination and harmonisation, as well as the need for prioritisation and focus on the topics that are most relevant and material to the creation of long-term value.

14. In December 2016, the Principles for Responsible Investment (PRI)[10] published a *Global Guide to Responsible Investment Regulation*[11], which refers to almost 300 pieces of regulation covering (a) pension fund rules, (b) stewardship codes and (c) corporate disclosure rules (the report notes that the majority, over 200, relate to corporate disclosure).

15. In recognition of this complex landscape, in December 2016 the CDSB, together with the World Business Council for Sustainable Development (WBCSD) and Ecodesk[12] launched the *Reporting Exchange*, an online platform that is designed to help interested stakeholders (business, investors, academics, and regulators and standard setters) navigate this landscape by cataloguing sustainability reporting requirements and resources[13]. The *Reporting Exchange* is still in the development phase, with a ‘beta’ version of the platform available until April 2017, but claims to have details of information on over 1,000 sustainability reporting requirements and resources across 30 countries.

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[10] The PRI is a UN-supported initiative bringing together institutional investors that works to understand the investment implications of ESG factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. More details are provided later in this paper and can also be accessed at: https://www.unpri.org/about.

[11] The PRI guide can be accessed at: https://www.unpri.org/page/more-robust-regulation-needed-to-move-esg-forward-says-new-pri-guide.

[12] Ecodesk.com is a live web-based platform which enables organisations to search, publish, analyse and communicate sustainability data in one place.

[13] Details about the Reporting Exchange can be accessed at: https://www.reportingexchange.com/.

16. All the examples set out above provide inventories of reporting requirements and guidance, but without any attempt to show how they might fit together (or not), nor to offer solutions in the way that their number might be streamlined.

Corporate Reporting Dialogue (CRD)

17. The sheer scale of the plethora of codes, standards, guidelines and frameworks in existence is extensive and is such that one could be forgiven that the task of making sense of such a landscape is too daunting to attempt. But a start has been made with the establishment of the CRD in 2014. Convened by the IIRC, the CRD comprises eight organisations chartered with establishing standards and guidance for reporting to investors, creditors and other stakeholders, including the International Accounting Standards Board[14].
18. The CRD is designed to respond to market calls for greater coherence, consistency and comparability between corporate reporting frameworks, standards and related requirements. The initiative aims to:
    a. Communicate about the direction, content and ongoing development of reporting frameworks, standards and related requirements;
    b. Identify practical means by which respective frameworks, standards and related requirements can be aligned and rationalised; and
    c. Share information, and express a common voice on areas of mutual interest, where possible, to engage key regulators.
19. To date, the CRD has developed two major outputs, namely:
    a. a *Landscape Map* (in May 2015) showing how the standards and frameworks developed by the CRD participants fit within the six capitals of the <IR> Framework and the content headlines within that Framework[15]; and

[14] The other CRD participants are: CDP (formerly the Carbon Disclosure Project), the Climate Disclosure Standards Board (CDSB), Global Reporting Initiative (GRI), US Financial Accounting Standards Board (FASB), International Public Sector Accounting Standards Board (IPSASB), International Organization for Standardization (ISO), and the Sustainability Accounting Standards Board (SASB).

[15] The CRD *Landscape Map* can be accessed at: http://corporatereportingdialogue.com/landscape-map/.

b. a *Statement of Common Principles of Materiality* (in March 2016). This Statement compares the materiality definitions and approaches by each of the CRD participants and draws out some common principles as “common foundational principles” viewed as generally applicable to all forms of standards development and business reporting to stakeholders[16].

But this is an important area for which investor support is growing

20. There is strong evidence of growing support from within the wider investment community for integrating a broader range of factors beyond purely financial ones into investment decision-making, whatever the label used to describe it. The table at Appendix A provides details of some of the investor groupings that have been established to encourage the integration of some or all wider aspects into investor decision-making and corporate reporting. Some specific examples to reflect this are set out in the following paragraphs.

21. At a global level, this increase in support is evident from the growth over the past decade of the United Nations (UN)-supported Principles for Responsible Investment (PRI), which encourages institutional investors – among other things – to incorporate ESG issues into their investment analysis and decision-making processes. At its launch in April 2006, the PRI had 100 signatories with Assets Under Management (AUM) of US$ 6.5 trillion. As of April 2016, this had grown to 1,500 signatories with AUM of US$ 60 trillion[17], with the growth in the number of signatories continuing to be made.

22. The International Corporate Governance Network (ICGN), whose membership includes global investors with AUM of over US$26 trillion, is a supporter of integrated reporting and the work of the IIRC. The ICGN’s *Global Governance*

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[16] The CRD *Statement of Common Principles of Materiality* can be accessed at: http://corporatereportingdialogue.com/wp-content/uploads/2016/03/Statement-of-Common-Principles-of-Materiality1.pdf.

[17] As reported in the PRI’s *Annual Report 2016*, at: http://annualreport.unpri.org/PRI_AR-2016.pdf. As of 7 March 2017, the number of signatories had increased to 1,701.

Principles state that a company's board should provide an integrated report[18]. The ICGN has published a separate document *Guidance on Integrated Business Reporting*[19] which aims to emphasise the importance of companies producing a holistic account of how they create and sustain value.

23. The CFA Institute, a leading global association of investment professionals, also advocates the value of integrating ESG issues into investment analysis. In November 2015, the CFA Institute produced a guide for investment professionals *Environmental, Social and Governance Issues in Investing*[20] that emphasises the importance of incorporating ESG issues into investment analysis in order to provide a more complete picture of a company's prospective value.

24. The level of that growing support from investors can be also demonstrated from within the participants in the Board's Investors in Financial Reporting (IIFR) programme. As the table at Appendix B shows, 17 out of the 18 participants have publicly stated policies on their websites. One of the challenges the investors face, as noted above, is the myriad of frameworks, guides and codes for ESG disclosures and the lack of a standardised framework such as IFRS Standards that underpin financial reporting. This is an issue which has been raised by at least one IIFR participant, Blackrock, which has called publicly for standardised ESG disclosure within a consistent global reporting framework, "similar to international accounting standards"[21].

25. In the US, the Sustainability Accounting Standards Board (SASB) has emulated the Board's IIFR and in 2016 established its own Investor Advisory Group (IAG)[22], which currently comprises 24 leading asset owners and asset managers, who as a group are committed to improving the quality and comparability of

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[18] ICGN (2014) *Global Governance Principles*, at: http://icgn.flpbks.com/icgn_global_governance_principles/#p=1. The ICGN has been consulting on revisions to the Principles, which would further emphasise integrated reporting. The proposed revisions can be accessed via the ICGN's website at: https://www.icgn.org/. The closing date for comments was 31 January 2017.

[1919] ICGN (August 2015) *Guidance on Integrated Business Reporting*, at: http://icgn.flpbks.com/icgn-integrated-business_reporting/#p=1.

[20] Available at: http://www.cfapubs.org/doi/pdf/10.2469/ccb.v2015.n11.1.

[21] See Blackrock Viewpoint *Exploring ESG: A Practitioner's Perspective* (June 2016), at: https://www.blackrock.com/corporate/en-gb/literature/whitepaper/viewpoint-exploring-esg-a-practitioners-perspective-june-2016.pdf.

[22] Further details of the IAG can be accessed at: http://using.sasb.org/investor-advisory-group/.

sustainability-related disclosure to investors, so enabling investors to develop a more comprehensive view of company performance. Four organisations have representatives on both the IIFR and IAG[23].

26. Similarly, the CFA Institute guide referred to in paragraph 23 above reports the results of a 2015 survey of CFA members, in which 61 per cent of respondents agreed that public companies "should be required to report at least annually on a cohesive set of sustainability indicators in accordance with the most up-to-date reporting framework". The guide also flags up a concern that, with voluntary disclosure, companies may "disclose and exaggerate only what reflects well on them and downplay or not disclose what does not".

27. Another challenge that investors face is that there is often a lack of disclosure that explains the financial impact of a company's sustainability strategy. Our Investor Engagement team have anecdotal evidence from investors that Chief Financial Officers of some large companies are unable to quantify the contribution of their sustainability initiatives, despite those companies producing substantial sustainability disclosures. A 2015 PwC report on sustainability reporting by UK FTSE 350 companies neatly summarises the issues, with findings that (i) only 12 per cent disclose the financial significance of sustainability risks; (ii) 28 per cent disclose the financial significance of sustainability opportunities; and (iii) 19 per cent disclose the financial significance of sustainability KPI performance[24].

28. While the trend of investor support is towards greater ESG disclosure, other evidence shows that there is still some way to go. As an example, in reporting the results of its 2015 Responsible Capitalism survey, Hermes Investment Management noted that less than half (46 per cent) of institutional investors surveyed believed that companies that focus on ESG issues produce better long-term returns for investors[25]. That said, other survey evidence presents a more

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23 Aberdeen Asset Management, Blackrock, Ontario Teachers' Pension Plan and PGGM.

24 PwC (December 2015) *Good practices in sustainability reporting*, 7th annual survey, at: http://www.pwc.co.uk/services/sustainability-climate-change/insights/sustainability-reporting-tips.html.

25 Hermes Investment Management (October 2015) *Responsible Capitalism and our Society*, at: https://www.hermes-investment.com/wp-content/uploads/2016/09/Responsible-Capitalism-and-Society.pdf.

optimistic outlook. The 2015 survey carried out by the Massachusetts Institute of Technology (MIT) Sloan Management Review, in partnership with the Boston Consulting Group (BCG), revealed that 80 per cent of investor respondents indicate that good sustainability performance increases a company's potential for long-term value creation[26].

29. Reflecting the increasing interest of investors to integrate ESG information into their investment analysis and decision-making, there has – in recent years – been a growth in ESG rating tools and indices. For example, MSCI ESG Research describes itself as the world's largest provider of ESG research and data, reporting recently that over US$ 56 billion AUM are benchmarked to MSCI ESG indices[27]. As another example, Bloomberg collects ESG data from published company material and integrates it into its information platforms for use by investors. Many other organisations provide similar ratings and indices (FTSE Russell, Thomson Reuters, STOXX, Sustainalytics, Morningstar, Dow Jones Sustainability Index, to name but a few).

Wider corporate reporting is now firmly on the regulatory and policy-making 'radar screens'

30. The need for improved wider corporate reporting, in particular ESG reporting, is increasingly on the regulatory agenda, as evidenced by the number of 'reporting instruments' referred to in the 2016 *Carrots and Sticks* report (see paragraph 13 above).

United Nations (UN)

31. At the global policy-making level, the UN has for a number of years taken forward or supported a number of initiatives related to corporate reporting. A table summarising the main initiatives is at Appendix C. Some of the initiatives date back decades, but the UN's overarching initiative now relates to the Sustainable Development Goals (SDGs), which were adopted by UN Member

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[26] G. Unruh, D. Kiron, N. Kruschwitz, M. Reeves, H. Rubel, and A.M. zum Felde (May 2016) *Investing For a Sustainable Future*, MIT Sloan Management Review, at: http://sloanreview.mit.edu/projects/investing-for-a-sustainable-future/.

[27] MCSI (February 2017) *MSCI Environmental, Social and Governance (ESG) Indexes: A modern approach to ESG indexes*, available at: https://www.msci.com/documents/10199/5849471/ESGUniverse-brochure.pdf/a6d5ab05-d19a-4c7e-80f6-cf1b01d8d1c6.

States in 2015 as part of the *2030 Agenda for Sustainable Development.* That agenda contains 17 Sustainable Development Goals (SDGs) and 169 targets. In relation to corporate reporting, one of the targets (12.6) explicitly encourages companies, especially large and transnational companies to adopt sustainable practices and to integrate sustainability information into their reporting cycles. The secretariat of the UN Conference on Trade and Development (UNCTAD) has been considering how this target might be achieved and monitored, but in a note to the October 2016 meeting of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)[28] expresses concern that: "The increasing diversity of sustainability reporting requirements, the volumes of reported information and their lack of comparability and reliability pose significant difficulties to both users and preparers of such reports". The UNCTAD secretariat also believes that there is a need for consistent integration of sustainability information into a reporting cycle and consistency of sustainability and SDGs-related reporting with existing financial reporting frameworks.

32. But the role of business in supporting the SDGs goes wider than the specific reporting target referred to above. The UN Global Compact (which seeks to promote responsible business practices), together with the GRI and the World Business Council for Sustainable Development (WBCSD), has set up the 'SDG Compass', which is designed to provide guidance for companies on how they can align their strategies as well as measure and manage their contribution to the realisation of the SDGs[29]. The International Federation of Accountants (IFAC) has also produced a document setting out its views on how the accountancy profession can contribute to the achievement of the SDGs[30], including stressing the importance of reporting in pursuit of a number of the SDGs, as follows:

[28] UNCTAD (August 2016) *Enhancing the role of reporting in attaining the Sustainable Development Goals: Integration of environmental, social and governance information into company reporting*, available at: http://unctad.org/meetings/en/SessionalDocuments/ciiisard78_en.pdf.

[29] The 2015 guide *SDG Compass: The guide for business action on the SDGs* can be accessed at: http://sdgcompass.org/wp-content/uploads/2015/12/019104_SDG_Compass_Guide_2015.pdf.

[30] IFAC (November 2016) *The 2030 Agenda for Sustainable Development: A Snapshot of the Accountancy Profession's Contribution*, available at: https://www.ifac.org/publications-resources/2030-agenda-sustainable-development.

a. Goal 8: Decent Work and Economic Growth – where IFAC emphasises that the profession's impact on better information, reporting, measurement, and decision making is decisively associated with improved living standards and the health, well-being, and prosperity of nations and their citizens. IFAC believes that providing high quality financial and non-financial information is a significant support for achieving sound capital markets and resilient companies, as well as for effective and efficient public service delivery. The document also includes explicit support for the development and adoption of globally accepted standards for financial reporting for both the public and private sectors;

b. Goal 9: Industry, Innovation, Infrastructure – in support of this goal, IFAC emphasises the importance of integrated reporting, on the grounds that integrated reporting promotes integrated thinking about a broader view of capital than today's financially focused business reporting, which supports both investment and innovation;

c. Goal 12: Responsible Consumption and Production – in IFAC's view, Goal 12 places a new demand on corporate reporting, as well as establishing a new level of transparency that needs to demonstrate how corporate objectives and activities contribute to responsible consumption and production. This new level of transparency will also enable accountants to contribute to other SDGs by promoting better water stewardship (Goal 6), life below water (Goal 14), and life on land (Goal 15), using frameworks such as the Natural Capital Protocol, the GRI's Sustainability Reporting Standards, and the <IR> Framework;

d. Goal 13: Climate Action – including IFAC's support for the work of the FSB Task Force on Climate-related financial disclosures; and

e. Goal 17: Partnerships for the Goals – a statement of IFAC working with others in achievement of the goals.

Organisation for Economic Development and Co-operation (OECD)

33. The OECD has for many years taken an interest in business practices and reporting reflecting a wide range of issues. The OECD *Guidelines for*

Multinational Enterprises, adopted in 1976 and last revised in 2011[31], provide a set of principles and standards applicable to multinational and domestic enterprises for responsible business conduct in all areas of business ethics (including disclosure, employment and industrial relations, environment, combating bribery, consumer interests, science and technology, competition and taxation). Chapter III of the Guidelines deals specifically with Disclosure and, in particular, states (in paragraph 4) that:

> "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".

34. Alongside the Guidelines, the OECD has also developed *Principles for Corporate Governance*. Originally developed by the OECD in 1999, then updated in 2004, a revision of the Principles was undertaken in 2013-15 together with the G20 (on which more below), with the G20 Leaders endorsing the revised version of the Principles at their Summit in Turkey in November 2015[32]. The Principles[33] include a Chapter (V) relating to disclosure and transparency that call on companies to disclose, among other things, not only their financial and operating results, but also company objectives and non-financial information ("companies are encouraged to disclose policies and performance relating to business ethics, the environment and, where material to the company, social issues, human rights and other public policy commitments"), as well as information on key issues relevant to employees and other stakeholders that may materially affect the performance of the company or that may have significant impacts upon them. The Principles also call for such information to be prepared

[31] OECD (2008) *OECD Guidelines for Multinational Enterprises*, available at: http://www.oecd.org/daf/inv/mne/48004323.pdf.

[32] As noted in the G20 *Antalya Action Plan*, available at: http://www.g20.utoronto.ca/2015/Antalya-Action-Plan.pdf, see page 11.

[33] The 2015 version can be accessed at: http://www.oecd-ilibrary.org/docserver/download/2615021e.pdf?expires=1482241226&id=id&accname=guest&checksum=A7B5298F10CC1E063019F5CE476421CE.

and disclosed in accordance with high quality standards of accounting and financial and non-financial reporting.

G20/Financial Stability Board

35. Apart from the *Principles for Corporate Governance* document referred to above, the main topic to hit the G20 agenda has been the reporting of climate-change issues[34]. In April 2015, G20 Finance Ministers and Central Bank Governors asked the Financial Stability Board (FSB) “to convene public and private sector participants to review how the financial sector can take account of climate-related issues”. In their communiqué of their November 2015 Summit, G20 leaders asked “our negotiators” (which includes the FSB) to continue to engage on climate change issues[35]. This was followed quickly by the announcement of FSB Chair, Mark Carney, at the December 2015 COP21 Paris Climate Change Conference, of the establishment by the FSB of a Task Force on Climate-related Financial Disclosures (TCFD). The TCFD is developing recommendations for consistent company disclosures in order to help financial market participants understand their climate-related risks. The TCFD’s Phase II report, published on 14 December 2016, set out for public consultation the Task Force’s specific recommendations for voluntary disclosure principles and leading practices[36]. The TCFD is recommending specific disclosures in four areas. The table at Appendix D sets out more detail, but in summary the four areas cover:

    a. Governance – an organisation’s governance around climate-related risks and opportunities;

[34] The importance of climate change as a broad issue has been a recurrent theme of G20 Leaders’ communiqués since the London Summit in April 2009. The communiqué from that Summit can be accessed at: http://www.g20.utoronto.ca/2009/2009communique0402.pdf, see paragraph 28.

[35] The communiqué of the November 2015 Summit in Antalya, Turkey can be accessed at: http://www.g20.utoronto.ca/2015/151116-communique.html, see paragraph 24.

[36] The TCFD’s Phase II report *Recommendations of the Task Force on Climate-related Financial Disclosures* can be accessed at: https://www.fsb-tcfd.org/publications/recommendations-report/. The comment period was open until 12 February 2017.

b. Strategy – the actual and potential impacts of climate-related risks and opportunities on an organisation's businesses, strategy and financial planning;
c. Risk Management – how an organisation identifies, assesses and manages climate-related risks; and
d. Metrics and targets used to assess and manage relevant climate-related risks and opportunities.

36. In developing its proposals, the TCFD has drawn on existing climate-related disclosure regimes and sought to develop a decision-useful framework to harmonise the existing fragmented and incomplete requirements. The TCFD has also considered the interconnectivity of its recommendations with existing financial statement and disclosure requirements, noting that the Board already has Standards to (a) address risks and uncertainties affecting companies (IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) and (b) provide guidance on assessing the impairment of long-lived assets (IAS 36 *Impairment of Assets*). In the TCFD's view: "The disclosures of both contingencies and management's assessment and evaluation of long-lived assets for potential impairment are critically important in assisting stakeholders in understanding an organization's ability to meet future reported earnings and cash flow goals".

37. The TCFD consultation closed on 12 February, with over 300 responses received. The TCFD Secretariat is in the process of analysing the responses and developing final recommendations (scheduled for June 2017). The staff view is that the emphasis of the TCFD's recommendations as set out above is on disclosures being made in the 'front-end' of company reports (as part of Management Commentary or its equivalent), so – unless the final recommendations are very different from those in the December 2016 consultation - there would appear at this stage to be no potential implications that could lead the Board to amend its current Work Plan (although the final recommendations may be relevant in particular for the Board's existing Disclosure Initiative project).

38. On other corporate reporting issues, the G20 Leaders have made generic statements in their communiqués in support of sustainable growth and long-term value creation, together with calls for global convergence of accounting standards (up to 2013), they have not to date taken up calls to refer specifically to the adoption of integrated reporting. Such calls have been made in particular by the Business 20 (B20), which is a forum through which the private sector produces policy recommendations for the annual meeting of the G20 Leaders. For example:

   a. among the recommendations of the September 2015 *B20 Infrastructure & Investment Taskforce Policy Paper* was a call that the G20 should commission a report that "recommends what G20 governments should do to promote widespread adoption of integrated reporting"[37];

   b. in a June 2014 report, a B20 Panel of six international accounting networks[38] recommended that the B20 should itself recommend the following to the G20: "Encourage corporate reporting innovations and initiatives that provide investors with a longer-term and broader perspective on shareholder value creation to complement the historical financial performance and current financial position perspective provided by financial statements. The B20 notes the particular relevance of integrated reporting as an example in this respect. Each G20 Finance Minister should assess and address any practical, legal or statutory barriers to improved corporate reporting and work towards removing such barriers in order to make corporate reporting more conducive to infrastructure and other long-term investment"[39];

[37] The *B20 Infrastructure & Investment Taskforce Policy Paper* can be accessed at: http://b20turkey.org/policy-papers/b20turkey_infra.pdf. See 1.1.2 at page 9.

[38] The six networks are BDO, Deloitte, EY, Grant Thornton, KPMG and PwC.

[39] B20 Panel of six international accounting networks (June 2014) *Unlocking investment in infrastructure: Is current accounting and reporting a barrier?*, available at: http://integratedreporting.org/wp-content/uploads/2014/06/unlocking-investment-in-infrastructure.pdf. See page 2.

c. a September 2016 report to the G20 Leaders from the International Federation of Accountants (IFAC) *Trust and Integrity: The Accountancy Profession's Call for Action by the G20* called for the promotion of integrated reporting and the global use of the <IR> Framework "to promote integrated thinking and a more coherent corporate reporting system"[40].

Other policy-making and regulatory initiatives

39. The issue of wider reporting also features on other policy-making and regulatory agendas. As an example, the EU has a Directive (2014/95/EU) on the disclosure of non-financial and diversity information by certain large undertakings and groups (the NFR Directive). In 2016, the European Commission (EC) consulted on what the EC should do, in accordance with the NFR Directive, on the preparation of non-binding guidelines on methodology for reporting non-financial information. The EC is currently considering the responses to its consultation and has delayed finalising its proposals in this area until 'spring' of this year, so as to consider as far as possible the work of the FSB Task Force referred to above.

40. A number of EU Member States have also implemented their own requirements. For example, France has introduced legal requirements for listed companies to report environmental and social responsibility information[41] and – starting in 2017 – has strengthened mandatory carbon disclosure requirements for listed companies and carbon reporting for institutional investors[42]. In the UK, requirements for all but small companies to publish a Strategic Report were introduced in 2013[43] .

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[40] The IFAC paper can be accessed at: https://www.ifac.org/system/files/publications/files/Trust-and-Integrity-2016-IFAC-G20-V10_Singles.pdf. See page 5.

[41] Article 225 of the so-called Grenelle II Act, Law no. 2010-788 of 12 July 2010 establishing a national commitment as regards the environment, which itself builds on earlier legislation introduced in 2001.

[42] Article 173 of the French Energy Transition Law, Law no. 2015-992 of 17 August 2015.

[43] The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (Statutory Instrument, SI, 2013/1970), available at: http://www.legislation.gov.uk/uksi/2013/1970/contents/made. The UK Financial Reporting Council (FRC) has prepared

41. As another example, in the USA the staff of the Securities and Exchange Commission (SEC) has been carrying out a disclosure effectiveness review, including the issue of a Concept Release in April 2016 for public comment[44], which itself included a discussion of issues related to disclosure of public policy and sustainability matters. The SASB has issued an analysis of what respondents said in relation to sustainability issues, which reveals "a strong showing of support for improved disclosure of sustainability-related information in SEC filings"[45]. While the SEC staff have yet to provide any follow-up to the Concept Releases, former SEC Chair Mary Jo White commented in a speech that the SEC will continue to closely monitor developments in sustainability reporting and "to engage with investors and others as we review and enhance our current rules to fulfill our obligation to investors to provide them with the information they need to make investment and voting decisions in today's world"[46]. That said, SEC policy in this area may change in the light of the change of the US Federal administration following last year's Presidential election.

42. In India, the Securities and Exchange Board of India (SEBI) issued a circular in February 2017[47] encouraging the top 500 listed entities, who are required to prepare a Business Responsibility Report (BRR), to voluntarily adopt the <IR> Framework from 2017-18.

43. In China, the Ministry of Finance has developed an *Action Plan for reforming and developing the accounting (sector) in the context of the 13th five year plan*,

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guidance to support the legal guidance and its June 2014 *Guidance on the Strategic Report* is available at: https://www.frc.org.uk/Our-Work/Publications/Accounting-and-Reporting-Policy/Guidance-on-the-Strategic-Report.pdf.

[44] SEC (13 April 2016) *Concept Release: Business and Financial Disclosure Required by Regulation S-K* (the Regulation that sets out non-financial statement disclosure requirements for registration statements filed under the Securities Act and reports filed under the Securities and Exchange Act), available at: https://www.sec.gov/rules/concept/2016/33-10064.pdf.

[45] SASB (13 September 2016) *Business and Financial Disclosure Required by Regulation S-K – the SEC's Concept Release and Its Implications: An analysis by the Sustainability Accounting Standards Board*, available at: http://www.sasb.org/wp-content/uploads/2016/09/Reg-SK-Comment-Bulletin-091416.pdf.

[46] Mary Jo White (27 June 2016) *Keynote Address, ICGN International Conference: Focusing the Lens of Disclosure to Set the Path Forward on Board Diversity, Non-GAAP, and Sustainability*, available at: https://www.sec.gov/news/speech/chair-white-icgn-speech.html.

[47] SEBI (6 February 2017) *Integrated Reporting by Listed Entities*, Circular available at: http://www.sebi.gov.in/cms/sebi_data/attachdocs/1486375066836.pdf.

which includes a commitment to "deeply participate in the work of the International Integrated Reporting Council, increase China's influence on the formation of rules (associated with the) International Integrated Reporting Framework…(and) continue to research the applicability and viability of Integrated Reporting in China"[48].

Stock Exchanges

44. Stock exchanges are increasingly playing a role in this area. The 2016 *Carrots and Sticks* report identifies that the number of reporting instruments issued by stock exchanges almost doubled between 2013 (23) and 2016 (44). The authors believe it is likely that an impact on this growth has been the Sustainable Stock Exchanges (SSE) Initiative, launched in 2009 by various UN bodies and the PRI.

45. The SSE *2016 Report on Progress*[49] records that 58 stock exchanges (representing over 70 per cent of the 82 listed equity markets whose ESG practices were examined) partner with the Initiative and have made public commitments to advancing sustainability in their markets. Since the issue of that progress report, 2 more exchanges (Singapore and Sydney) have signed up to the Initiative. Specifically on market transparency, the SSE reports that 12 exchanges currently incorporate ESG information into their listing rules and 15 provide formal guidance to issuers. The progress report notes that an additional 23 exchanges have committed to introducing new ESG guidance.

46. Figures reported by GreenBiz and Trucost in their *State of Green Business Report 2017*, using different sources, suggest a similar, if even more dramatic trend, with 65 exchanges across the globe (although none in the US) having some form of mandatory (15 exchanges) or voluntary (50 exchanges) environmental listing requirements, up from only 11 in 2013[50].

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[48] As reported by the IIRC in its February 2017 Newsletter, available at: http://integratedreporting.org/news/iirc-newsletter-9/.

[49] UN SSE Initiative (September 2016) *2016 Report on Progress: A Paper prepared for the Sustainable Stock Exchanges 2016 Global Dialogue*, available at: http://www.sseinitiative.org/2016rop/.

[50] GreenBiz/Trucost (January 2017) *The Tenth Annual State of Green Business Report 2017*, available for download from: https://www.greenbiz.com, see table at page 91, which cites as references US SIF and the Global Sustainable Investment Alliance.

47. To encourage other exchanges to follow suit, the SSE Initiative has produced *Model Guidance on Reporting ESG Information to Investors*, which aims to provide a central set of global principles to consider when companies report ESG information.

48. Based on the SSE *Model Guidance*, the World Federation of Exchanges (WFE) has, through its Sustainability Working Group, created a set of recommendations to its member exchanges on how to implement their own sustainability policies. The *Exchange Guidance and Recommendation*[51], published in October 2015, sets out material ESG metrics which exchanges can incorporate into disclosure guidance to companies listed on their markets. The guidance lists 34 ESG indicators as measures of best sustainability practice.

49. In terms of specific examples, a leading pioneer has been South Africa, where all companies listed on the Johannesburg Stock Exchange (JSE) are required to produce an integrated report or to explain why they have not done so[52]. In June 2016, the Singapore Exchange (SGX) announced a change in its listing rules (from 2018) requiring issuers to prepare an annual sustainability report, again on a 'comply or explain' basis. SGX does not advocate the use of any particular reporting framework, only that it should be "appropriate for and suited to its industry and business model", but does specify that priority should be given to using globally recognised frameworks and disclosure practices[53]. In Taiwan, the Taiwan Stock Exchange (TWSE) and Taipei Exchange (TPEx) require listed companies above a certain size and those operating in certain industries (food processing, chemicals and financial services) to file a CSR report[54].

[51] WFE (October 2015) *Sustainability Working Group Exchange Guidance and Recommedation*, available at: http://www.sseinitiative.org/wp-content/uploads/2015/11/WFE-ESG-Recommendation-Guidance-Oct-2015.pdf.

[52] A update to the Report on Corporate Governance for South Africa, known as King IV, was published on 1 November 2016. The JSE has consulted on the adoption of King IV into its Listing Requirements, see: https://www.jse.co.za/content/JSEAnnouncementItems/20161101-Explanatory%20Memorandum%20Part%201%20of%202016.pdf. One of the features of King IV is a move from a regime of "apply or explain" to one of "apply **and** explain".

[53] SGX (20 June 2016) *Practice Note 7.6 Sustainability Reporting Guide*, paragraphs 3.6 and 4.1(iv), available at: http://rulebook.sgx.com/net_file_store/new_rulebooks/s/g/SGX_Mainboard_Practice_Note_7.6_July_20_2016.pdf. .

[54] For details, see BCSD Taiwan, TWSE, TPEx (July 2016) *Non-Financial Reporting Survey in Taiwan 2015*, at: http://www.bcsd.org.tw/sites/default/files/node/page/1431.upload.5245.pdf.

50. Most recently, the London Stock Exchange Group (LSEG), which in particular covers both the London Stock Exchange and Borsa Italiana, launched its guidance for ESG reporting on 9 February 2017[55]. Although not mandatory, the aim of the guidance is to help companies gain a clear understanding of what ESG information they should provide and how they should go about providing it. Among other things, the guidance emphasises the importance of using consistent global standards when reporting, in order to allow comparability between peers, but acknowledges that "the volume of standards, frameworks and data requirements can seem overwhelming".

The accounting profession is supportive

51. The accounting profession is fully on board with the need for companies to report on a wider range of issues than purely financial. At the global level, IFAC is on record that it strongly supports the IIRC and the implementation of the <IR> Framework, most recently in a Policy Position paper issued in January 2017[56]. In November 2016, the Global Accounting Alliance (GAA), an alliance of ten professional accountancy bodies (all IFAC members), issued a statement of support for the implementation of <IR>[57].

52. Within Europe, Accountancy Europe (formerly the Federation of European Accountants, FEE) in October 2015 issued a discussion paper[58] noting the proliferation of different reports issued by companies to address the wider needs for corporate information and proposing what is calls a 'CORE & MORE' model for the future of corporate reporting. The CORE report would be an overarching report or executive summary, with the MORE reports providing more detailed information depending on the information needs of different

[55] LSEG (9 February 2017) *Revealing the full picture: Your guide to ESG reporting*, available at: http://www.lseg.com/sites/default/files/content/images/Green_Finance/ESG_Guidance_Report_LSEG.pdf.

[56] IFAC (January 2017) *Enhancing Organizational Reporting: Integrated Reporting Key* (Policy Position Paper #8), available at: https://www.ifac.org/publications-resources/enhancing-organizational-reporting-integrated-reporting-key.

[57] GAA (14 November 2016) *Statement on Integrated Reporting <IR>*, available at: http://integratedreporting.org/wp-content/uploads/2016/12/GAA-Statement-IIRC-14-November-2016.pdf.

[58] FEE (October 2015) *The Future of Corporate Reporting – creating the dynamics for change*, available at: https://www.accountancyeurope.eu/publications/future-corp-rep/.

stakeholders. The Accountancy Europe view is that this model is compatible with <IR>[59], which was described in the discussion paper as the most promising initiative to try and improve the interconnectivity of all the various strands of reporting that have been introduced.

53. The major international accounting networks are all involved in both sustainability and integrated reporting initiatives. For example, six of the major networks each have a representative on the IIRC Council[60] and a seventh, Mazars, is an active supporter of the IIRC.

For companies, is this another reporting 'burden' or a business imperative?

54. The traditional view ascribed to companies is that every new reporting requirement represents another reporting burden. But among the world's largest companies at least, reporting on sustainability has become the norm, rather than the exception (that said, I have to date been unable to find out what the balance is between companies reporting on a voluntary basis and those who are mandated to provide such reports). Bodies such as the Business and Sustainable Development Commission (BSDC)[61] are of the view that sustainability is good business for companies and that the reporting of ESG performance to stakeholders is important. The BSDC believes that the current profusion of frameworks for such reporting is a "headache for investors" and would like to see agreed standards for measuring sustainability performance equivalent to international accounting standards[62].

55. In terms of numbers, according to KPMG in its 2015 survey of corporate responsibility reporting, over 90 per cent of the world's largest companies (using

[59] Although not all respondents to the FEE discussion paper took that view. See, for example, the response of the CFA Institute, dated 14 July 2016, which took the view that the CORE & MORE proposals needed to be co-ordinated with established initiatives such as <IR>. The CFA Institute response can be accessed at: https://www.accountancyeurope.eu/wp-content/uploads/24_CFA_Institute_Comment_Letter_to_FEE-_14th_July.pdf.

[60] BDO International, Deloitte, EY, Grant Thornton International, KPMG and PwC.

[61] The Commission was launched at the World Economic Forum in Davos in January 2016, bringing together leaders from business, finance, civil society, labour and international organisations. The Commission has the twin aims of mapping the economic prize that could be available if the UN SDGs are achieved, and describing how business can contribute to these goals.

[62] BSDC (January 2017) *Better Business, Better World*, available at: http://report.businesscommission.org/, see in particular pages 69-73.

the top 250 companies in the Fortune Global 500 list, ranked by total revenues) published a sustainability or corporate responsibility report[63]. In 2014, 75 per cent of the Standard & Poors 500 companies published such reports[64]. Research by the Global Reporting Initiative (GRI) suggests that some 5,000 sustainability reports were published in 2015[65] .

56. It is more difficult to get precise numbers of companies preparing 'integrated' reports and claiming adoption or even referencing the <IR> Framework, but it is thought to be around 1,500 companies globally[66]. The IIRC's 2015 progress report, published in September 2016, noted a 7 per cent increase in the number of company reports, across 30 countries, referencing the Framework.

57. On the evidence available to date, it would seem that the numbers of companies producing integrated reports are concentrated in certain jurisdictions. I do not have precise figures for South Africa, but there are around 400 companies in total listed on the JSE, of which the vast majority are said to provide an integrated report[67]. As another example, in Japan a KPMG survey[68] revealed that a total of 205 companies issued integrated reports in 2015 (an increase of 65 companies over 2014). More recently, in November 2016, the IIRC reported[69] that the Japanese Government's corporate reporting lab has recorded 252 integrated reports from Japan's listed companies, with 320 integrated reports expected to be released in 2017.

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[63] The KPMG 2015 survey can be accessed at: https://assets.kpmg.com/content/dam/kpmg/pdf/2016/02/kpmg-international-survey-of-corporate-responsibility-reporting-2015.pdf.

[64] Referenced in the Mary Jo White speech at footnote 46.

[65] This research, based on an analysis of the GRI Database of sustainability reports in March 2016, was referred to in the report on non-financial reporting in Taiwan referenced in footnote 54.

[66] As reported in the IIRC's *IIRC Newsletter – Highlights from 2016*, available at: http://us4.campaign-archive1.com/?u=b36f6aeef75cea67e62812844&id=ce981ad463&e=ee7e66415f.

[67] Based on KPMG figures quoted in its *Survey of Corporate Responsibility Reporting 2013* that 98 per cent of South African companies provided an integrated report in 2013. The survey can be accessed at: https://assets.kpmg.com/content/dam/kpmg/pdf/2015/08/kpmg-survey-of-corporate-responsibility-reporting-2013.pdf, see page 25.

[68] KPMG Japan (April 2016) *Survey of Integrated Reports in Japan 2015*, at: https://assets.kpmg.com/content/dam/kpmg/pdf/2016/05/jp-en-integrated-reporting-20160426.pdf.

[69] IIRC Newsletter (November 2016), at: http://integratedreporting.org/news/iirc-newsletter-8/.

58. Where companies are preparing integrated reports (whether or not specifically referencing the <IR> Framework), there is evidence that this reporting is improving. For example, Deloitte Netherlands has for some five years now examined the state of <IR> maturity in the Netherlands. In its latest report, published in December 2016, based on a survey of 25 companies listed on the Amsterdam Stock Exchange (AEX), Deloitte found continuing incremental improvements in the quality of <IR> reporting, albeit with some challenges remaining, for example in reporting forward-looking information and defining and reporting objectives and targets for the short, medium and long term[70]. A more recent (February 2017) 'snapshot' of the integrated reports of 50 companies across five different regions of the world carried out by Black Sun[71] reveals a similar overall picture, with some positive trends, but some areas for development remaining, for example in more companies needing to provide more insight in reporting performance against strategy.

The view from academia

59. There is emerging academic evidence that companies with robust sustainability practices and reporting deliver improved economic performance. For example, a 2015 meta-study of some 200 sources of sustainability information (including academic studies and industry reports) by Oxford University Smith School and Arabesque Partners (an asset management and research firm)[72] reported that 88 per cent of relevant sources reviewed found that companies with robust sustainability practices demonstrate better operational performance; 90 per cent of the studies on the cost of capital show that sound sustainability standards lower the cost of capital of companies; and 80 per cent of relevant studies show

[70] Deloitte (December 2016) *Integrated Reporting moving towards maturity: Are we truly maximizing the benefits of Integrated Reporting?*, available at: https://www2.deloitte.com/content/dam/Deloitte/nl/Documents/risk/deloitte-nl-risk-integrated-reporting-2016-def.pdf.

[71] Black Sun plc (February 2017) *What better reporting looks like*, available via: https://www.blacksunplc.com/en/insights/research/leading-companies-across-the-globe-put-value-creation-at-the-hea.html.

[72] Clark, G, Feiner, A and Viehs, M (March 2015) *From the Stockholder to the Stakeholder: How Sustainability Can Drive Financial Outperformance*, available at: http://www.arabesque.com/index.php?tt_down=51e2de00a30f88872897824d3e211b11.

that share price performance of companies is positively influenced by good sustainability practices.

60. Similarly, a 2015 review of over 2,000 empirical studies of the link between ESG criteria and corporate financial reporting (CFP) (undertaken jointly by Deutsche Asset & Wealth Management and the University of Hamburg) reveals that the business case for ESG investing is “empirically very well founded. Roughly 90% of studies find a nonnegative ESG-CFP relation”[73].

61. A small number of examples of the individual studies undertaken are referred to in Appendix E.

62. There is less academic research into the benefits or otherwise of integrated reporting, which is not surprising given that integrated reporting is a relatively recent development. That said, there is some evidence of positive benefits from a study of integrated reporting quality in South Africa[74], which found positive associations between integrated reporting quality and stock liquidity, firm value and expected cash flows. Another study of integrated reporting disclosures by companies listed on the JSE[75] provides evidence of benefits by finding that analysts’ forecast error and dispersion reduces as the level of alignment with the <IR> Framework increases. Furthermore, this study found that the improved alignment is associated with a subsequent reduction in the cost of capital for certain reporting companies.

63. A third study[76], looking at the application of <IR> in the Asia-Pacific region, also reported positive results, noting in particular that:

    a. Share price returns for companies which adopt <IR> or sustainability reporting are consistently higher; and

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[73] Gunnar Friede, Timo Busch & Alexander Bassen (2015) *ESG and financial performance: aggregated evidence from more than 2000 empirical studies*, Journal of Sustainable Finance & Investment, 5:4, 210-233, available at: http://dx.doi.org/10.1080/20430795.2015.1118917.

[74] Mary Barth, Steven Cahan, Li Chen & Elmar Venter (2015) *The Economic Consequences Associated with Integrated Report Quality: Early Evidence from a Mandatory Setting*, available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2699409.

[75] Shan Zhou, Roger Simnett & Wendy Green (May 2016) *Does Integrated Reporting Matter to the Capital Market?*, Abacus Volume 53, No 1 2017, available via: http://onlinelibrary.wiley.com/doi/10.1111/abac.12104/abstract?campaign=woletoc.

[76] KPMG/National University of Singapore (NUS) (December 2015) *Towards Better Business Reporting: Integrated Reporting and Value Creation*, available at: http://integratedreporting.org/resource/kpmg-and-nus-towards-better-business-reporting/.

b. Companies which have adopted <IR> or with higher scores in adopting the content elements and guiding principles of the <IR> Framework have significantly higher Price to Book ratios and lower Weighted Average Costs of Capital.

64. However, not all the academic literature on <IR> is as positive. In a 2016 report published by the Association of Chartered Certified Accountants (ACCA) and others[77], the authors note that certain academic studies have criticised <IR> as developed by the IIRC as having "abandoned sustainability accounting" and being subject to "regulatory capture" through focusing on the needs of investors rather than wider society[78].

Summary assessment of wider corporate reporting developments

65. My overall assessment of the research to date is that wider corporate reporting (whether as part of companies' annual reports or labelled as integrated reports or separate sustainability reports) is growing in prominence and importance, although much it is on a voluntary basis. While there might be some questions as to the level of institutional investor support for ESG reporting (for example, as noted in paragraph 28 above), in my view the direction of travel is clear: the consensus among the stakeholder groups covered above is that companies should be reporting on a wider range of aspects than just the financials. It is also clear that there is an appetite for greater standardisation and a consistent global reporting framework among the current proliferation of codes, standards, guidelines and frameworks.

Implications for the Board's work

66. Given the above, the issue for the Board to consider is whether its current stance of co-operation and co-ordination with other bodies in the corporate reporting arena, as referred to in paragraph 4 above, is sufficient, or whether the Board

[77] Slack, R and Campbell, D (August 2016) *Meeting users' information needs: The use and usefulness of Integrated Reporting*, available at: http://www.accaglobal.com/content/dam/ACCA_Global/Technical/integrate/pi-use-usefulness-ir.pdf.

[78] As an example, the authors quote Flower, J (2015) *The International Integrated Reporting Council: A Story of Failure*, in Critical Perspectives on Accounting, 27, pps 1-17.

should be doing more. As also noted in paragraph 4 above, the Trustees, in their last review of structure and effectiveness, stressed the importance of maintaining the relevance of IFRS Standards. With developments in wider corporate reporting continuing to come through, the staff view is that the Board should consider playing a more active role in this area. The issue of what that role might be is examined in AP 28B.

Questions for the Board

1. **Research to date**—does the Board have any comments, views and/or suggestions on the initial survey of wider corporate reporting as outlined in this paper? Are there any aspects of the above that Board members would like the staff to investigate further in more depth, or any aspects that you feel that have not been covered and should be?

2. **Implications for the Board's work**—does the Board agree with the staff conclusion that wider corporate reporting is growing in prominence and importance and, as such, the Board should consider playing a more active role in this area?

Appendix A

EXAMPLES OF INVESTOR SUPPORT FOR WIDER CORPORATE REPORTING

Initiative	**Geographical Reach/Level of Support**	**Main features**
UN-supported Principles for Responsible Investment (PRI) Website: https://www.unpri.org/.	Global: as at April 2016 1,500 investor signatories with US$62 trillion of Assets Under Management (AUM). As of 31 January 2017, the PRI website showed that the number of signatories had increased to 1,666 (but with no details of the revised AUM).	Launched in 2006, the PRI works to understand the investment implications of ESG factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. Signatories sign up to the PRI's 6 Principles for Responsible Investment, which are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice.
International Corporate Governance Network (ICGN) Website: https://www.icgn.org/about.	Global: membership across 47 countries with AUM of US$ 26 trillion (ICGN Annual Review 2015).	Established in 1995 as an investor-led organisation, ICGN's mission is to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies world-wide. ICGN encourages the integration of ESG factors into investment decision-making and the adoption by companies of Integrated Reporting.
Global Investor Coalition on Climate Change Website: http://globalinvestorcoalition.org/.	Global: a joint initiative of four regional climate change investor groups: IIGCC (Europe), INCR (North America), IGCC (Australia	Established in December 2012, the coalition provides a global platform for dialogue between and amongst investors and governments on international policy and investment practice related to climate change.

Initiative	**Geographical Reach/Level of Support**	**Main features**
	& New Zealand) and AIGCC (Asia).	
Global Investor Statement on Climate Change Website: http://globalinvestorcoalition.org/global-investor-statement-climate-change/.	Global: 409 institutional investors with AUM of US$24 trillion.	A co-ordinated statement first issued in October 2014, co-ordinated by the four groups in the Global Investor Coalition on Climate Change, the PRI and the UN Environment Programme Finance Initiative.
Institutional Investors Group on Climate Change (IIGCC) Website: http://www.iigcc.org/.	Europe: 130 members from 9 countries representing AUM of €14 trillion (as at December 2016).	IIGCC provides investors with a collaborative platform to encourage public policies, investment practices, and corporate behaviour that address long-term risks and opportunities associated with climate change.
Investor Network on Climate Risk (INCR) Website: http://www.ceres.org/investor-network/incr.	North America: 120 members representing AUM of US$14.5 trillion.	INCR is a project of Ceres, a non-profit organisation advocating for sustainability leadership. INCR members are committed to addressing the risks and seizing the opportunities resulting from climate change and other sustainability challenges.
Investor Group on Climate Change (IGCC) Website: http://www.igcc.org.au/.	Australasia: 52 members with AUM of approximately US$ 1 trillion.	The IGCC aims to encourage government policies and investment practices that address the risks and opportunities of climate change, for the ultimate benefit of superannuants and unit holders.
Asia Investor Group on Climate Change (AIGCC)	Asia: no details available publically.	Established in 2011 by the Association for Sustainable and Responsible Investment in Asia (ASrIA), now PRI Asia, to create

Initiative	Geographical Reach/Level of Support	Main features
Website: http://aigcc.net/.		awareness among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and low carbon investing.
Montreal Climate Pledge Website: http://montrealpledge.org/	Global: 120 investors with AUM of over US$10 trillion.	Launched in September 2014. By signing the pledge, investors commit to measure and publicly disclose the carbon footprint of their investment portfolios on an annual basis.
Portfolio Decarbonization Coalition (PDC) Website: http://unepfi.org/pdc/	Global: 27 investors overseeing the decarbonisation of US$600 billion in commitments out of US$3.2 trillion.	Established in 2014, the PDC is a multi-stakeholder initiative that aims to drive Greenhouse Gas (GHG) emissions reductions on the ground by mobilising a critical mass of institutional investors committed to gradually decarbonising their portfolios.
We Mean Business (WMB) Website: http://www.wemeanbusinesscoalition.org/	Global coalition of businesses and investors. As at 1 November 2016, WMB had 471 company signatories, with total revenue of US$8.1 trillion, plus 183 investors with AUM totalling US$20.7 trillion.	WMB Has been formed as a "common platform to accelerate the transition to a low-carbon economy in order to secure sustainable economic growth and prosperity for all". WMB encourages companies and investors to make various commitments, including reporting climate change information in mainstream reports as a fiduciary duty. WMB notes that this can be achieved by companies and investors becoming signatories to the Climate Disclosure Standards Board (CDSB) Statement *Fiduciary duty and climate change disclosure*.
US Forum for Sustainable and Responsible Investment (US SIF) Website: http://www.ussif.org/.	US: 300+ membership with AUM of over US$ 3 trillion.	US SIF's mission is to rapidly shift investment practices towards sustainability, focusing on long-term investment and the generation of positive social and environmental impacts. US SIF

Initiative	Geographical Reach/Level of Support	Main features
		seeks to ensure that environmental, social and governance impacts are meaningfully assessed in all investment decisions to result in a more sustainable and equitable society, including well-functioning financial markets, which depend on accurate information.
European Sustainable Investment Forum (Eurosif) Website: http://www.eurosif.org/.	Europe: no details available publically.	Among other things, Eurosif works to promote best practice in Sustainable and Responsible Investment (SRI) on behalf of its members and lobby for European regulation and legislation that supports the development of SRI.
The Principles for Positive Impact Finance Website: http://www.unepfi.org/banking/positive-impact/.	Global: 19 global banks and investors with AUM of US$ 6.6 trillion.	Launched in January 2017, the Principles provide guidance for financiers and investors to analyse, monitor and disclose the social, environmental and economic impacts of the financial products and services they deliver. The Principles are designed to provide a common framework to finance the UN's Sustainable Development Goals (SDGs). The UN Environment Finance Initiative (UNEPFI) uses the following definition: "Positive Impact business and finance is defined as that which serves to deliver a positive impact on one or more of the three pillars of sustainable development (economic, environmental and social), once any potential negative impacts to any of the pillars have been duly identified and mitigated".

IFRS FOUNDATION: INVESTORS IN FINANCIAL REPORTING (IIFR) PROGRAMME – PARTICIPANTS' POLICIES WITH REGARD TO SUSTAINABILITY ETC REPORTING

Details accessed as at 28 September 2016

Participant	**Relevant references/sources**
Aberdeen Asset Management	Aberdeen has a *Responsible Business* section on its website, at http://aboutus.aberdeen-asset.com/en/aboutus/responsible-business. This sets out how corporate responsibility forms part of Aberdeen's business strategy. There is also a sub-section entitled *Investing Responsibly*, which explains that Aberdeen integrates ESG factors – both the risks they pose and the opportunities they provide – into products and services. Material ESG considerations are integrated into investment decisions across Aberdeen's four broad asset classes (equities, property, fixed income and solutions).
Allianz Global Investors	Allianz has a *Sustainable and Responsible Investing* section on its website, at http://www.esgmatters.co.uk/en/Pages/default.aspx. This explains Allianz's approach to sustainable and responsible investing (SRI). The SRI website includes an *ESG Policy* document that sets out Allianz's philosophy and approach to ESG in the investment value chain. This is available at: http://www.esgmatters.co.uk/en/AboutAllianzGI/PrinciplesAndPolicies/Pages/default.aspx. In summary, the Allianz view is that: "ESG factors can significantly impact a company's long term value. Only through successful integration of ESG factors can investors mitigate both their investment and their reputational risk, while potentially improving their risk-adjusted returns".
APG Netherlands	APG has a *Responsible investing* section on its website, at: https://www.apg.nl/en/apg-as-asset-manager/responsible-investing.Through this link, APG's *Responsible Investment Policy* can be accessed. This sets out APG's 8 principles for responsible investment, the first of which is that responsible investment is an integral part of the investment process at APG. APG expects companies to act with respect to the principles of the UN Global Compact. APG also has a *Social Responsibility* page on its website, at: https://www.apg.nl/en/apg-as-pension-provider/about-apg/social-responsibility. As well as outlining the approach to responsible investment, it summarises APG's view on what is

Participant	Relevant references/sources
	sustainability and why it is important, in particular the belief that companies that incorporate sustainability in their strategic agenda adapt more easily to the changing environment.
Blackrock	Blackrock makes clear that its focus is long-term sustainability. On the *About Us* page at: http://www.blackrock.com/corporate/en-us/about-us, there is a statement that: "We aim to be a responsible corporate citizen and to take into account environmental, social and governance issues that have real and quantifiable financial impacts over the long-term for our firm and the firms in which we invest. Long-term responsibility and sustainability are integrated into our business model and shareholder value creation framework and in the way we conduct our business, serve our clients and give back to the communities in which we and our clients live and work". Blackrock's approach to responsible investing covers both: (1) *Investment Stewardship* (protecting clients' assets for the long-term), at: http://www.blackrock.com/corporate/en-us/about-us/investment-stewardship; and (2) a *Sustainable Investing Platform*, at: http://www.blackrockimpact.com/. This refers specifically to the growing demand – and greater opportunity – to bring together social or environmental impact and financial results. As part of its public policy activities, Blackrock prepares occasional *ViewPoints* papers on issues of interest. One paper, issued in June 2016, covers Blackrock's views on ESG issues. The paper can be accessed at: http://www.blackrock.com/corporate/en-us/literature/whitepaper/viewpoint-exploring-esg-a-practitioners-perspective-june-2016.pdf.
BNP Paribas	BNP markets itself as an international and responsible bank, with a *Corporate Social Responsibility* (CSR) section on its website at: https://group.bnpparibas/en/group/corporate-social-responsibility. BNP's CSR strategy has four pillars: (1) financing the economy in an ethical manner; (2) developing and engaging its people responsibly; (3) being a positive agent for community change; and (4) working to combat climate change, aligning with the 2015 COP 21 Paris agreement. These are embedded in BNP's *Code of Conduct* at: https://group.bnpparibas/uploads/file/codeofconduct_va_10_05_2016.pdf.

Participant	Relevant references/sources
	BNP Paribas investment partners offers a range of investment funds to clients that fall under the sustainable and responsible investment funds (SRI) category: http://www.bnpparibas-ip.com/en/corporate-social-responsibility/our-economic-responsibility/an-extensive-range-of-sustainable-and-responsible-investment-sri-funds/ The bank promotes its SRI products to clients of its wealth management division: https://group.bnpparibas/en/press-release/sustainable-responsible-investment-e3-billion-managed-bnp-paribas-wealth-management-50-year-2010 BNP's Custody bank operations have published a handy guide about ESG investing: http://securities.bnpparibas.com/files/live/sites/quintessence/files/Documents/Newsletter/ESGMadeSimpleGuide_English_%255BSCREEN%255D.pdf.
Caisse de dépôt et placement de Quebec	CDPQ has a *Responsible Investment* section on its website at: http://www.cdpq.com/en/investments/responsible-investment. This gives access to CDPQ's *Policy on Responsible Investment* and annual *Responsible Investment Reports*. CDPQ makes clear that one of the ways in which it promotes responsible investment is through the integration of ESG criteria in its investment analysis process.
Fidelity	Fidelity has an ESG policy document at: http://www.fidelityilf.com/assets/pdf/esg-policy.pdf. This makes clear that Fidelity's investment process takes ESG issues into account when, in its view, these issues have a material impact on either investment risk or return.
Henderson Global Investors	Henderson has a *Responsible investment policy*, available at: https://az768132.vo.msecnd.net/documents/20273_2016_02_05_08_04_43_170.gzip.pdf. Henderson believes that, in order to achieve long-term success, companies need not only to conceive and execute appropriate business strategies, but also to maintain high standards of corporate governance and corporate responsibility.
Hermes Investment Management	On its *Our beliefs* webpage at: https://www.hermes-investment.com/about-us/our-beliefs/, Hermes makes clear that sustainability considerations are integrated into the management of its portfolios. Hermes believes that responsibility is business critical and that over time organisations that perform well on ESG issues will deliver

Participant	Relevant references/sources
	greater shareholder value at lower risk. These are developed further in the *Themes and Impact* section of the website at: https://www.hermes-investment.com/stewardship/hermes-eos-themes-and-impact/. Hermes also has a separate document *Integrating ESG risks into our investments* at: https://www.hermes-investment.com/wp-content/uploads/2015/09/integrating-esg-risks-into-our-investments.pdf. Hermes *Responsible Investment Policy* document at: https://www.hermes-investment.com/wp-content/uploads/2015/09/the-hermes-corporate-ownership-principles.pdf also sets out what Hermes expects of listed companies.
Insight Investment	Insight has a *Responsible Investment* section on its website at: http://www.insightinvestment.com/responsible-investment/. Included in this section is a *Responsible Investment Policy* at: http://www.insightinvestment.com/responsible-investment/Responsible-investment-approach/Responsible-investment-policy. This outlines Hermes' view of how responsible investment is a central part of its culture.
Lazard Asset Management	LAM states that it is committed to maintaining an investment approach that is consistent with high standards of environmental, social and corporate governance. See details at: http://www.lazardassetmanagement.co.uk/institutional-investor/about-lazard/environmental-social-and-corporate-governance/. LAM has an ESG policy document that can be accessed at: http://www.lazardassetmanagement.co.uk/institutional-investor/docs/sp0/669/LazardESGPolicy.pdf?pagename=Environmental%2c+Social+and+Corporate+Governance.
Nomura Asset Management	NAM sees itself as a "responsible institutional investor" and has a *Responsible Investment* section on its website at: http://www.nomura-am.co.jp/english/about/responsibility_investment/. NAM continuously engages in corporate activities paying adequate attention to ESG issues.
Odey Asset Management	No details available on the website.
Ontario Teachers' Pension Plan	OTPP has a *Responsible Investing* section on its website, at: https://www.otpp.com/investments/responsible-investing. This states that OTPP's approach to responsible investing includes consideration of a broad range of financial and non-financial factors, including risks associated with ESG issues.

Participant	Relevant references/sources
	The document *Responsible Investing: Principles in Practice*, at https://www.otpp.com/documents/10179/20936/-/501c7551-46da-45f0-b909-13ac89cf05e9/Responsible+Investing+Principles+in+Practice.pdf outlines the responsible investing principles that guide OTPP's actions. The website contains a separate page that outlines OTPP's approach to climate change, at: https://www.otpp.com/investments/responsible-investing/perspectives/climate-change.
PGGM	On its *What we think* webpage at: https://www.pggm.nl/english/what-we-think/Pages/Default.aspx, PGGM notes that, as a co-operative, it wishes to add value to society in a sustainable manner, including the achievement of both financial and social returns. The *Asset Management* section of the website at: https://www.pggm.nl/english/what-we-do/Pages/Asset-management.aspx contains further details, including how PGGM integrates ESG into its investment processes.
SuMi Trust	SuMi has a Corporate Social Responsibility policy as outlined in the CSR section of its website at: http://smth.jp/en/csr/philosophy/index.html. SuMi has a concept of 'Creating Shared Value' (CSV) ie the concept of companies creating social value by addressing society's needs and challenges while simultaneously creating their own economic value.
UniSuper	UniSuper's *Corporate responsibility and sustainability* webpage at: https://www.unisuper.com.au/about-us/about-unisuper/corporate-responsibility-and-sustainability includes its commitment to investing responsibly, in which ESG considerations are integrated into UniSuper's investment decision processes. The *Responsible Investing* section of the website at: https://www.unisuper.com.au/investments/responsible-investing sets out UniSuper's approach in more detail. UniSuper has a separate *Sustainable investment policy* document at: https://www.unisuper.com.au/~/media/files/forms%20and%20downloads/forms%20and%20brochures/about%20unisuper/sustainable_investment_policy.pdf?la=en. In addition, UniSuper has a *Climate Change position statement* at:

Participant	Relevant references/sources
	https://www.unisuper.com.au/~/media/files/forms%20and%20downloads/forms%20and%20brochures/climate-change-position-statement.pdf?la=en.

UNITED NATIONS' (UN) INITIATIVES RELEVANT TO WIDER CORPORATE REPORTING

Initiative	**Date**	**Comments**
Sustainable Development Goals (SDGs) http://www.un.org/sustainabledevelopment/sustainable-development-goals/	Sep 2015	A set of 17 goals adopted by UN Member States to end poverty, protect the planet, and ensure prosperity for all as part of a new sustainable development agenda. Each goal has specific targets to be achieved over the next 15 years. Goal 12 (*Ensure sustainable consumption and production patterns*) includes a target (12.6) to: "Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle".
UN Environment Programme (UNEP) http://www.unep.org/	Jun 1972	One feature of the UNEP's work is to encourage companies to measure and disclose sustainability information alongside, or integrated with, their existing reporting practices: http://www.unep.org/resourceefficiency/Business/SustainableandResponsibleBusiness/CorporateSustainabilityReporting/tabid/78907/Default.aspx. The UNEP, together with the Global Reporting Initiative (GRI), supports the *Group of Friends of Paragraph 47* , a government led initiative that was formed by Brazil, Denmark, France and South Africa, pioneers in sustainability reporting practice and policy. The Group was started in June 2012 following acknowledgement of the importance of corporate sustainability reporting in Paragraph 47 of the Outcome Document of the 2012 United Nations Conference on Sustainable Development (Rio+20). Since then, the Governments of Argentina, Austria, Chile, Colombia, Norway and Switzerland have joined the Group: http://www.unep.org/resourceefficiency/Business/SustainableandResponsibleBusiness/CorporateSustainabilityReporting/GroupofFriendsofParagraph47/tabid/105011/Default.aspx.

Initiative	**Date**	**Comments**
UNEP Finance Initiative (UNEPFI) http://www.unepfi.org/.	1992	THE UNEPFI is a partnership between UNEP and the global financial sector created in the context of the 1992 Earth Summit with a mission to promote sustainable finance. Over 200 financial institutions, including banks, insurers and investors, have signed the *UNEP Statement of Commitment by Financial Institutions on Sustainable Development*. By signing up to the Statement, financial institutions openly recognize the role of the financial services sector in making our economy and lifestyles sustainable and commit to the integration of environmental and social considerations into all aspects of their operations: http://www.unepfi.org/about/unep-fi-statement/.
UN Global Compact (UNGC) https://www.unglobalcompact.org/what-is-gc.	Aug 2005	The UNGC's General Assembly mandate (A/RES/70/224) is to "promote responsible business practices and UN values among the global business community and the UN System." It is a voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN goals. Companies that join the UNGC express their commitment to (i) the UNGC and its ten principles; (ii) take action in support of UN goals; and (iii) the annual submission of a Communication on Progress (COP). Non-business organisations (NBOs) can also join, through making similar commitments. Some 9,000 companies and 3,000 NBOs are currently participants. The UNGC's ten principles relate to human rights, labour, the environment and anti-corruption. The ten principles are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption: https://www.unglobalcompact.org/what-is-gc/mission/principles.

Initiative	Date	Comments
		The UNGC's multi-year strategy is to drive business awareness and action in support of achieving the SDGs by 2030: https://www.unglobalcompact.org/sdgs/about.
UN Guiding Principles on Business and Human Rights https://business-humanrights.org/en/un-guiding-principles.	Jun 2011	The UN Guiding Principles are a set of guidelines for States and companies to prevent, address and remedy human rights abuses committed in business operations.
UN Conference on Trade and Development (UNCTAD) http://unctad.org/en/Pages/Home.aspx .	1964	UNCTAD supports developing countries to access the benefits of a globalised economy more fairly and effectively. UNCTAD provides analysis, consensus-building, and technical assistance, which helps developing countries to use trade, investment, finance, and technology as vehicles for inclusive and sustainable development. One of the themes of UNCTAD's work concerns business conduct and reporting, which covers three areas: 1. Corporate Social Responsibility (CSR) – in particular analysing companies' policies on CSR with a view to identifying best practices for maximising the development impact of corporate activities: http://unctad.org/en/Pages/DIAE/Corporate-Social-Responsibility.aspx; 2. The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR), which assists developing countries and economies in transition in the implementation of best practices for accounting and corporate governance. A recent feature of ISAR's work has been to consider the role of corporate reporting in attaining the SDGs: http://unctad.org/en/Pages/DIAE/ISAR/ISAR-Corporate-Transparency-Accounting.aspx;

Initiative	Date	Comments
		3. Supporting the Sustainable Stock Exchanges (SSE) initiative – see below: http://unctad.org/en/Pages/DIAE/SSE-Initiative.aspx.
Sustainable Stock Exchanges (SSE) initiative http://www.sseinitiative.org/.	2009	The SSE initiative is a peer-to-peer learning platform for exploring how exchanges, in collaboration with investors, regulators, and companies, can enhance corporate transparency – and ultimately performance – on ESG issues and encourage sustainable investment. The SSE is organized by UNCTAD, the UNGC, the UNEP Finance Initiative (UNEP FI), and the Principles for Responsible Investment (PRI). The SSE initiative invites exchanges globally to become a Partner Stock Exchange within the SSE by making a voluntary public commitment to promote improved ESG disclosure and performance among listed companies. As of September 2016, there were 60 Partner Stock Exchanges. The SSE initiative believes that exchanges can influence investor and company behaviour in the adoption of the SDGs, particularly in regards to: achieving gender equality and empowerment of all women and girls (Goal 5); creating sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all (Goal 8); ensuring sustainable consumption and production patterns (Goal 12); taking urgent action to combat climate change and its impacts (Goal 13); strengthening the means of implementation and revitalizing the global partnerships for sustainable development (Goal 13).

Appendix D

FSB Task-Force on Climate-related Financial Disclosures: Recommendations and Supporting Recommended Disclosures

Governance	**Strategy**	**Risk Management**	**Metrics and Targets**
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Disclose how the organization identifies, assesses, and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.
Recommended Disclosures	**Recommended Disclosures**	**Recommended Disclosures**	**Recommended Disclosures**
a) Describe the board's oversight of climate-related risks and opportunities.	**a)** Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	**a)** Describe the organization's processes for identifying and assessing climate-related risks.	**a)** Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	**b)** Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	**b)** Describe the organization's processes for managing climate-related risks.	**b)** Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the potential impact of different scenarios, including a 2°C scenario, on the organization's businesses, strategy, and financial planning.	**c)** Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	**c)** Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Appendix E

EXAMPLES OF ACADEMIC RESEARCH INTO WIDER CORPORATE/ESG/INTEGRATED REPORTING

Eccles, Robert G. and Ioannou, Ioannis and Serafeim, George - ***The Impact of Corporate Sustainability on Organizational Processes and Performance*** **(November 23, 2011). Management Science, Forthcoming. Available at SSRN: https://ssrn.com/abstract=1964011.**

The authors investigate the effect of a corporate culture of sustainability on multiple facets of corporate behaviour and performance outcomes. Using a matched sample of 180 companies, they found that corporations that voluntarily adopted environmental and social policies many years ago – termed as High Sustainability companies – exhibit fundamentally different characteristics from a matched sample of firms that adopted almost none of these policies – termed as Low Sustainability companies. Among other things, the authors provide evidence that High Sustainability companies significantly outperform their counterparts over the long-term, both in terms of stock market and accounting performance. The outperformance is stronger in sectors where the customers are individual consumers instead of companies, companies compete on the basis of brands and reputations, and products significantly depend upon extracting large amounts of natural resources.

Eccles, Robert, Michael Krzus, and George Serafeim (online December 2011) - ***Market Interest in Nonfinancial Information*****. Journal of Applied Corporate Finance Fall 2011, Vol.23, Issue 4: 113-127. Available via: http://onlinelibrary.wiley.com/doi/10.1111/j.1745-6622.2011.00357.x/abstract.**

Using data from Bloomberg, the authors provide the first broadly based empirical evidence of investors' interest in ESG data. More specifically, the authors show how interest in the top 20 ESG metrics varies with geographical location (European vs. American), asset class (fixed income vs. equity), and firm type. At the aggregate market level, there is greater interest in environmental and governance information than in “social” information. U.S. investors are more interested than their European counterparts in governance and less interested in environmental information. Equity investors are interested in a wider range of nonfinancial information than are fixed income investors. And whereas sell-side analysts are primarily interested in greenhouse gas emissions, money managers tend to focus on a broader set of metrics. Similarly, pension funds and hedge funds have shown interest in more nonfinancial metrics than insurance companies.

The authors' bottom line is that companies need to recognize the growing market interest in nonfinancial information and ensure that they are providing it according to the specific information needs of market users.

Zuraida, Zuraida and Houqe, Nurul and van Zijl, Tony - ***Value Relevance of Environmental, Social and Governance Disclosure*** **(January 9, 2014). International Journal of Accounting Research Symposium, 2014; 2016 Canadian Academic Accounting Association (CAAA) Annual Conference. Available at SSRN: https://ssrn.com/abstract=2376521.**

This paper investigates the impact of ESG disclosure by companies around the world on market value. Using a large sample of non-financial companies listed in 38 countries during the period 2008-2012, the authors tested for value relevance and found support for the value relevance of disclosure of ESG both in aggregate form and for its individual components. These findings support the expectation of disclosure theory that disclosure of relevant information (such as ESG) has a positive impact on value. The authors concluded that the evidence shows that globally investors benefit from the disclosure of both aggregate ESG and the individual factors and this supports regulators in pushing companies to provide additional ESG information.

Kotsantonis, Sakis,Pinney, Chris, Serafeim, George (2016) - *ESG Integration in Investment Management: Myths and Realities*. Journal of Applied Corporate Finance, Spring 2016, Vol. 28 Issue 2: 10-16.

The authors report that the number of public companies reporting ESG information grew from fewer than 20 in the early 1990s to 8,500 by 2014. Moreover, by the end of 2014, over 1,400 institutional investors that manage some $60 trillion in assets had signed the UN Principles for Responsible Investment (UNPRI). Nevertheless, companies with high ESG 'scores' have continued to be viewed by mainstream investors as unlikely to produce competitive shareholder returns, in part because of the findings of older studies showing low returns from the social responsibility investing of the 1990s. But studies of more recent periods suggest that companies with significant ESG programs have actually outperformed their competitors in a number of important ways. The authors' aim in this article is to set the record straight on the financial performance of sustainable investing while also correcting a number of other widespread misconceptions about this rapidly growing set of principles and methods: Myth Number 1: ESG programs reduce returns on capital and long-run shareholder value. Reality: Companies committed to ESG are finding competitive advantages in product, labor, and capital markets; and portfolios that have integrated 'material' ESG metrics have provided average returns to their investors that are superior to those of conventional portfolios, while exhibiting lower risk. Myth Number 2: ESG is already well integrated into mainstream investment management. Reality: The UNPRI signatories have committed themselves only to adhering to a set of principles for responsible investment, a standard that falls well short of integrating ESG considerations into their investment decisions. Myth Number 3: Companies cannot influence the kind of shareholders who buy their shares, and corporate managers must often sacrifice sustainability goals to meet the quarterly earnings targets of increasingly short-term-oriented investors. Reality: Companies that pursue major sustainability initiatives, and publicize them in integrated reports and other communications with investors, have also generally succeeded in attracting disproportionate numbers of longer-term shareholders. Myth Number 4: ESG data for fundamental analysis is scarce and unreliable. Reality: Thanks to the efforts of reporting and investor organizations such as SASB and Ceres, and of CDP data providers like Bloomberg and MSCI, much more 'value-relevant' ESG data on companies has become available in the past ten years. Myth Number 5: ESG adds value almost entirely by limiting risks. Reality: Along with lower risk and a lower cost of capital, companies with high ESG scores have also experienced increases in operating efficiency and expansions into new markets. Myth Number 6: Consideration of ESG factors might create a conflict with fiduciary duty for some investors. Reality: Many ESG factors have been shown to have positive correlations with corporate financial performance and value, prompting ERISA in 2015 to reverse its earlier instructions to pension funds about the legitimacy of taking account of 'non-financial' considerations when investing in companies.