
BRIEF 2

ENVIRONMENTAL & SOCIAL REPORTING DEVELOPMENTS AROUND THE WORLD

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This Brief summarizes voluntary and mandatory developments in the area of environmental and social reporting around the world. What Table 1 shows is that since the late 1990s, the center of innovation in social and environmental reporting regulation has moved from the United States to countries in the European Union.

The Operating and Financial Review (OFR) in the UK represents the most important regulatory development of the last years. As a result of the OFR companies might have to disclose social, environmental, and ethical information in annual reports where it is in the interests of the shareholders.

This overview also shows that several developing countries, namely, Brazil, Chile, Mexico, South Africa, and South Korea have also adopted a number of environmental, social, and sustainability reporting initiatives. In a separate Brief, the developments in Latin America will be analyzed in more detail.

TABLE 1. Mandatory & Voluntary Non-Financial Reporting Developments Around the World

COUNTRY	YEAR	TYPE	BRIEF SUMMARY
Australia	1999 (a) 2002 (b)	Mandatory	<p>(a) Companies must prepare a director's report with details about the entities performance in relation to environmental regulations.</p> <p>(b) Fund managers and financial product providers must state the extent to which labor, environmental, social or ethical considerations are taken into account in their investment decisions.</p> <p>The <i>National Pollutant Inventory</i> (NPI) requires industrial companies to report emissions and inventories for specific substances and fuel to the government for inclusion in a publicly available database or NPI.</p>
Austria	2003	Voluntary	Guidelines for sustainability reporting.
Belgium	1996 (a) 2001 (b)	Mandatory	<p>(a) Certain Belgian companies and their affiliates must report social performance information over 3-year periods.</p> <p>(b) Pension funds must report how they integrate corporate social and environmental performance issues in their investment decisions</p>
Brazil	1997	Voluntary	<p>The <i>IBASE Guidelines</i> for producing a Social Balance (<i>Balanço Social</i>).</p> <p>The <i>Ethos Institute Indicators</i> offer guidance for measuring, managing, and reporting environmental and social impacts.</p>
Canada	1993 (a)	Mandatory	<p>(a) The National Pollutant Release Inventory (NPRI) requires industrial companies to report emissions and inventories for specific substances and fuel to the government for inclusion in a publicly available database or NPRI.</p> <p>Also, the Canadian Securities Commission requires public companies to report current and future financial or operational effects of environmental protection requirements in an</p>

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			Annual Information Forum
Chile	2001	Voluntary	The Securities and Insurance Superintendence asked listed companies to distinguish information regarding “environmental expenditures” in their annual reports.
Denmark	1995 (a)	Mandatory	(a) Certain companies must report on their environmental impacts. In 2001, the law on <i>Annual Accounts</i> requires companies in certain environmentally-sensitive sectors to report on intellectual capital and environmental aspects in their management report if is material to providing a true and fair view of the company’s financial position.
	2001 (b)	Voluntary	(b) Guidelines for social and ethical reporting (both public and private entities) with a special set for small business.
Finland	2003	Voluntary	The Finnish accounting standards board published guidelines for environmental disclosures in annual reports
France	2001	Mandatory	Listed companies are required to describe social, environmental, and financial outcomes in their annual reports.
Germany	2001	Mandatory	Pension funds must reveal how social and environmental factors influence their investment decisions
Italy	2002	Mandatory	Pension funds must disclose non-financial factors affecting their investment decisions
Japan	1997 Revised in 2000.	Voluntary	Voluntary guidelines for environmental reporting since 1997
Mexico	2002	Mandatory	The <i>Pollutant Releases and Toxics Register</i> requires certain industrial companies to report emissions and inventories for specific substances and fuel to the government for inclusion in a publicly available database.

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Netherlands	1997	Mandatory	The Environmental Protection Act includes a section on environmental reporting. 300 companies must disclose their environmental activities (two annual reports, one for the government and one for the public).
		Voluntary	The Dutch Advisory Board for Annual Reporting has developed guidelines for corporate social responsibility reporting
Norway	1999	Mandatory	The Accounting Act requires all companies to include environmental information in their annual reports.
		Voluntary	The Norwegian Environmental Department has developed a standard for environmental reporting
Sweden	1999 (a) 2000 (b)	Mandatory	(a) Companies that are required to have environmental permits or must notify the environmental authorities, have an obligation to include a brief disclosure of environmental information (mainly related to permit conditions and restrictions) in the board of directors section of the annual report. (b) The Public Pension Fund Act requires state pension funds to report how they incorporate environmental and ethical considerations in their investment activities.
South Africa	2002	Voluntary	According to the South African Institute of Directors' guidelines for corporate governance, listed companies, banks, financial and insurance entities should report at least annually social, ethical, environmental, health, and safety information.
South Korea	2000	Voluntary	The Government issued environmental reporting guidelines in 2000 and offered a revised version in 2002.
United Kingdom	1999 (a) Beginning fiscal year 2005 (b)	Mandatory	(a) All trustees of U.K. occupational pension funds have to disclose the extent to which they incorporate social, environmental, and ethical considerations in their investment decisions. (b) Under the proposed Guidelines for the <i>Operating and Financial Review</i> (OFR), the Government modernized company law by, among other things, requiring directors to give shareholders relevant information on the firm's objectives, strategy, performance

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			<p>and future prospects. These disclosures might encompass information social and environmental impacts whenever it is necessary for shareholders' proper understanding of the company include social, environmental, and ethical in annual reports where it is in the interests of the shareholders.</p> <p>(c) The UK <i>Pollution Inventory</i> requires certain industrial companies to report emissions and inventories for specific substances and fuel to the government for inclusion in a publicly available database.</p>
United States	1986 (a)	Mandatory	<p>(a) The <i>Toxic Release Inventory</i> (TRI) requires certain companies to submit data on emissions of certain toxic chemicals to the U.S. government.</p> <p>Securities laws require disclosure o legislative compliance, judicial proceedings, and liabilities relating to the environment in Form K-10.</p>

Sources: KPMG (2002); World Business Council for Sustainable Development (2004); U.K. Government, official website <http://www.environment-agency.gov.uk> (accessed Oct. 29, 2004); World Resources Institute (2002); Government of Canada, official website <http://www.ec.gc.ca/pdb/npri> (accessed Oct. 29, 2004); Baue (2004), Ministry of Environment & Government of Japan (2000); Ministry of Environment of South Korea (2002), Burke (2003), Balancosocial.org.br (<http://www.balancosocial.org.br/cgi/cgilua.exe/sys/start.htm>), Arbex et al. (2003), and Cowe (2004).

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