
UNCTAD-ISAR Workshop on the Future Direction of the Corporate Reporting Model

Monday, 13th October 2014
Room XXVI, Palais des Nations, Geneva

Workshop material:

***Issues, good practices and main challenges of preparing
reports on sustainable development issues***

Presented by

Tomo Suzuki
Professor Accounting and Sustainability Management
University of Oxford

*This material has been reproduced in the language and form as it was provided.
The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.*

Institutional Mechanism Design: **Accounting for Sustainable Development.** Potentials of “One Additional Line”

Tomo Suzuki

Prof. of Accounting & Sustainability Management

University of Oxford

tomo.suzuki@sbs.ox.ac.uk

WWW.SBS.OXFORD.EDU



New Financial Reporting Scheme in India

Companies Act 2013 – already in **practice**

At least 2% of profits to be expensed for CSR

Already **started** from April 2014 financial year

16,352 companies currently in practice

20,000 INR (**3.3 billion USD**) expected this year alone

... a lot of **misconception** as “additional 2% Tax”

... for this short presentation, the **theory** behind only.

For details, please do speak to me after the session.

Creation of new reality by “One Additional Line”

Our target is
Large Emerging Economies
Not Western Countries


e.g., India, where 7,000
listed companies exist, ...


What happens if we do this? 

All listed companies
have to disclose CSR
Expense in
One Additional Line

Company A
Financial Statements

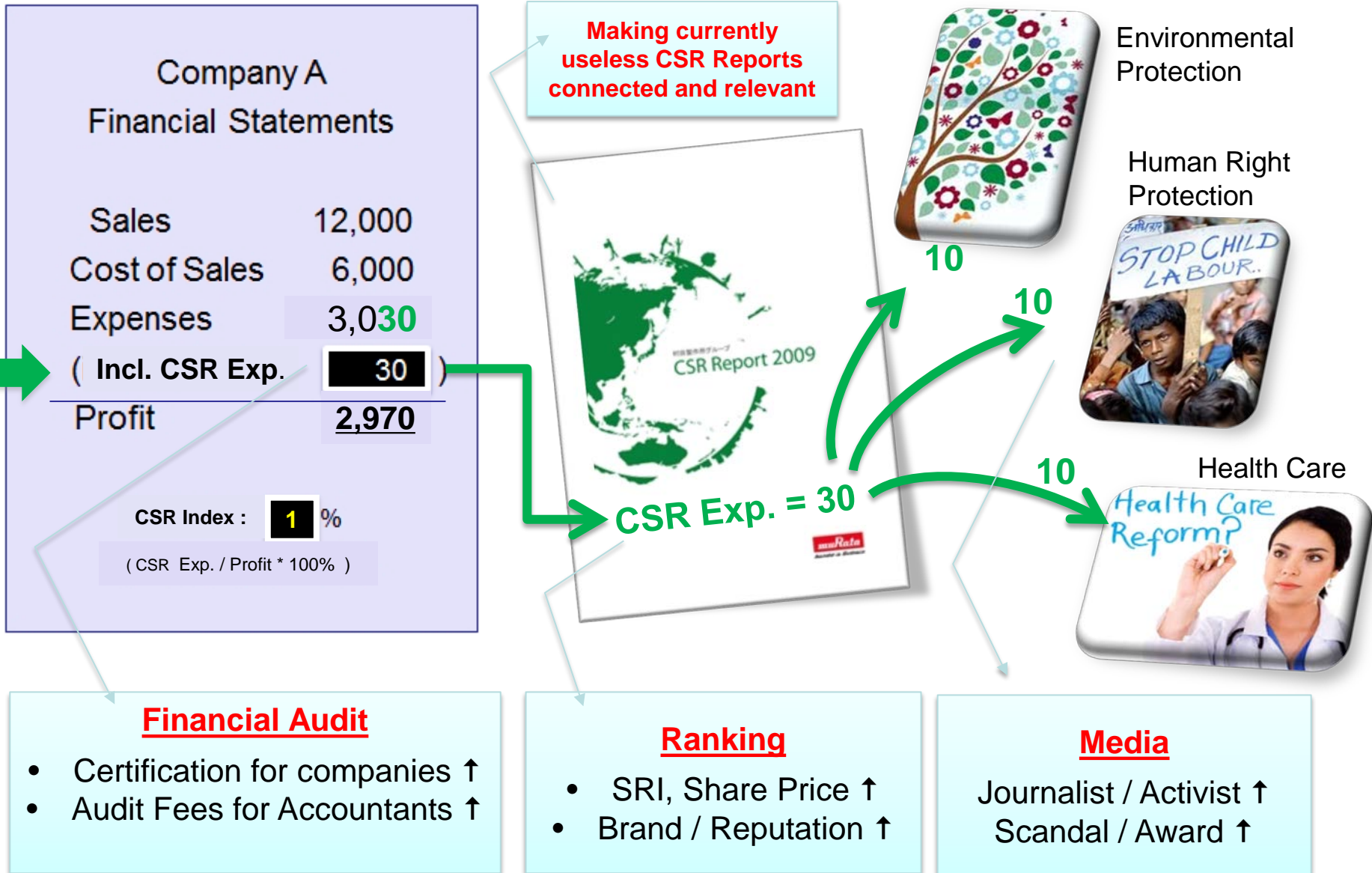
Sales	12,000
Cost of Sales	6,000
Expenses	3,030
<hr/>	
Profit	3,000

CSR Index :  %
(CSR Exp. / Profit * 100%)



Not “Tax” but “Market”
i.e., **Internalization** of the
previously **“externalized.”**

Sub-Mechanism of “One Additional Line”



Investors – Years with CSR Disclosure

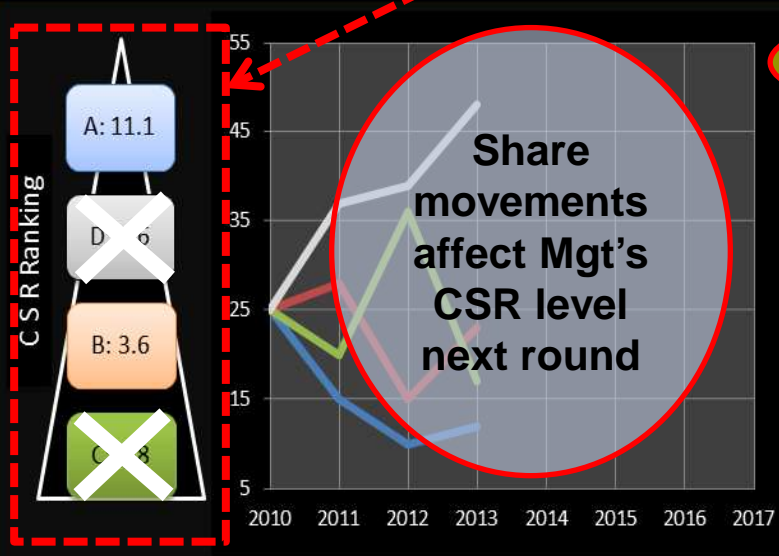
Company A (India)		Company B (2014)		Company C (China)		Company D (2014)	
Sales	2320	Sales	2320	Sales	2420	Sales	2420
Cost of Sales	1160	Cost of Sales	1160	Cost of Sales	1210	Cost of Sales	1210
Expenses	550	Expenses	600	Expenses	565	Expenses	655
Profit	450	Profit	560	Profit	545	Profit	655

15% → 20%	→ 40	25% → 10%	→ 20	20% → 40%	→ 10	40% → 30%	→ 30
-----------	------	-----------	------	-----------	------	-----------	------

Allocate fund to each company (between 5% and 45%). Total has to be 100%

Only **India**
One
Additional
Line

Investors:
allocate
fund
for High
Bonus



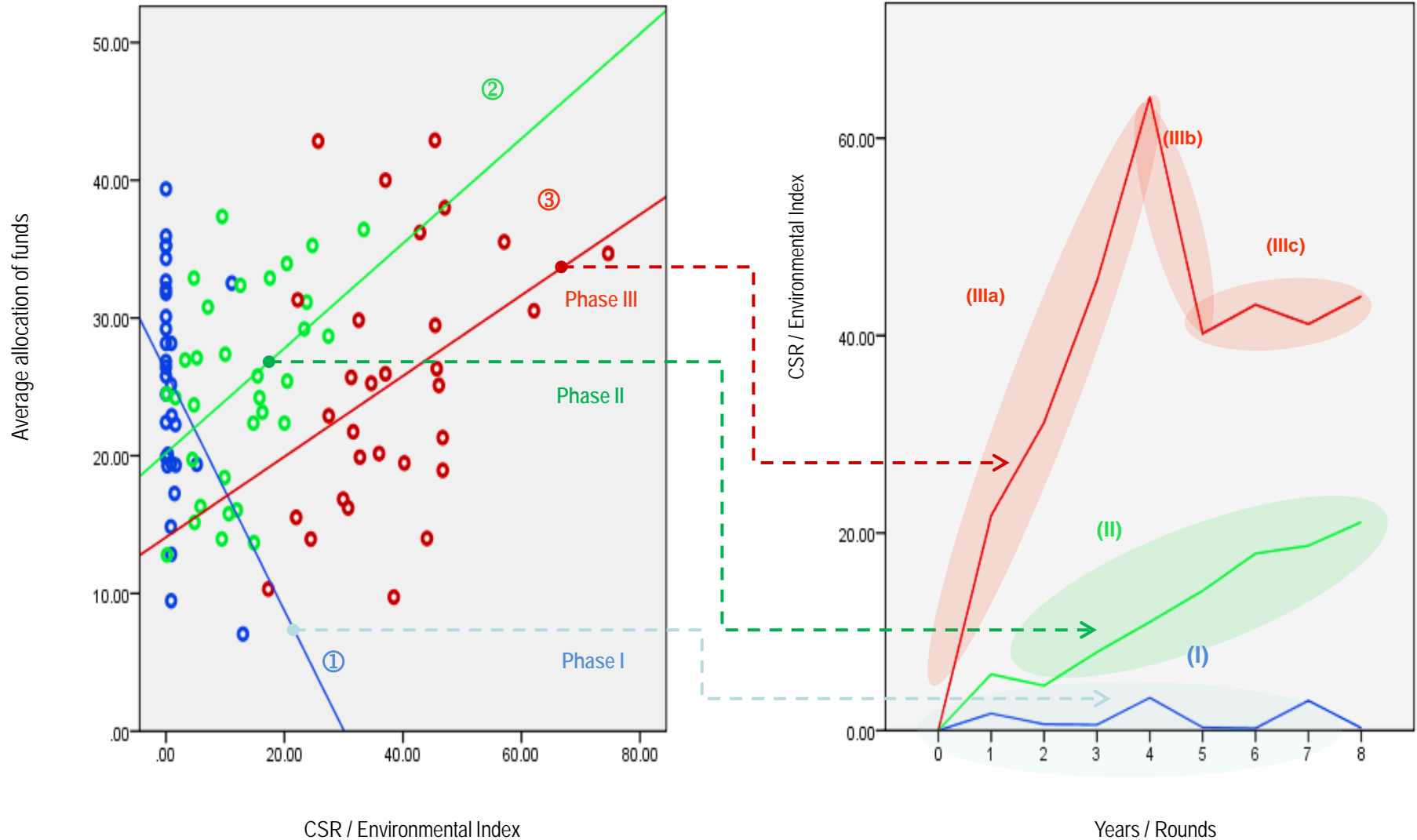
Your Bonus Rank

Share Value Change	20	(Weight 80%)
Divi Dends	8	(Weight 20%)
2013 Total	17	Out of 21
Over years	10	out of 21

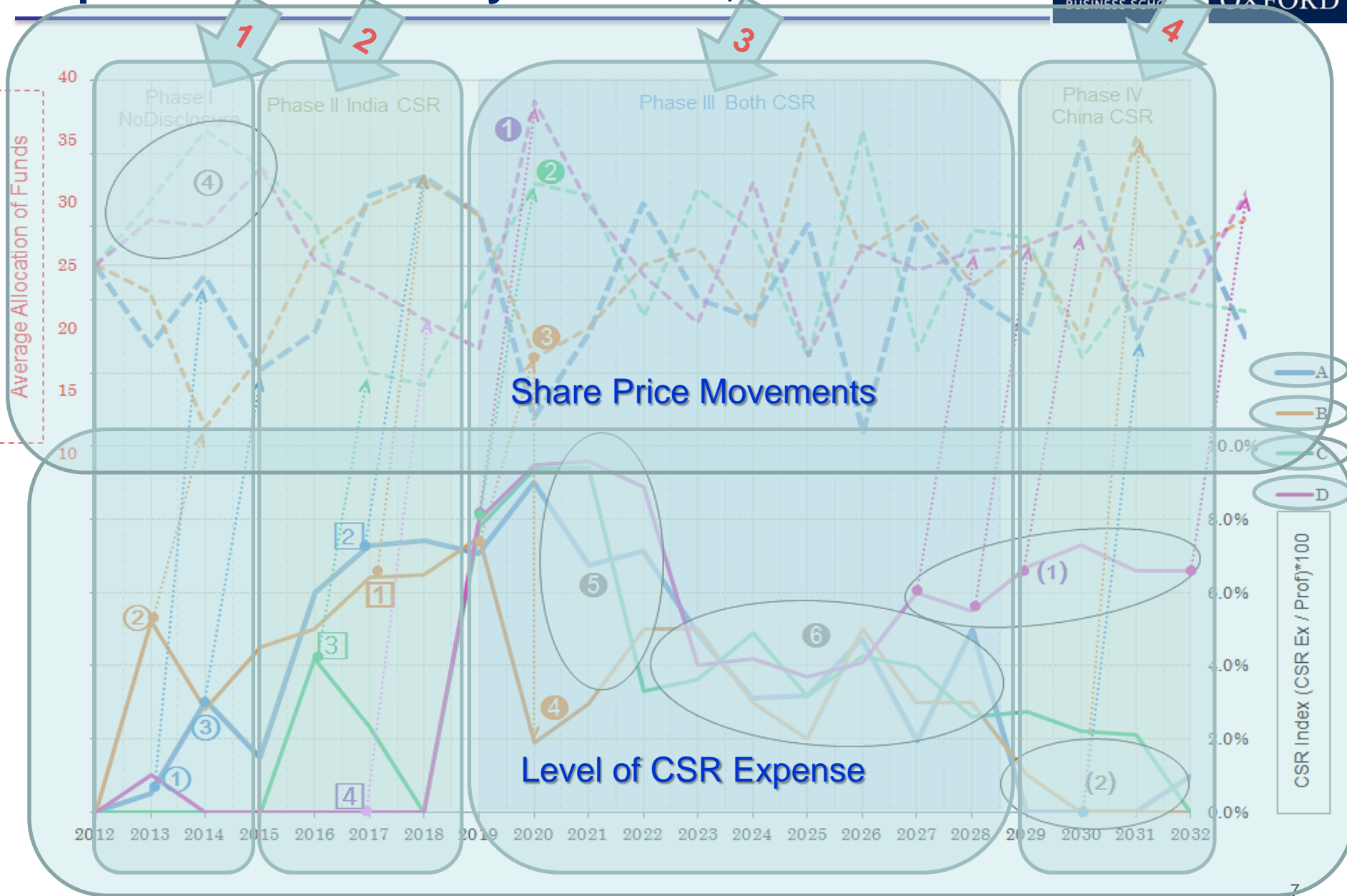
Reasoning:
I invest in companies which take balance bet. Profit and CSR.

Submit
Time: 00:01:25

Experiment 1: CSR ↑ then Share ↑ ...



Experiment 2: Country with CSR, Share



Under “**One Additional Line,**”

Appropriate CSR
Expense (despite lower
profit)



Higher Share Price

Countries with OAL



Higher Share Price

Features of “One Additional Line”

1. **Win-Win-Win-Win-Win** for Management, Investors, Society Accountants & Media, academics, government officials, ...
 2. **No altruism** – all supported by personal incentive mechanism and the market autonomy
 3. **Applicable to all industries**: Overcoming Industrial unfairness (e.g., Oil & Gas vs. Banks)
 4. Winning **international** competition / dissemination
 5. **Politically easy** - “If you did good, show it please”? **Not Tax.**
 6. **Very little regulatory costs** – just a matter of “Disclosure Form”
 7. **Cancellable low risk regulation**: Cancel anytime without cost, even if regulation fails (unlike Carbon Trading Market)
- ... so, imagine the **CEO of Stock Exchange X, or President of country Y** wanted to implement this, then, ... , at least, an interesting trial.

Please contact for details



Oxford University welcomes constructive criticisms for “**One Additional Line**” Reporting Scheme.

Please contact Prof. Tomo Suzuki, Head of Accounting Group, for informal discussion: tomo.suzuki@sbs.ox.ac.uk or mobile phone: +44 (0)7583 199374 (to the evening of Tuesday)

For those jurisdictions / Stock Exchanges which may be interested in implementing the Scheme, free consultations are available.

Please utilize this opportunity in Geneva.

Thank you.

Suzuki, T & Jain, J. (2011) 'The Socio-Economic Impact of IFRS on Wider Stakeholders in India'. On the request of the Minister of Corporate Affairs (MCA) in India, Hon. Mr, Salman Khurshid and the Institute of Chartered Accountants in India (ICAI), Delhi, India. 140 pages.

Suzuki, T. (2012) IFRS (IAS 41), PLANTATION AND SUSTAINABLE DEVELOPMENT CASE - Reference no. 113-046-1 Length:25 pages.

<http://www.thecasecentre.org/educators/products/view?id=117695>

Suzuki, T., Schuck, S. and Anderson, D. (2014) Report for the UN: Institutional Mechanism Design - Accounting for Sustainable Development for Emerging Economies. Policy Paper. Oxford.

Those who wish to consider adopting the “***One Additional Line***”, at the national or Stock Exchange level, please contact Tomo Suzuki. Free consultation has been conducted. tomo.suzuki@sbs.ox.ac.uk