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Sustainability Reporting

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Corporate Knights

The Company for Clean Capitalism

Trends in Corporate Sustainability Reporting

Prepared for: ISAR

November 2nd, 2012

CORPORATEKNIGHTS.COM



Outline

- About Corporate Knights
- The Drivers of Corporate Sustainability Disclosure
- Corporate Knights and Sustainable Stock Exchanges
- Next Steps for 2013
- Q&A

Corporate Knights is a specialized media and investment research company

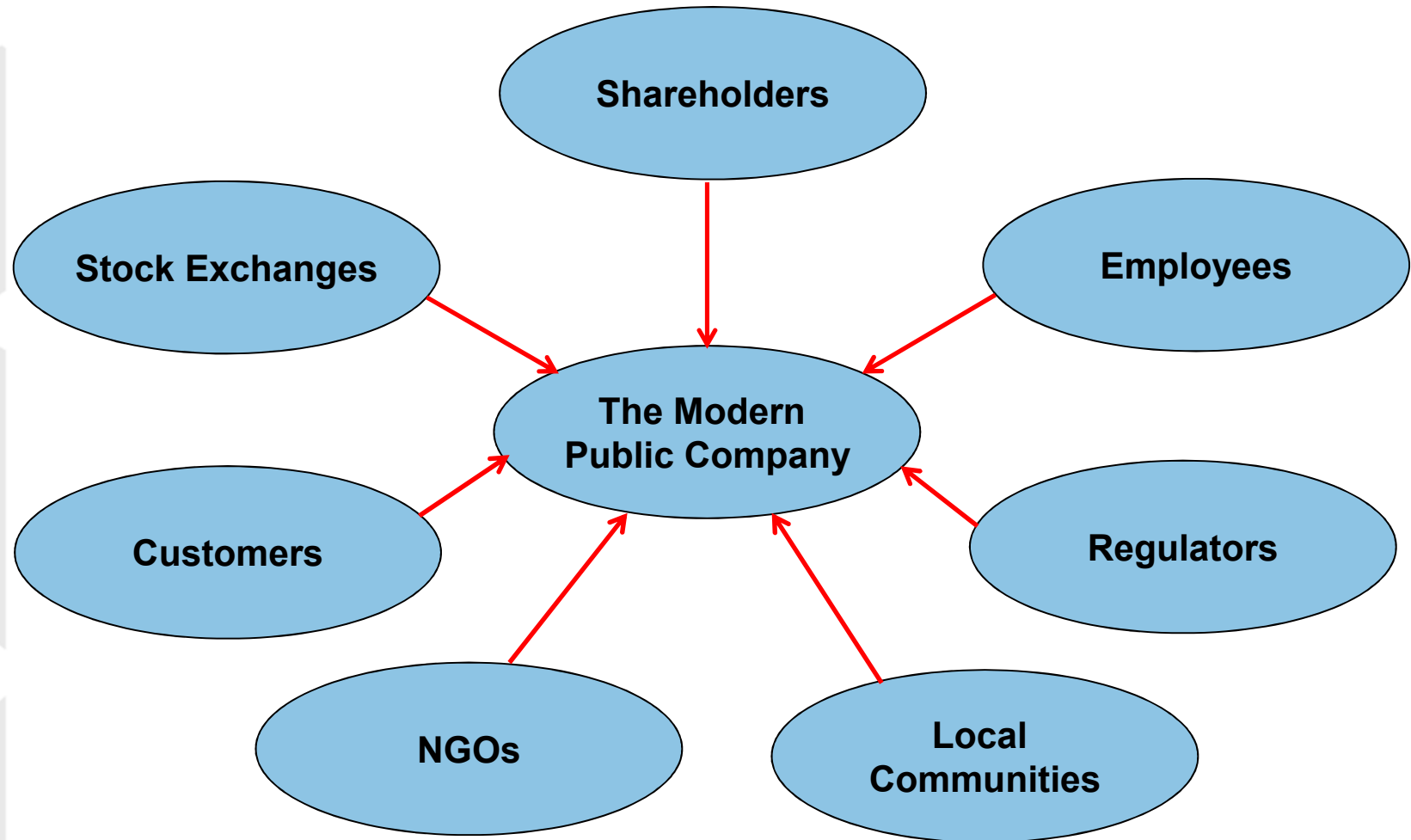
- **Corporate Knights has 3 main activities:**
 - **Corporate Knights Magazine:** Publishes the world's largest circulation magazine focused on the intersection of business and society. Distributed quarterly in *The Washington Post* and Canada's *Globe and Mail*
 - **Corporate Knights Capital:** Research team provides quantitative sustainability services for investors and benchmarking services for corporates
 - **Council for Clean Capitalism:** Secretariat to council of companies working to catalyze policy changes so that sustainable activity in the economy is better rewarded and financed



"Corporate Knights is one of the most advanced practitioners seeking ESG correlation to core business metrics such as revenue growth, cost reduction, and profitability."

-Michael E. Porter, Harvard Business School
October, 2012

Rising Expectations for Corporate Sustainability Disclosure





Corporate Knights and Sustainable Stock Exchanges

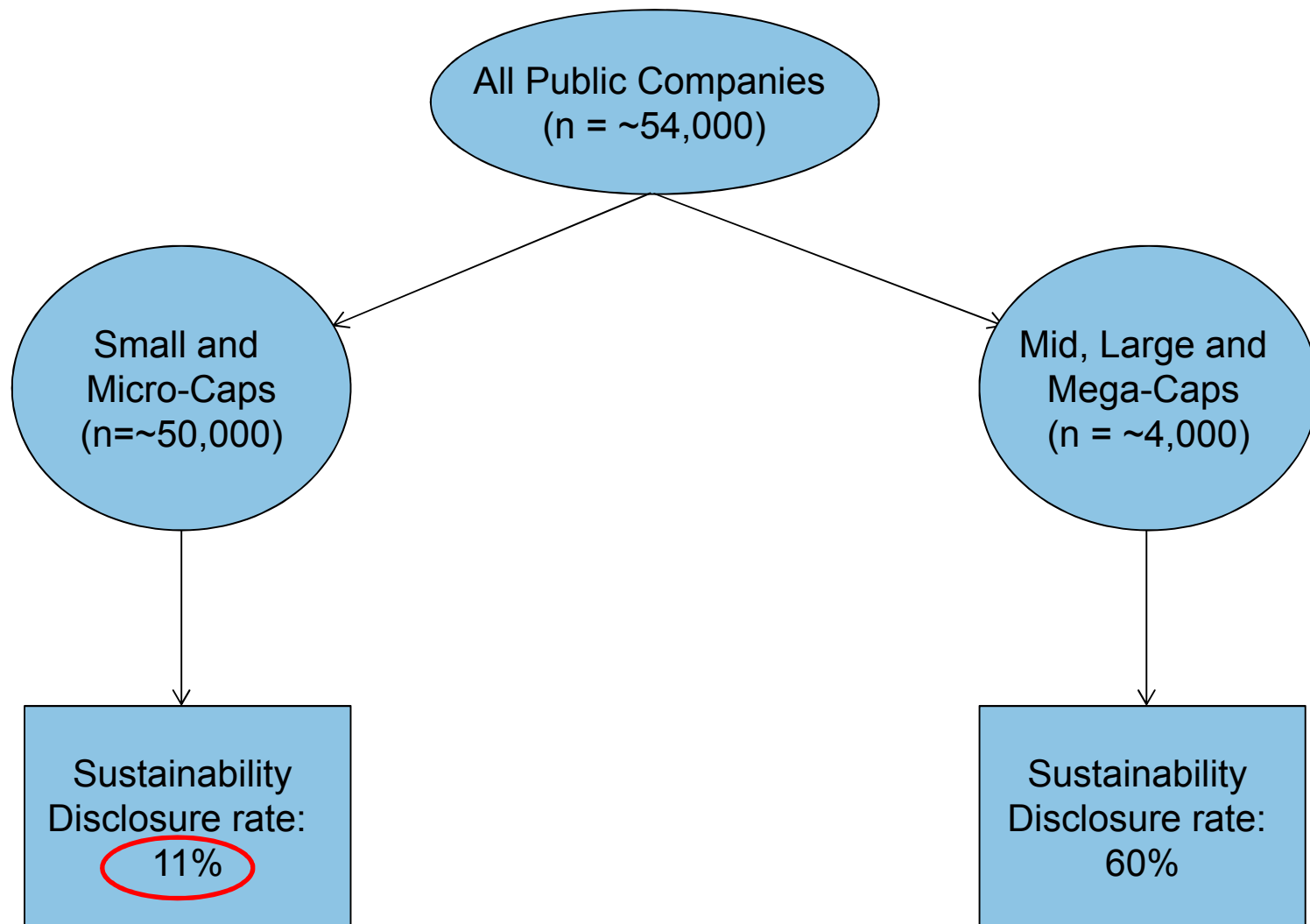
- Corporate Knights commissioned to prepare quantitative disclosure study to support the Sustainable Stock Exchanges 2012 Global Dialogue at Rio +20
- Analyzed the world's stock exchanges on three measures of disclosure performance
- Purpose:
 - Determine the world's most advanced stock exchanges from a sustainability disclosure standpoint
 - Identify disclosure trends for seven 'first generation' sustainability indicators
 - Find pockets of successful policy



Key Findings

1. Disclosure not (yet) consistently practiced by small and micro-cap companies

Sustainability Disclosure Largely a Large Company Phenomenon





Key Findings

1. Disclosure not (yet) consistently practiced by small and micro-cap companies
2. Great process of 'catch up' taking place among emerging markets-based exchanges

Growth in Sustainability Disclosure: Emerging Markets Playing Catch Up

	Payroll	Energy	Water	Waste	GHGs	Employee Turnover	LTIR
Composite exchange with highest disclosure rate, 2010	Finland	Finland	Portugal	Finland	Finland	Italy	Denmark
Composite exchange with fastest growing disclosure rate, 2006-2010	Chile	China	South Africa	South Africa	South Africa	South Africa	South Africa



Key Findings

1. Disclosure not (yet) consistently practiced by small and micro-cap companies
2. Great process of 'catch up' taking place among emerging markets-based exchanges
3. **Enormous discrepancies across sectors**

Disclosure of First Generation Indicators by Sector

Sector	First Generation Sustainability Indicators						
	Energy	GHGs	Water	Waste	LTIR	Employee Turnover	Payroll
Consumer Discretionary	22%	17%	20%	19%	6%	6%	38%
Consumer Staples	30%	23%	27%	25%	11%	8%	36%
Energy	21%	18%	17%	15%	17%	10%	27%
Financials	17%	13%	15%	11%	2%	10%	35%
Health Care	29%	18%	27%	25%	13%	10%	34%
Industrials	27%	18%	24%	23%	11%	10%	46%
Information Technology	25%	20%	22%	22%	5%	8%	29%
Materials	39%	24%	35%	28%	23%	16%	45%
Telecommunication Services	29%	21%	22%	24%	7%	14%	40%
Utilities	31%	29%	35%	30%	18%	20%	45%



Key Findings

1. Disclosure not (yet) consistently practiced by small and micro-cap companies
2. Great process of 'catch up' taking place among emerging markets-based exchanges
3. Enormous discrepancies across sectors
4. **The top performing stock exchanges all have some form of disclosure standards in place**

Overall Sustainability Disclosure Performance

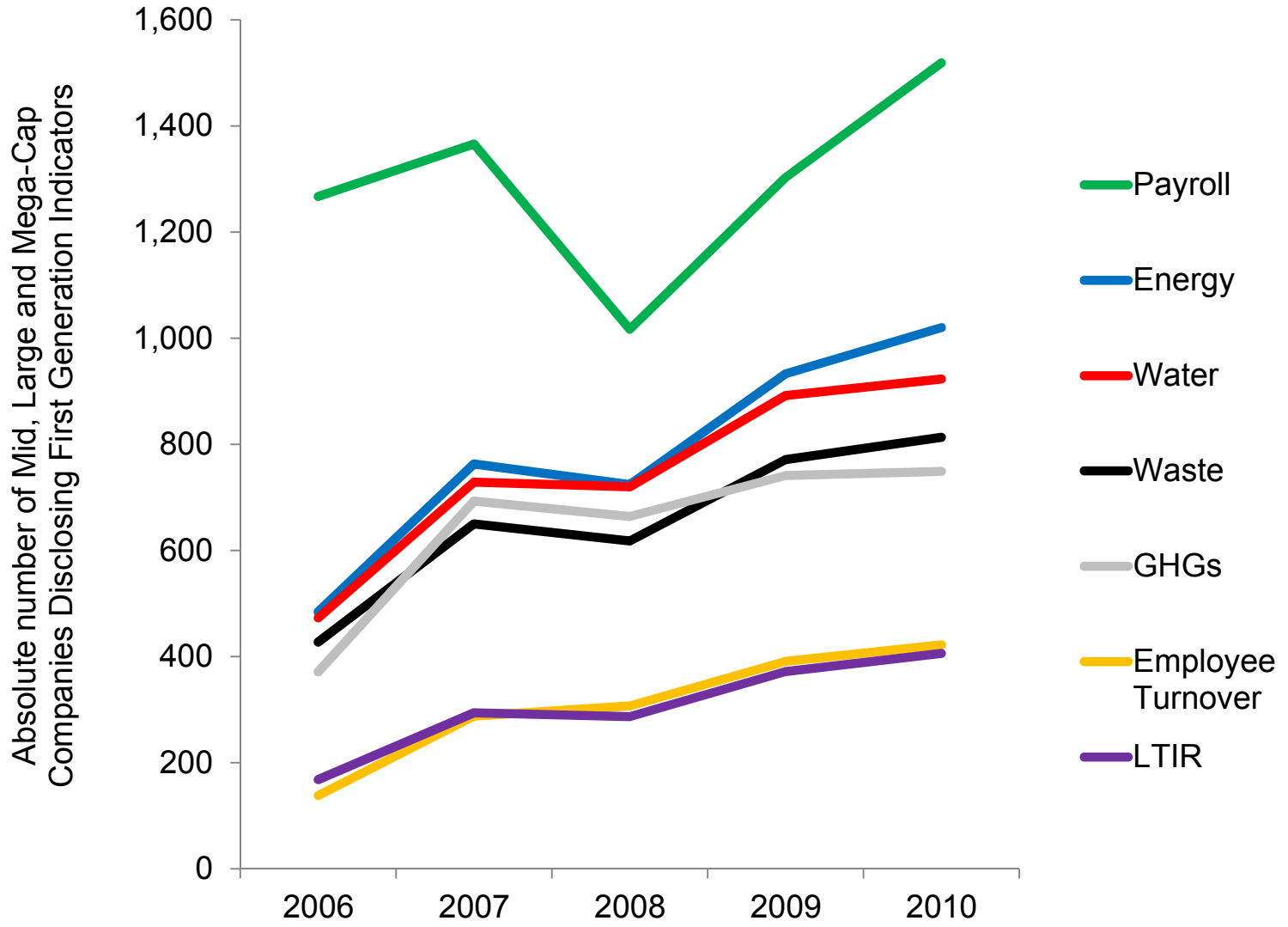
Rank	Composite Stock Exchange	Disclosure Score (Maximum 20)	Disclosure Growth Score (Maximum 10)	Disclosure Timeliness Score (Maximum 10)	Overall Score (Maximum 40)	Sustainability Disclosure Regulations (Y/N)
1	Netherlands	14.1	8.8	9.4	32.3	✓
2	Denmark	15.9	5.6	10	31.5	✓
3	Spain	17.6	8.2	5.6	31.5	✓
4	Finland	19.4	6.8	5.3	31.5	✓
5	South Africa	16.5	10	4.7	31.2	✓
6	Sweden	12.3	7.1	9.1	28.5	✓
7	Italy	18.8	6.5	2.9	28.2	✓
8	Brazil	15.3	9.7	3.2	28.2	✓
9	Norway	11.8	7.9	8.2	27.9	✓
10	France	18.2	4.4	4.1	26.7	✓



Key Findings

1. Disclosure not (yet) consistently practiced by small and micro-cap companies
2. Great process of 'catch up' taking place among emerging markets-based exchanges
3. Enormous discrepancies across sectors
4. The top performing stock exchanges all have some form of disclosure standards in place
5. **Absolute number of large companies disclosing 'first generation' sustainability indicators is rising**

Disclosure of First Generation Indicators, by Year





Recommendations

- A mandatory disclosure framework urgently needed
- Graduated, sector-specific approach
- Secular shift to incentivize Integrated Reporting



Next Steps

- Corporate Knights organizing second iteration of SSE report, to be launched in October 2013
- Working with series of partners
- Goal: create globally recognized benchmark for sustainability disclosure practices of stock exchanges
- Focus: cross-referencing policies with practice, at level of individual stock exchange
- Sponsorship opportunities



Thank you

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