

Reporting Sustainability: Standards and Guidelines

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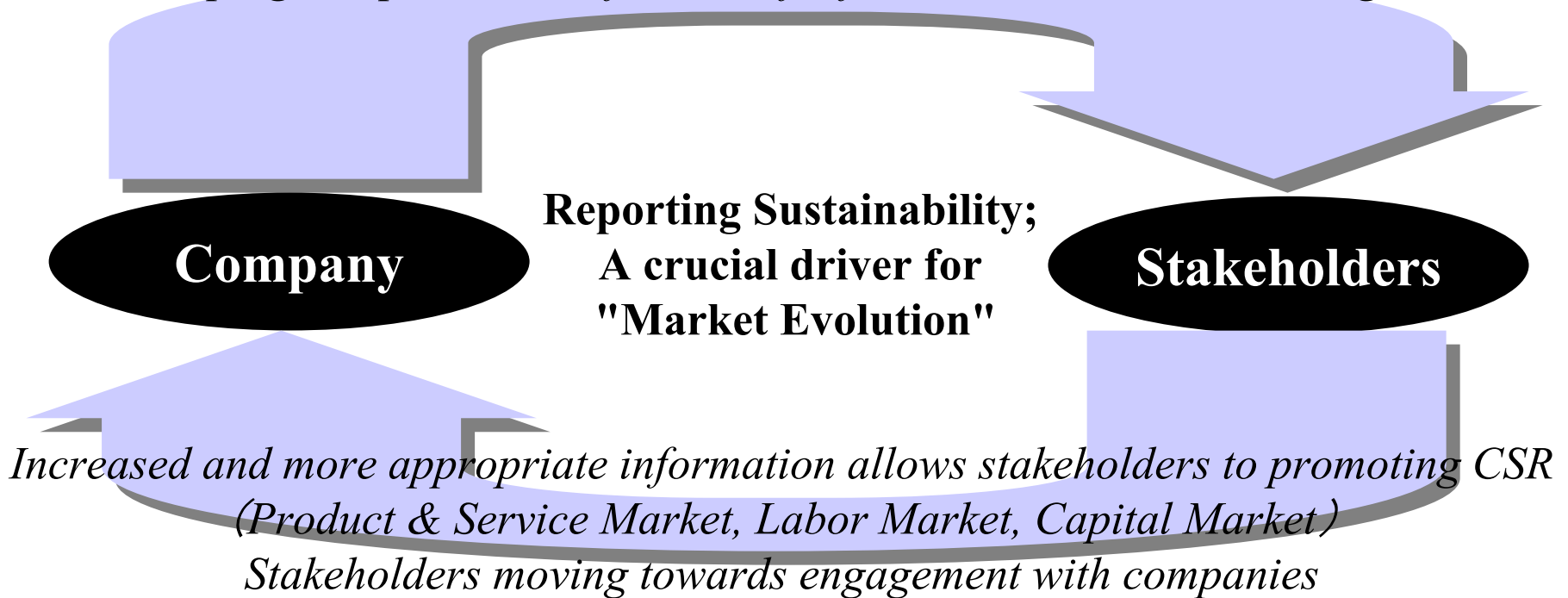
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Roles and challenges of reporting sustainability

Developing the amount and types of information provided

Developing reporting standards and guidelines

Developing independent verification of information and benchmarking tools



What Is "Market Evolution"?; Strengthening the functions of the market, we must make efforts as corporations which facilitate the evolution of a market capable of valuing not only "economic" but also "social" and "human" aspect.

Current status of environmental reporting in Japan

		will publish in the next year					Total
		Published	Not published	Others	No answer		
Listed company	2002	450	136	701	29	7	1323
	%	34.0	10.3	53.0	2.2	0.5	100
	2001	386	202	672	19	12	1291
	%	29.9	15.6	52.1	1.5	0.9	100
Unlisted company	2002	200	115	1212	93	24	1644
	%	12.2	7.0	73.7	5.7	1.5	100
	2001	193	145	1189	66	14	1607
	%	12.0	9.0	74.0	4.1	0.9	100
Total	2002	650	251	1913	122	31	2967
	%	21.9	8.5	64.5	4.1	1.0	100
	2001	579	347	1861	85	26	2898
	%	20.0	12.0	64.2	2.9	0.9	100

Japanese companies are interested in reporting sustainability. One-third of listed companies already publish environmental reports. One-fifth of all companies publish environmental reports.

		will publish in the next year					Total
		Published	Not published	Others	No answer		
Construction	%	28	15	77	1	1	122
		23.0	12.3	63.1	0.8	0.8	100
Manufacturing	%	328	89	368	19	2	806
		40.7	11.0	45.7	2.4	0.2	100
Utility	%	19	0	1	0	0	20
		95.0	0.0	5.0	0.0	0.0	100
Transportation & Communication	%	16	6	35	0	1	58
		27.6	10.3	60.3	0.0	1.7	100
Wholesale	%	15	8	58	1	2	84
		17.9	9.5	69.0	1.2	2.4	100
Retail & Restaurant	%	23	9	40	0	1	73
		31.5	12.3	54.8	0.0	1.4	100
Finance & Insurance	%	5	4	47	1	0	57
		8.8	7.0	82.5	1.8	0.0	100
Real property	%	4	0	3	1	0	8
		50.0	0.0	37.5	12.5	0.0	100
Service	%	11	5	66	6	0	88
		12.5	5.7	75.0	6.8	0.0	100

But the finance / insurance sector is often laggard for disclosure.

(Source) Ministry of the Environment, Japan Annual survey on corporate behaviors

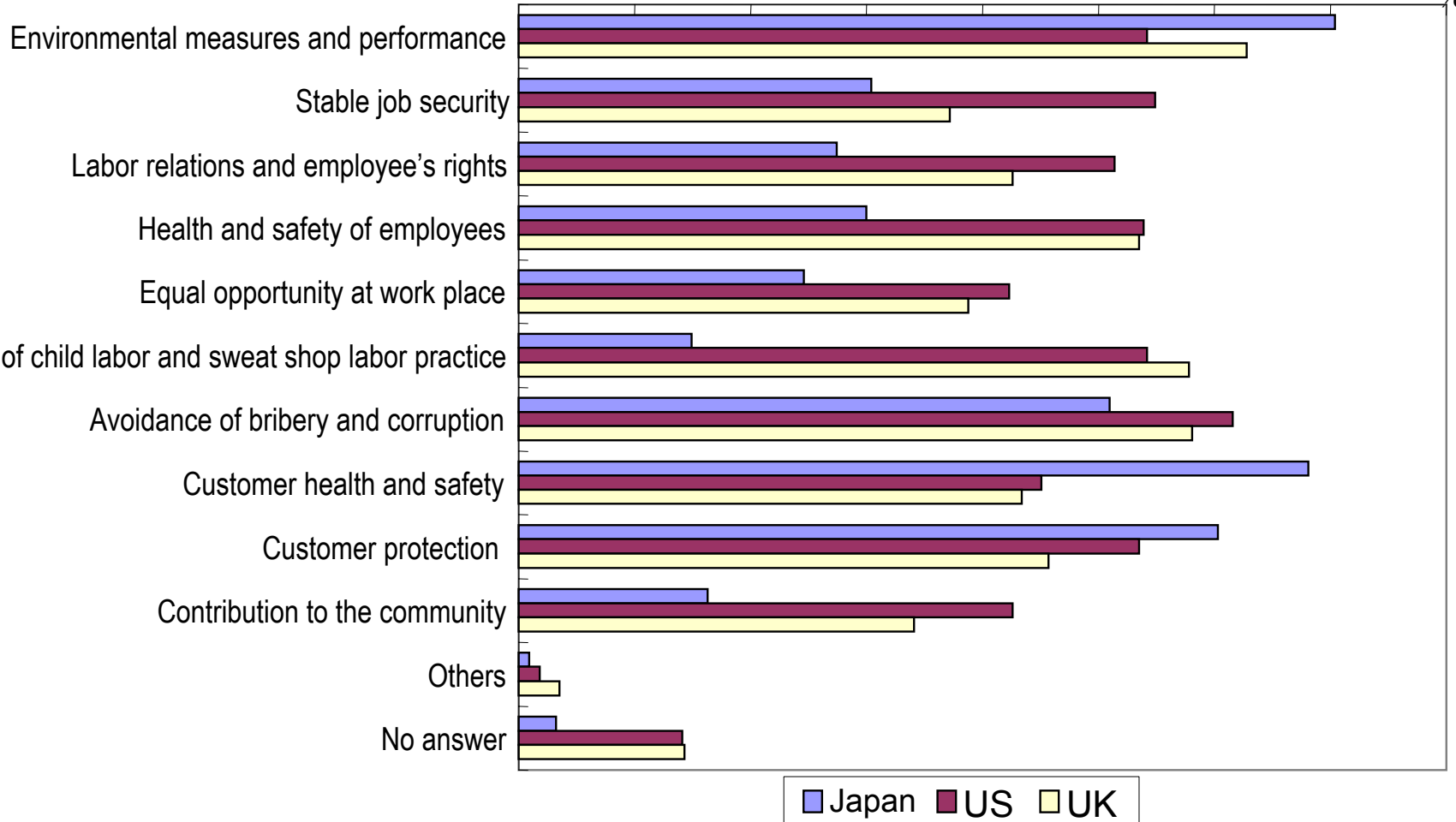
Issues to be discussed in this session

- Is it feasible to build globally applicable Sustainability Reporting Guidelines?
- Is the regulation related to reporting sustainability supported or not?
- What should be the objective of ISO CSR standards? What impact does it make?

Difference among the interests for CSR in Japan, US and UK

The area of interests for investors who takes CSR into account when making investment decisions

0 10 20 30 40 50 60 70 80 %



Regulations related to reporting sustainability

- Requirement from environmental administration
 - Environment Protection Act (The Netherlands)
 - Environmental Disclosure Promoting Bill (Japan)
- Requirement from company law
 - Company Law Review (UK)
 - Corporate Responsibility Bill (UK)
 - Corporations Law (Australia)
 - Law on Annual Accounts (Denmark)
- Requirement from listing regime
 - Law no2001-420 related to new economic regulations (art116) (France)
 - King Report on corporate governance (South Africa)
 - Securities and Exchange Commission's concern (US)
- Requirement from financial regulation
 - The 1995 Pension Act (UK)
 - Public Accountability Statements Regulations (Canada)
 - Financial Services Reform Act (Corporations Act) (Australia)

ISO Activities on CSR

- 2001
 - April ISO Council (CSR Feasibility Study)
 - May 23rd COPOLCO Plenary (GMWG)
 - October GMWG (Geneva)
- 2002
 - Mar GMWG (Ottawa)
 - May COPOLCO/CSR Report
 - September ISO Council (established HLAG)
- 2003
 - Jan HLAG (Toronto)
 - February HLAG (Geneva), TMB
 - March ISO Council (TR report by 2003)

Highlights

- For international reporting guidelines, the environmental aspects should be prioritized to the social aspects and environmental performance indices should be improved first. (e.g., boundary and conversion coefficient)
- Regulation should be based on an indirect regulation (e.g., The 1995 Pension Act in UK) rather than a direct regulation. The company's initiative of reporting sustainability should be respected.
- It needs the standard which can improve CSR performance itself and its disclosure continuously, not only the standard which can improve CSR management system.
- It is important to maintain the credibility of reporting. Verification process by multi-stakeholders should be discussed further.