

CHARTER

OF THE

GROUP OF FRIENDS OF PARAGRAPH 47

ON CORPORATE SUSTAINABILITY REPORTING

We, representatives of Governments from different regions of the world, are committed to help advance the implementation of Paragraph 47 of *The future we want*¹ - the outcome document of the 2012 United Nations Conference on Sustainable Development (Rio+20). This commitment is expressed through our participation in the Group of Friends of Paragraph 47, created during the Rio+20 Conference on the initiative of the Governments of Brazil, Denmark, France and South Africa².

We welcome the unanimous adoption of *The future we want* at the Rio+20 Conference, and acknowledge the importance of the inclusion of corporate sustainability reporting in Paragraph 47 as a step forward in the advancement of an international culture of corporate transparency and accountability. Despite not including specific measures on the implementation process, Paragraph 47 builds on the agreements made in Johannesburg ten years ago and:

- Calls for Governments, the UN and other relevant stakeholders to engage to further advance sustainability reporting
- Calls for building on the experience of already existing frameworks
- Recognizes that sustainability reporting is relevant globally, and that the needs of developing countries, including capacity building, should be given particular attention.

We have drawn lessons from the environmental, social and economic crises of recent decades, and acknowledge that we face challenges such as climate change, depletion of natural resources, population growth, inequality, and poverty. These challenges can be addressed by collaborative work by all actors concerned, and by fostering a culture of transparency, accountability and trust. In developing such a culture, we believe sustainability reporting has a major role to play.

We understand sustainability reporting as the disclosure of information concerning the significant economic, social, environmental and governance impacts and performance of a company. Sustainability reporting is a key way to assume corporate responsibility and to demonstrate a company's long-term economic value. We understand corporate responsibility as the responsibility of a company for the impacts of its activities on society and the environment, exercised through transparent and ethical behavior that contributes to sustainable development, including the health and welfare of society. A company's responsibility extends to its sphere of influence, which is generally the part of its value chain over which it can exert economic or decision-making power. Corporate sustainability reporting has matured. A growing number of companies are now measuring and disclosing sustainability information in their annual reports, to complement information on cash flows, debts and liabilities.

We share a common vision.

Corporate transparency and accountability are key elements of a well-functioning market economy, and enhance the private sector's contribution to sustainable development. Making sustainability reporting standard practice among large and publicly-listed companies will contribute to the assessment of sustainability impacts by the corporate sector, and will encourage sustainable business practices in support of sustainable development. Small and Medium Enterprises (SMEs) have their own challenges, and, taking in consideration their peculiarities, special approaches are needed in engaging with them.

We are convinced that the role of Governments is essential to foster a culture of corporate transparency.

Governments play an essential role in ensuring the effective application of laws and regulations, as well as creating a culture of corporate transparency. Governments have already shown that there are different ways of promoting sustainability reporting, such as regulation of information for shareholders, employees and consumers, stock exchange rules, public procurement provisions, safety and health protection laws, financial regulation, political and consultative processes for building wider consensus, social institutionalized dialogue, and civil dialogue on approaches to effective environmental regulation and going beyond the law.

In the spirit of Paragraph 47, we recognize that each Government chooses the most relevant policy tools applicable to its culture and jurisdiction. Many Governments have already shown that there are different ways of promoting sustainability reporting, such as a mix of soft and hard law, market regulation, public procurement provisions, and financial regulation. Several have created laws, procedures or guidelines on corporate sustainability reporting. Various stock exchanges and market regulators now require a serious commitment to disclosure from their listed companies.

We acknowledge the importance of stakeholders' views and perspectives, and we commit to engage with interested stakeholders in an open and constructive dialogue.

¹<http://www.uncsd2012.org/thefuturewewant.html>

²Announced during a joint ministerial event: 'Denmark & South Africa Show the Way: Corporate Social Responsibility and Sustainability Reporting Create a Green Economy and Sustainable Development', Rio de Janeiro, 20 June 2012. The Group of Friends requested UNEP and GRI to form the Secretariat of the initiative.

Based on several national experiences, we are of the view that the development of models of best practice on policy and market regulation on corporate sustainability reporting is an important step towards making sustainability reporting standard practice. Policy and regulation will level the playing field and create enabling conditions for the business sector to contribute to sustainable development.

We intend to share our experiences within the Group and with the rest of the world, contribute to advance sustainability reporting policies, and ensure that the needs of developing countries are addressed.

In the spirit of Paragraph 47, we invite other Governments that share the vision expressed in this Charter to join the Group of Friends of Paragraph 47 and collaborate in building the future we want.