



GROUP OF FRIENDS OF PARAGRAPH 47

Background Working Paper Series

Walking the Talk

Leading by Example through State-Owned
Enterprise / Public Agency Reporting

November 2014

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**Walking the Talk:
Leading by Example through State-Owned Enterprise / Public Agency Reporting**

*A Group of Friends of Paragraph 47 Background Working Paper Series
September 2014*

1. Introduction

The objective of this working paper is to provide an insight into the status of sustainability reporting with regard to state-owned enterprises (SOEs), and public agencies, with a particular focus on Group of Friends of Paragraph 47 (GoF47) members. In addition, the paper examines some inspirational cases outside the GoF47. The working paper serves as an informative basis for further exploration.

A number of countries have taken steps in recent years towards encouraging or mandating sustainability reporting of SOEs and public agencies. State-owned enterprises refer to entities that are either partially, or wholly, owned by the government, and established to undertake commercial activities. They tend to be prevalent in sectors such as energy, transport, infrastructure, utilities, and defence, whose performance is critical to the population at large, and/or where the government has a strategic interest.¹ The term public agency can refer to various government organizations including universities, ministries, cities, regions and provinces.

In line with Paragraph 47's call on governments to stimulate sustainability reporting through best practice, it is worth considering whether SOEs and public agencies can play a role in setting an example for other organizations and companies to start reporting on their sustainability performance.

In some countries there are specific regulations mandating that SOEs and public agencies must issue sustainability reports, but in other countries these entities may be covered by broader regulations such as those applying to large companies.

This paper first provides a brief overview of key existing initiatives in relation to SOEs and public agencies², before turning to the status of reporting of SOEs and public agencies in the GoF47 member states. Two advanced examples are then examined (Sweden and China) to take a closer look at specific initiatives and the perceived effectiveness of regulations directly aimed at SOEs. Drawing on the information gathered, the paper explores whether reporting by SOEs and public agencies can be said to encourage reporting by other companies, and therefore whether government initiatives aimed at SOEs and public agencies might represent an effective entry point for establishing the practice of corporate sustainability reporting among all companies.

2. General overview of current reporting initiatives

2.1 State-Owned Enterprises

The 2013 update of the report 'Carrots and Sticks', which provides an overview of sustainability reporting policies worldwide, presents a table with countries that have introduced policies and initiatives targeted at SOEs. The table includes the following countries: **Brazil, China, Ecuador, Finland, France, Iceland,**

¹ Brazil's *Petrobras* (oil & gas), Colombia's *Ecopetrol* (oil & gas), France's *SNCF* (transport), and South Africa's *Denel* (defence) are examples of SOEs.

² This Paper sets out to examine national-level initiatives and their impact on the broader sustainability reporting landscape. International initiatives are not considered within the scope of this Paper, but would include the [OECD guidelines on corporate governance of SOEs](#), and the [OECD guidelines for multinational enterprises](#).

Indonesia, India, the Netherlands, Russia, South Africa, Spain and Sweden.³ Among GoF47 members, Denmark can also be added to this list.

In terms of the countries listed, **Finland** and **Spain** established reporting policies for SOEs in 2011.⁴ It is therefore rather early to draw conclusions on their effectiveness. **India** is currently implementing new guidelines to increase sustainability efforts of Indian state owned companies, including a section on sustainability reporting.⁵

Some of the other countries in the list have taken important measures towards increasing the sustainability reporting of companies generally, for example the recent Grenelle II law in **France**, which mainly covers large companies and companies listed on the French stock exchange, but also includes sustainability reporting requirements for public authorities and SOEs.⁶ **South Africa** has made substantial progress with its 2010 King Code of Governance, a non-legislative code encouraging all businesses, including SOEs, to engage in integrated sustainability reporting.⁷

However, from the list above, **Sweden and China have the most long-standing experience of applying policies directly aimed at sustainability reporting of SOEs.** Section 4 therefore takes a closer look at these countries' experience and explores how reporting of SOEs has influenced their corporate sustainability reporting landscape.

2.2 Public agencies

Sustainability reporting of public agencies is not widespread (0.8% of GRI reports in 2011 according to a report from Utopies⁸). However, there is a tendency in a number of countries towards increasing public agency reporting. Some governments have recently put in place incentives or regulations on sustainability reporting of public agencies, including the following examples:

- USA: in 2009 President Obama gave an Executive Order that set out sustainability goals for federal agencies. This has led to an increase of sustainability reporting by the agencies.⁹
- France: the 2010 Grenelle II law includes a requirement for French communities with more than 50,000 inhabitants to issue annual sustainability reports.¹⁰ Initial results indicate the creation of a positive forward momentum, seen through an increased involvement of local community authorities in communicating their strategies and actions in the field of sustainable development.¹¹ In addition, all French ministries are currently due to issue sustainability reports.
- South Africa: the 2010 King Code of Governance applies to all institutions, including public institutions.¹²
- The UK: the Government issues annual guidance for sustainability reporting of all central government bodies.¹³

³ Prepared by the GRI, KPMG, UNEP and the Centre for Corporate Governance in Africa, <https://www.globalreporting.org/resource/library/Carrots-and-Sticks.pdf>

⁴ Finnish Government Resolution on State Ownership Policy, 3 November 2011, http://valtioniomistus.fi/english/files/2012/01/Periaatepaaetoetes03112011_eng.pdf and Spanish Sustainable Economy Law, 2011, <https://www.globalreporting.org/information/policy/initiatives-worldwide/Pages/Spain.aspx>

⁵ Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises, entered into force in April 2013, http://www.dpemou.nic.in/MOUFiles/Revised_CSR_Guidelines.pdf

⁶ Article 225 and 226, Grenelle II Act July 12 2010, France: Ministry of Environment

⁷ <http://www.library.up.ac.za/law/docs/king111report.pdf>

⁸ http://utopies.zagett.com/wp-content/uploads/2012/06/Utopies_ReportingTrendsSurvey_2012.pdf

⁹ White House Executive Order 13514 (2009), http://www.whitehouse.gov/the_press_office/President-Obama-signs-an-Executive-Order-Focused-on-Federal-Leadership-in-Environmental-Energy-and-Economic-Performance

¹⁰ http://utopies.zagett.com/wp-content/uploads/2012/06/Utopies_ReportingTrendsSurvey_2012.pdf

¹¹ According to observations from French Ministry of Ecology, Sustainable Development and Energy, based on findings from local community working groups

¹² <http://www.deloitte.com/assets/Dcom-SouthAfrica/Local%20Assets/Documents/Investing%20in%20SA%202012.pdf>

- Colombia: the Government is currently increasing its sustainability initiatives. The Ministry of Trade is identifying best practices, to be laid down in an implementation action plan, with a view to becoming the first public agency in the country to report on its sustainability performance.¹⁴
- Germany: the Ministry of Labour and Social Affairs has recently published its first sustainability report.¹⁵

As with SOEs, public agencies could potentially play a role in setting an example for other organizations and companies to start reporting on their sustainability performance. Public agencies are also in a position to directly influence the behavior of other companies through their public procurement policies (encouraging sustainable practices of their suppliers). Although not yet common practice, public agency reporting could increase in the future, e.g. as a result of increased public interest in transparency and the need to build trust in institutions. Another driver is the role of public agencies in achieving current and future national sustainable development targets.¹⁶

3. Insight into the status of sustainability reporting of SOEs and public agencies in GoF47 member states¹⁷

Austria

Historically, the Austrian Ministry of Environment has pioneered CSR reporting in the public sector in Austria. The Ministry issued the first CSR report in 2004, and has reported according to the EU EMAS scheme for more than 10 years. Recent examples from 2013 include, *inter alia*, the first CSR report published by the Austrian Chamber of Commerce, a CSR report from the Environmental department of a Provincial Government (Styria), and several reports from Universities.

The draft version of the Austrian CSR Action Plan foresees mandatory reporting for SOEs, although political adoption of the plan is still pending following Federal elections in December 2013. No other specific initiatives for SOEs or public agencies exist, although several SOEs participate in the national Austrian Sustainability Reporting Award (ASRA) scheme,¹⁸ which includes an award category that explicitly addresses reports from the public sector.

The annual Ernst & Young Austria study¹⁹ on sustainability reporting performance of large Austrian companies, including SOEs, concluded that some 40% of the major Austrian SOEs report in a structured and comprehensive manner.

Brazil

Brazil does not currently have a public policy on sustainability reporting in place, although the development of a national strategy aimed at stimulating the elaboration of reports by both the public and private sector is ongoing.

¹³ http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/d/2012_13_hmt_sustainability_reporting_guidance_mar13.pdf

¹⁴ Presentation by a representative of the Colombian government at the *UN Global Compact Leaders Summit 2013*

¹⁵ http://www.bmas.de/SharedDocs/Downloads/DE/PDF-Publikationen/a414-bmas-nachhaltigkeitsbericht-2013.pdf?__blob=publicationFile

¹⁶ http://www.utopies.com/IMG/pdf/Utopies_ReportingTrendsSurvey_2012.pdf

¹⁷ This information was gathered through a dedicated questionnaire sent from the Secretariat to GoF47 members. The section focuses on inputs received from the members, as well as aspects that are not directly related to reporting but which are important in the larger sustainability context for SOEs and public agencies. Responses were not received from South Africa or Switzerland.

¹⁸ Run by the Accountants Association in cooperation with the Federal Ministry of Agriculture, Forestry, Environment and Water management.

¹⁹ [http://www.ey.com/Publication/vwLUAssets/Studie_2013-Nachhaltigkeitsberichterstattung/\\$FILE/Studie%20zur%20Nachhaltigkeitsberichterstattung_2013.pdf](http://www.ey.com/Publication/vwLUAssets/Studie_2013-Nachhaltigkeitsberichterstattung/$FILE/Studie%20zur%20Nachhaltigkeitsberichterstattung_2013.pdf) (in German)

Several Brazilian SOEs publish sustainability reports. Although they belong to various sectors,²⁰ the majority of these SOEs belong to the electrical energy sector, due to the National Agency for Electrical Energy's requirement for all energy utility companies to produce an annual sustainability report.²¹

Federal Decree nº 7.746/2012²² requires federal public agencies and dependent²³ SOEs to elaborate Sustainable Logistics Management Plans (PLS).²⁴ PLS are planning tools that support sustainable practices, including sustainability criteria for public procurement, and more efficient expenditure and processes in these entities. SOEs and public agencies are requested to report on the implementation of their PLS on an annual basis. The plans and their reports are monitored by the Inter-ministerial Commission of Sustainability in the Public Administration (CISAP), which is co-led by the Ministry of Planning, Budget and Management (MPOG) and the Ministry of Environment.

Chile

Chile's Council for Social Responsibility to achieve Sustainable Development (CSRSD), established in April 2013 in order to advance Rio +20 outcomes at the national level, adopted a recommendation in October 2013 requiring SOEs to elaborate yearly sustainability reports in order to express their policies, commitments and socially responsible practices, preferably using the GRI methodology. The objective of the recommendation is to provide national examples through Government action, with a view to encouraging uptake of sustainability reporting by companies and organizations more widely. The recommendation was approved by the Minister of Economy, with implementation falling to the new Chilean administration in place since March 2014. No formal initiatives relate to reporting by public agencies.

Colombia

Colombia is currently in the process of developing a public policy aimed at encouraging implementation of sustainability reporting by both private and state-owned enterprises. According to the Government, the policy is intended to send a message to industry to prepare itself, in order to be ready for possible legislation at a future date.

Denmark

The main ambition of the Danish Government, as seen from its National Action Plan for Corporate Social Responsibility 2012-2015²⁵, is to facilitate a good framework for companies – both private and state-owned – to report on CSR. The Danish Business Authority, a public agency, is dedicated to this ambition through a variety of means and initiatives, including legal requirements on CSR-reporting, guidelines and best practice cases on CSR reporting.

Danish SOEs are required to report on CSR under the 2009 Danish Financial Statement Act, which sets out that reports should cover:

- Social and environmental responsibility policies – it is mandatory to report on policies on human rights and reducing climate change
- How those policies are translated into action

²⁰ For instance: financial (Banco do Brasil, Caixa Econômica Federal, Banco da Amazônia), electrical energy (CEMIG, COPEL, Eletrobras), Oil and Gas (Petrobras) and sanitation (COPASA)

²¹ Despacho nº 3034/2006, <http://bit.ly/ZoQKD3>. The National Agency for Electrical Energy (ANEEL) is a public agency in charge of regulating the electricity market and issuing concession contracts to companies in the areas of generation, transmission and distribution.

²² <http://www.mma.gov.br/images/arquivo/80063/Decreto%207746%20-%20Sustentabilidade.pdf>

²³ Dependent SOEs are those that are directly financed by the Public Budget.

²⁴ The first PLS were elaborated in 2013. Therefore, the first annual PLS reporting are expected to be published in the first half of 2014. Instruction SLTI/MP nº 10/2012 and Ordinance INT nº 14/2013: <http://cpsustentaveis.planejamento.gov.br/wp-content/uploads/2012/11/Instru%C3%A7%C3%A3o-Normativa-10-2012.pdf>

²⁵ Issued in March 2012: http://samfundsansvar.dk/file/318420/uk_responsible_growth_2012.pdf

- The company's evaluation of what has been achieved through social and environmental responsibility initiatives during the financial year and any expectations it has regarding future initiatives.

Danish SOEs are also expected to join the UN Global Compact.

The 2012 annual report on the impact of the legal requirement for reporting on CSR²⁶ noted positive progress in terms of the number and quality of reports being produced nationally, and that unlisted companies performed as well as listed companies. While a similar positive development is expected from SOEs, the report makes no specific reference to CSR reporting by Danish SOEs and no other studies have been conducted in this area.

With regard to public agencies, Denmark has not adopted any specific legal reporting targeting this group. Besides the focus area "Increased Transparency" in the National Action Plan for CSR, another main focus area is "Good framework conditions for responsible growth through "encouraging CSR activities in the public sector, most notably initiatives on public procurement". However, the initiatives do not include any new reporting encouragements or requirements.

Although sustainability reporting by Danish public agencies is still relatively uncommon at present, several public agencies do voluntarily publish extensive environmental information, typically using environmental management systems such as the EU EMAS scheme or a green accounting scheme. As an example, the Environmental Protection Agency has been EMAS certified since 2003 and several municipalities are publishing green accounts. In late 2013, a Government strategy on intelligent public procurement was published. The strategy states different initiatives within green public procurement (among other issues). The mandatory initiatives are mainly targeted state agencies.

France

Article 226 of the French Grenelle II law on the environment aims at extending the obligations of sustainability reporting to SOEs and public agencies.²⁷ Its enforcement is however currently on hold, pending a revision of the Article's text.

Several other initiatives focus on the work of SOEs and public agencies in terms of sustainability, including reporting, such as a State memorandum (Circulaire Etat exemplaire) fixing the State's environmental objectives and describing how the State can set a good example when it comes to sustainability²⁸, Decree 2011-829 of 11 July 2011²⁹, which concerns the accounting of greenhouse gases and the adoption of territorial climate and energy plans by local authorities, Article 55 of the Grenelle I Act (3 August 2009)³⁰ concerning the establishment of a green plan in institutions for higher education, and the 2006 Code on Government Procurement.³¹

A study conducted by the Sustainable Development Club for Public Establishments and Enterprises (CDDEP) in June 2012³² examining the progress of advancing sustainability in public agencies and SOEs found that there had been a rise in the definition and application of sustainability policies and strategies in SOEs and public agencies. The study noted that sustainability efforts were frequently concentrated in headquarters but less prominent in other entities such as subsidiaries, (indicating that there may be room

²⁶ 2012: Corporate Social Responsibility and Reporting in Denmark: Impact of the third year subject to the legal requirements for reporting on CSR in the Danish Financial Statement Act: http://samfundsansvar.dk/file/358879/csr_rapport_2013_eng.pdf, 2011 report: http://samfundsansvar.dk/file/319199/corporate_social_responsibility_and_reporting_in_denmark_november_2011.pdf.pdf, 2010 report: http://samfundsansvar.dk/file/319099/corporate_social_responsibility_and_reporting_in_denmark_september_2010.pdf

²⁷ Grenelle II Act July 12 2010, France: Ministry of Environment: <http://bit.ly/deL2cQ>

²⁸ Established in 2008 and updated each year. The memorandum is being revised to define new objectives for the period 2013-2020: <http://www.developpement-durable.gouv.fr/La-circulaire-Etat-exemplaire.html>

²⁹ http://www.paca.developpement-durable.gouv.fr/IMG/pdf/decret_PCET_cle698529.pdf (in French)

³⁰ <http://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000020949548#LEGIARTI000020950502> (in French)

³¹ <http://www.legifrance.gouv.fr/affichCode.do?cidTexte=LEGITEXT000005627819> (in French)

³² The study is accessible under this link (in French): http://www.developpement-durable.gouv.fr/IMG/pdf/Etude_RSO.pdf

for improvement in terms of full integration of sustainability strategies), and concluded that an effective sustainability strategy could only be implemented with the strong involvement of both internal and external stakeholders.

Norway

The Norwegian Accounting Act which took effect in June 2013³³ requires all large Norwegian companies to provide information on how they integrate social responsibility into their business strategies, their daily operations and in relations with their stakeholders, including any policies, principles, procedures and standards that are followed.

As outlined in a dedicated Government white paper 2010-2011,³⁴ SOEs are expected to excel in sustainability practice and to report on their work relating to CSR, including significant challenges and objectives and indicators for goal achievement. Companies of a certain size may use the reporting standard of the Global Reporting Initiative.

There are no initiatives on sustainability reporting of public agencies that cover all three pillars of sustainability. Sustainability reporting of public agencies is however partly covered by different environmental initiatives and policies. In 1998, the project *Grønnstat* (Green State) was launched, requiring public agencies to introduce more sustainable management in their daily operations in areas such as waste management, transport, energy consumption and procurement.

In 2007 the Government issued an action plan for environmental and social responsibility in public procurement. This plan states that all public agencies and entities should implement an environmental management system. The plan also encouraged public agencies to implement third-party certified environmental systems,³⁵ as well as new methods for monitoring, reporting and gathering of statistics in the public sector. As a consequence of this policy, a new reporting system called *MiljøRapp* (Environmental Reporting), was implemented for governmental bodies.

Most recently, the project *Klimanøytral stat* (Climate Neutral State) was implemented in 2011-2012, with the key goals of improving the systems for monitoring and registration of greenhouse gas emissions in a number of public agencies and evaluating the potential to reduce those emissions.

PWC has recently investigated companies' practices when it comes to integrated reporting based on annual reports for the accounting year 2012. This study comprises 355 companies in 9 countries, including 30 Norwegian companies, both privately and state owned.³⁶ Certain SOEs are considered good examples when it comes to sustainability reporting (e.g. Cermaq, Norsk Hydro [NHY]),³⁷ although SOEs in Norway are as a rule defined as part of the private sector, operating according to the same standards for sustainable business profitability as any other commercial company, independent of ownership constellations.³⁸

4. A closer look at two countries – Sweden and China

It is useful to take a closer look at the experience of sustainability reporting by SOEs in Sweden and China as SOEs in these two countries have been mandated to report for some years now.

³³ <http://www.revisorforeningen.no/d9621071/samfunnsansvar-i-arsberetningen>

³⁴ <http://www.regjeringen.no/pages/16193771/PDFS/STM201020110013000DDDPDFS.pdf> (in Norwegian)

³⁵ ISO 14001, EMAS, or *Miljøfyrtårn* ('Environmental Lighthouse'). The latter is a Norwegian certification program consisting of different sets of environmental requirements for different industry sectors.

³⁶ <http://www.pwc.no>

³⁷ Idem

³⁸ Outlined in the 2008-2009 report 'Corporate social responsibility in a global economy':

<http://www.regjeringen.no/pages/2146192/PDFS/STM200820090010000DDDPDFS.pdf> (in Norwegian)

Sweden

In 2008 Sweden became the first country to mandate sustainability reporting of SOEs. According to the regulation, these reports should be prepared in accordance with the reporting guidelines of the Global Reporting Initiative (GRI).³⁹ This regulation (or mandatory guidelines as they are officially referred to) was established in addition to regulation on sustainability reporting for the private sector, notably for large companies.⁴⁰ Sweden was also the first country to have a coordinated government function for Corporate Social Responsibility (CSR) when it established a Global Responsibility Unit within the Ministry of Foreign Affairs in 2002.⁴¹

In 2010 a study was conducted on the consequences of the guidelines for sustainability reporting by SOEs. The study revealed some interesting findings, including:

- **The guidelines have contributed to a process of learning and building up of knowledge, which create the conditions needed for changing practices in the future.**
- **While the guidelines have created awareness and interest in sustainability it is not entirely clear that the guidelines have sharpened the focus on sustainability.**
- **Reporting as such can create pressure on organizations to take greater responsibility.** By publishing sustainability reports companies generate expectations among stakeholders that they will present improvements in the sustainability area.⁴²

One of the challenges that some Swedish SOEs noted relates to grasping the concept of sustainability, i.e. determining what the company should take responsibility for and which indicators were the most relevant to report on.⁴³

According to the operations manager at CSR Sweden (a business network), **the Swedish business community acknowledges the Government's leading role on sustainability.**⁴⁴ An example of a specific government-led initiative is the establishment of the position of CSR Ambassador who works with the Swedish Partnership for Global Responsibility (associated with the Ministry for Foreign Affairs). The partnership works as a reference group for encouraging CSR and includes companies, government agencies and trade unions.⁴⁵

What conclusion may be drawn from this example regarding the role of the SOE reporting in terms of its impact on the promotion of general corporate sustainability and associated reporting? It is difficult to conclude from available information that the reporting by SOEs is, on its own, leading to the generally high level of sustainability and sustainability reporting in Sweden. Rather, it appears that **coordinated efforts of the Government, including leading by example, have encouraged Swedish companies to work on sustainability improvements and report on their progress.**

China

The demand for increased sustainability of Chinese companies has grown in recent years. There are several drivers for this demand, both domestic and global in nature, including elevated consumer demands when it comes to sustainability of companies and the integration of Chinese companies into the global marketplace.⁴⁶

³⁹ Guidelines for external reporting by state-owned companies, <http://www.government.se/content/1/c6/09/41/20/dd8dadf3.pdf>

⁴⁰ www.bfn.se/redovisning/VAG/VL12-1-K3-kons.pdf

⁴¹ http://www.sweden.se/eng/Home/Business/Ethics_and_Business/Facts/CSR/

⁴² <http://www.government.se/content/1/c6/15/23/57/a5d3ccbc.pdf>

⁴³ <http://www.government.se/content/1/c6/15/23/57/a5d3ccbc.pdf>

⁴⁴ <http://www.greenbusinesstimes.com/2011/12/02/learning-from-swedens-success-and-experience-in-embracing-csr/>

⁴⁵ <http://www.government.se/sb/d/11427/a/119781>

⁴⁶ <http://sevenpillarsinstitute.org/wp-content/uploads/2012/10/Corporate-Social-Responsibility-in-China-EDITED.pdf>

In 2008 the Chinese State-owned Assets Supervision and Administration Commission issued CSR guidelines requiring all SOEs to publish sustainability reports by 2012.⁴⁷ Some Chinese stock exchanges followed with requirements/guidance for sustainability reporting by listed companies.⁴⁸ Before the release of the guidelines for SOEs, corporate sustainability reporting was not a common practice and was largely dominated by international companies. In the period 1999-2005, only 22 sustainability reports were published in China.⁴⁹

The report 'Carrots and Sticks' describes the Chinese sustainability regulatory environment, and the interaction between the private and government sector, as follows:

*"...the role of the central government is to set the tone and direction for public policy – including for CSR and sustainability reporting... Local government and industry regulatory bodies echo the vision of the government, while **state-owned companies act as pioneers and lead by example. With enough leadership in place, the private sector gradually buys into new trends and voluntary grassroots movements start up.**"⁵⁰*

In recent years, there has been a gradual increase in sustainability reporting in China, notably from SOEs (78% of Chinese corporate sustainability reports in 2010).⁵¹

In terms of quality of Chinese sustainability reports, according to a study on sustainability reporting in China 2001-2009, only 2.2% of the reports were issued both in Chinese and English, only 7.8% made reference to the international reporting guidelines of the GRI and around 6% were externally verified.⁵²

However, **the quality of reports by SOEs was significantly higher than the average level.** This can be explained, inter alia, by stricter sustainability policies and better management systems in SOEs.⁵³

In 2012 there was continued growth in the total number of Chinese sustainability reports (over 1600 reports), with half of reporting companies being SOEs or listed companies.⁵⁴ Listed companies are starting to report in increasing numbers (in line with reporting guidance and regulation) and some public institutions, including hospitals, schools and universities also issued reports in 2012.⁵⁵ Although the quality of reports can still be improved, there has been gradual progress compared to earlier reports and, according to business network BSR,⁵⁶ continuous improvement is expected in the coming years due to reasons including more experience and increased demands from the Government and consumers.⁵⁷

The example of China is unique given the strong involvement of the Chinese Government in the economy. The Government is the key driver for sustainability reporting of companies from the public as well as the private sector, both through regulation and also through the strong example set by SOEs. **Although it is difficult to conclude that SOEs have directly encouraged other companies to follow their example, it is likely that their leadership in terms of quality of reports and commitment to increasing sustainability has had some encouraging effects on other companies.** As with the Swedish example, a combination of reporting by Chinese SOEs and Government actions (including policies and awareness raising) has set a positive example for the general business community in China.

⁴⁷ Guidelines to the State-owned Enterprises Directly under the Central Government on Fulfilling Corporate Social Responsibilities, 2008: <http://www.sasac.gov.cn/n2963340/n2964712/4891623.html>

⁴⁸ Social Responsibility Guideline for Listed Companies of Shenzhen Stock Exchange (2006); Notice of Improving Listed companies' Assumption of Social Responsibilities of the Shanghai Stock Exchange (2008); requirements of the Stock Exchange of Hong Kong Limited (2012), see <https://www.globalreporting.org/resource/library/Carrots-and-Sticks.pdf>

⁴⁹ <http://www.bsr.org/en/our-insights/bsr-insight-article/transparency-in-china-a-new-generation-of-sustainability-reports>

⁵⁰ <https://www.globalreporting.org/resource/library/Carrots-and-Sticks.pdf>

⁵¹ <http://www.bsr.org/en/our-insights/bsr-insight-article/transparency-in-china-a-new-generation-of-sustainability-reports>

⁵² <http://csr-china.net/en/second.aspx?nodeid=ddd0b45c-b7c4-4947-b2e3-e20374708733&page=contentpage&contentid=49f15aa0-f43c-4096-bda4-99cbac5470cd>

⁵³ <http://sevenpillarsinstitute.org/wp-content/uploads/2012/10/Corporate-Social-Responsibility-in-China-EDITED.pdf>

⁵⁴ <https://www.globalreporting.org/resource/library/Carrots-and-Sticks.pdf>

⁵⁵ Idem

⁵⁶ BSR (Business for Social Responsibility) is a non-profit business network dedicated to sustainability.

⁵⁷ <http://www.bsr.org/en/our-insights/bsr-insight-article/transparency-in-china-a-new-generation-of-sustainability-reports>

5. Conclusion

A number of countries have launched initiatives aimed at increasing sustainability reporting by SOEs and public agencies. Regulation and other government incentives for sustainability reporting of these entities are however not as widely used as regulations for listed companies or large companies.

When looking at the examples of Sweden and China, which both have significant experience in regulating reporting by SOEs, it seems that both the regulation, as well as associated government initiatives, have had a positive impact on the general corporate sustainability landscape.

Judging from the input received from the members of the GoF47, there are various initiatives in the member states that promote sustainability reporting of SOEs and public agencies. The types and focus of the initiatives vary widely between the countries. In Chile and France, the Members in which the most targeted initiatives exist, it is too early to draw clear conclusions on their impact, although initial indications in France suggest a positive forward momentum, as seen through the increased involvement of local authorities in communicating their strategies and actions in the field of sustainable development. In other member countries, SOEs and public agencies are covered under initiatives and policies that also cover entities such as private companies, and it is therefore difficult to conclude on the impact of sustainability reporting of SOEs and public agencies on reporting of other companies (e.g. if SOEs and public agencies serve as a good example for other companies).

There seem to have been relatively few studies conducted on sustainability reporting in SOEs and public agencies but some insight can be found, for example from the recent study conducted on sustainability efforts of SOEs and public agencies in France (including some information on reporting). Although further data would be needed to come to a clear conclusion, the promotion and support for sustainability reporting of SOEs and public agencies is an approach that seems to provide positive results to the general sustainability reporting landscape. It is an approach that governments could take into consideration to promote corporate sustainability.

Further exchanges between the members of the GoF47 to learn from best practices in the member states could be beneficial for the members, notably in order to define what approaches have worked best when it comes to encouraging reporting of SOEs and public agencies, and whether focusing on SOEs and public agencies is an appropriate approach to encourage other companies to provide disclosure on their sustainability efforts and performance.