

April 29, 2011

**Name**

Alexandra Duarte Correia

**Position**

PhD Candidate at Faculty of Law, Vrije Universiteit Amsterdam, The Netherlands

**Expertise**

International Law – Company Law

**Research activities**

Alexandra Duarte Correia conducts research in the programme “Publieke en Private Belangen in Balans” (02/2011 – 02/2015) under the supervision of Professor dr. J.B. Huizink (Faculty of Law) and Professor dr. T.L.C.M. Groot (Faculty of Economics and Business Administration - Accounting).

Alexandra’s research is about sustainability reporting in capital markets. She will determine if it is possible to develop a legal framework for the disclosure of non-financial information – Key Performance Indicators (KPIs) and Environmental, Social and Governance (ESG) aspects of listed companies.

Her main research interests lie particularly on the development of mandatory sustainability reporting and/or integrated reporting – a combination of financial and non-financial disclosure in a single report. How to ensure transparency and accountability in capital markets and the importance of voluntary instruments, like the Global Reporting Initiative (GRI) Guidelines, United Nations Principles for Responsible Investment (UNPRI), United Nations Global Compact and the International Integrated Reporting Committee (IIRC).

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**Curriculum vitae**

- 02/2010 – 07/2010 FMO – Developing Bank of the Netherlands  
Sustainability Development team
- 03/2007 – 07/2007 European Commission, Brussels  
Directorate-General of Taxation and Customs Union (Unit C1)
- 03/2006 – 03/2007 Ministry of Finance, Lisbon  
Directorate-General for Customs and Special Consumer Taxes, DG Human Resources –  
Juridical Division
- 11/2003 – 09/2005 “Fernando Seara, J.L. Seixas, Ribeiro da Costa, Jardine Neto”  
Lawyers Office, Lisbon

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**Research working title:** “Sustainability reporting in capital markets: A Black box”.

**Conference’ themes addressed:** Alexandra’s research addresses three themes of the conference, namely:

- Identifying environmental, social and governance criteria which can be related to long term company financial performance;
- Identifying how and when environmental externalities negatively affect fund Performance;
- Cross-national studies of law and policy on responsible investment.

# Sustainability Reporting in Capital Markets: A Black Box.

April 29, 2011

## Scanned passport:



Alexandra Duarte Correia, LL.M.  
PhD Candidate at Vrije Universiteit Amsterdam

## **1 - Title of research proposal**

*SUSTAINABILITY REPORTING IN CAPITAL MARKETS: A Black Box.*

### **Conference' themes addressed:**

- Identifying environmental, social and governance criteria which can be related to long term company financial performance;
- Identifying how and when environmental externalities negatively affect fund Performance;
- Cross-national studies of law and policy on responsible investment.

## **2 - Abstract**

While there is greater demand for sustainability reporting in capital markets, why is it not yet included in the annual accounting books of listed companies? This could change if both investors and governments incentivize the disclosure of non financial information. How can legal instruments increase transparency, openness and fairness in sustainability reporting of corporations in capital markets? Important steps were taken towards the implementation of sustainability reporting but there is little research about its effectiveness and exact positioning within capital markets. Governments' growing involvement in capital markets reacting to the financial crisis opens-up a window of opportunity for regulations to improve transparency. More research is needed due the importance to understand which legal instruments are needed, and which lessons can we learn from the development of the current financial accounting standards.

**3 - Relevance of the research proposal to the research themes of the conference and expected contribution to theory and practice.**

With researching on sustainability reporting and evaluating the possibilities of creating more transparency and accountability in this area, it is intended to obtain clear answers that would allow to divulge and make accurate recommendations for the future success of sustainability reporting within the capital markets. In times of economic recession and with the public demanding better regulation of the capitalist society, this research aims to provide tools to help maintaining a capitalistic economy, but performing better for the society. It aims to show how in a globalized world, a new and more effective national legislation can start with international standards as a first step to get a uniformed standard worldwide. For companies, governments and the public it is a necessary research to understand whether, and if so, how sustainability reporting can be done in order to create a globalized economy that is in line with public values.

The growing creation and importance of sustainability indices, sustainability rating agencies and increasing responsibility of the pension funds in our society and economy, are affecting many different areas. The implementation of these results will therefore have an important impact on a broad range of sectors and activities. Being on the crossroads of finance accounting and law, the results of this research will contribute to deepen and broaden research areas as law, finance, accounting, responsible investment, environment, politics, sociology and technology. The results of the research can be used as an example for law and policy making bodies (e.g. European Union, National Governments) and will give opportunities to look at a new way of leading capitalistic economies into a new era of sustainable development. Furthermore, legislation will always have to adapt to changing social and ethical rules. A relevant comparison is made with accountancy rules which in effect work similar to rules on sustainability reporting. Accountancy rules are always in need of updating and further research. The research is a base for further study on this ever changing and developing subject. The expected results will be concrete steps forward in the development of research in sustainability reporting and in the area of responsible investment. Becoming an urgent issue for our society, environment, corporate sector and for our governments, the research of these issues will reflect a work in progress towards an effective sustainability reporting. New and challenging questions will arise and new research will be necessary.

#### **4 - Methodology**

How can we track the research problem? The methodology chosen is composed by three interdependent levels of research. Each of the levels is dependent on each other. The results of one will most likely influence the results of the others, in particular between the second and third levels of the research.

##### **First level of the research**

The first level of the research is composed by a desk research and literature review based on relevant and comprehensive background information on sustainability reporting. Besides it includes a doctrinal research and (modern) hermeneutical interpretation of the development of the financial accounting standards, we will consider not only written texts but also the social, political, economic context in which these rules were developed.

**Result:** as a result I expect to have the state of the art and the shortcomings of sustainability reporting, and it will also be a good basis for the sixth chapter in the research.

##### **Second level of the research**

The second level of the research encompasses a comparative legal research and legal analysis. I will compare four countries in respect of their non-financial disclosure practices: two jurisdictions, part of the European Union, with a mandatory approach to sustainability reporting – The Netherlands and Sweden; and two American jurisdictions with a voluntary approach to sustainability reporting - Brazil and the United States. I will compare and analyze case studies, statutes, codes, treatises and regulations. In addition, I will compare and analyze voluntary frameworks and voluntary initiatives, pension funds, sustainability indices, rating agencies,

Governments' initiatives and work, different organizations, among others, the European Union, United Nations (namely the United Nations Principles for Responsible Investment), Securities Exchange Commission, and financial standards as the United States Generally Accepted Accounting Principles and International Financial Reporting Standards. These are the most relevant players in capital markets.

**Result:** as a result I expect to be equipped with the relevant tools and required information to be able to evaluate and determine which sustainability reporting system, mandatory or voluntary, is the most effective.

### **Third level of the research**

The third level of the research covers a qualitative research using structured, semi-structured and open interviews, but also questionnaires and surveys. The questionnaires and surveys are most likely expected to generate quantitative information which will be part of a quantitative research.

**Result:** as a result I expect to obtain information on the stakeholders knowledge, goals and motivations, the underlying information to their business options and actions.

Filling-in the gaps between these three levels of the research will lead towards answering the sub-questions and consequently to the main research question.