Working Paper No 19/2017 | December 2017

Corporate Governance, is it Worthy?

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Abstract: Since late 90s, a lot has been written and talked regarding Corporate Governance. Things have changed, international crisis have occurred, new developments in the corporate world have taken place. Moreover, in recent years we are not discussing only Corporate Governance matters, but also and together, Corporate Sustainability aspects.

This paper focuses these ideas and this analysis from the point of view of emerging markets of emerging countries. And, of course, taking into account what happens in my own country, Peru. But also I have taken a random selection of four countries –not only emerging- and I will somehow describe what is happening there regarding corporate sustainability.

Research for this paper was funded by the Swiss State Secretariat for Economic Affairs under the SECO / WTI Academic Cooperation Project, based at the World Trade Institute of the University of Bern, Switzerland.

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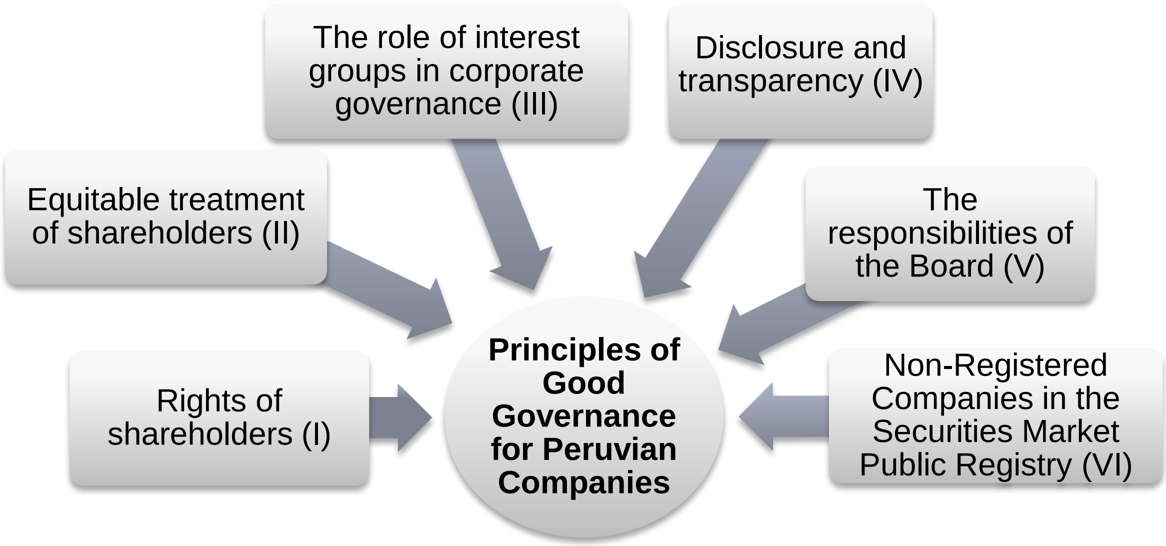
Peru and what has happened previous to the current Code

Looking at other countries, watching some developments in Corporate Governance abroad, and as a result of a join effort (private/public initiative) [2] the first document "Principles of Good Governance for Peruvian Companies" was delivered. This Code was issued in July 2002, and the adherence to the code was voluntary, inspired in the Principles of Corporate Governance issued by The Organization for Economic Cooperation and Development, OECD, and some other national codes.

[1] Professor and Member of the Advisory Committee of the Master in International Economic Law of the Pontificia Universidad Católica del Perú.

[2] It was written and agreed by the former Peruvian Securities Commission –CONASEV-, the Economy and Finance Ministry, MEF, the Banking and Insurance Superintendence, SBS, the Lima Stock Exchange, BVL, the Banking Association, ASBANC, the Private Enterprises Institutions National Confederation, CONFIEP, Procapitales, and MC&F, . Principles of Good Governance for Peruvian Companies", July 2002

Structure of Principles of Good Governance for Peruvian Companies



Source: Own elaboration

This first Code considered the particular characteristics of Peruvian companies, their ownership structure and the legal framework within which they developed. In line with the issuance of that document and following the international trends, the CONASEV[3] then took on the challenge of requiring companies whose securities were object of public offering obligation to disclose the extent of adherence to these principles through their respective annual reports and the public offerings prospectuses.

This first code could be followed by every type of company whether or not it is part of the Peruvian Capital Market.

This first Code was a new legal development but also new to be easily followed by the then existing companies.

In order to give to the market some guidelines on how to inform the market and in general the public if the companies were or not fulfilling the good practices contained in the Code, the Peruvian regulator/supervisor enacted in two different opportunities two rules, one after another in different years. [4] These two rules looked for ensuring that companies could explain to the investors and the potential investors their grade of endorsement to the Code's good practices.

The first one in 2003 determined a self-assessment report done by the companies, establishing by a digit (0 to 4, where 0 was non-fulfilment and 4 was complete fulfilment) how far or how near they were from the Principles of Good Governance for Peruvian Companies Code. It we look at the public information in the Peruvian securities market portal (www.smv.gob.pe) we can easily confirm that this first

[3] It was at that time the Securities Commission of Peru, currently is the Securities Market Superintendence, SMV for its acronym in Spanish (Superintendencia del Mercado de Valores –SMV)

[4] General Management Resolutions of the former CONASEV N° 096-2003-EF/94.11 dated 27-11-2003 and N° 140-2005-EF/94.11 dated 28-12-2005.

regulation did not arrive to accurate information. The companies informed the market assigning themselves 4 or 3 as their self-assessment, but when they should explain the reasons or the grounds of such fulfilment they did not explained too much or not explained it at all.

The second approach changed the way to inform the public, trying to obtain more accurate information through answering a questionnaire designed by the regulator/supervisor. The final result of this new way of informing did not change too much from the first one. Nevertheless, there was not self-assessment anymore and even when it was necessary to answer each one of the questions, the information did not materially improve.

It is necessary to remember that, according to both rules (2003 and 2005), the issuers of securities should inform of their grade of endorsement to the principles of the code through two documents: i) The Annual Report of the companies and ii) the Informative Prospectus that the issuer should deliver for every public offering.

The Principles of Corporate Governance for Peruvian Companies was maintained without changes until 2012. The new SMV in 2012 called not only the former eight institutions that delivered the first code but included some more[5].

A new Peruvian Code

The New Code of Good Corporate Governance for Peruvian Companies dully updated was delivered in November 2013.

More than 10 years after the first document "Principles of Good Governance for Peruvian Companies" was issued, there was the need for its comprehensive review, looking at the development of the legal regulatory framework governing the securities market, gaps and weaknesses that they have shown in the international crisis in terms of transparency of information and internal control of the companies, and progress on issues of corporate governance developed by CAF - Development Bank of Latin America[6] and the OECD.

Thus in 2012, it was necessary to carry out a comprehensive review of the Principles of Good Governance for Peruvian Companies and in February 2012, Update Committee of the Principles of Good Governance for Peruvian Companies was established and chaired by the Superintendence of Securities Market, SMV.

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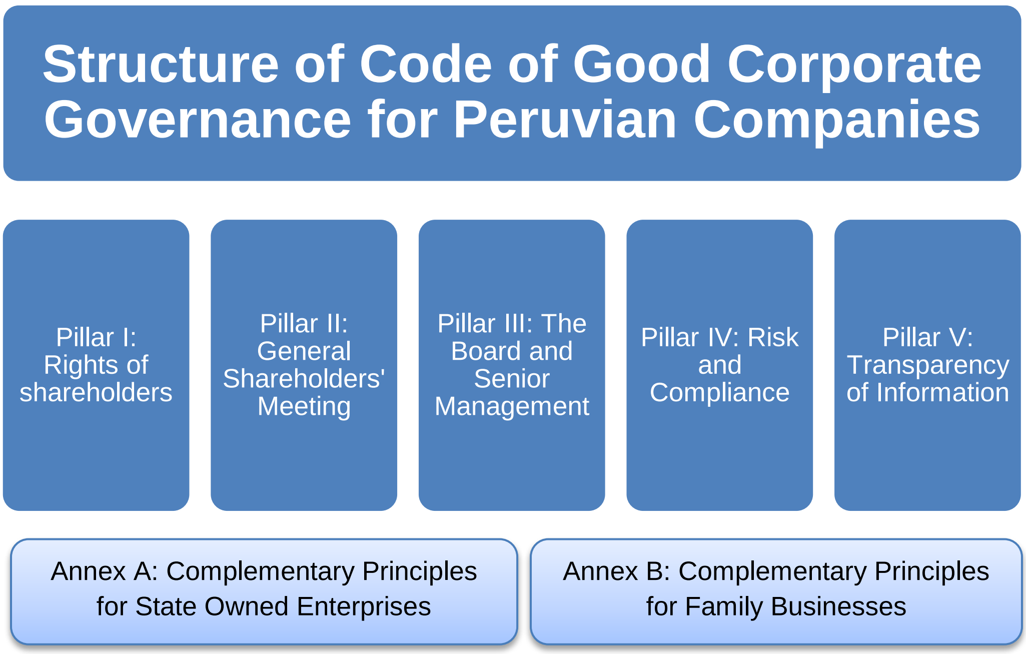
[5] I was written and agreed by the SMV, Procapitales, MEF, SBS, the National Financing Fund for the State Owned Companies, FONAFE, BVL; The Peruvian Depository Company, CAVALI, the Association of Peruvian Traders, ASBANC, the Association of Mutual Funds, the Association of Private Pension Funds, CONFIEP, the Independent Auditors Institute, IPAI and MCF, New Code of Good Corporate Governance for Peruvian Companies, dated 04-11-2013

[6] The first CAF Code from 2004 was called "Guidelines for an Andean Corporate Governance Code" and there is a new one from 2013, called "Guidelines for a Latin American Corporate Governance Code"

After more than 20 months of work, November 4, 2013, the new "Code of Good Corporate Governance for Peruvian Companies" was published in order to promote a higher level of investor protection, promote business development and contribute to the creation of value in the economy.

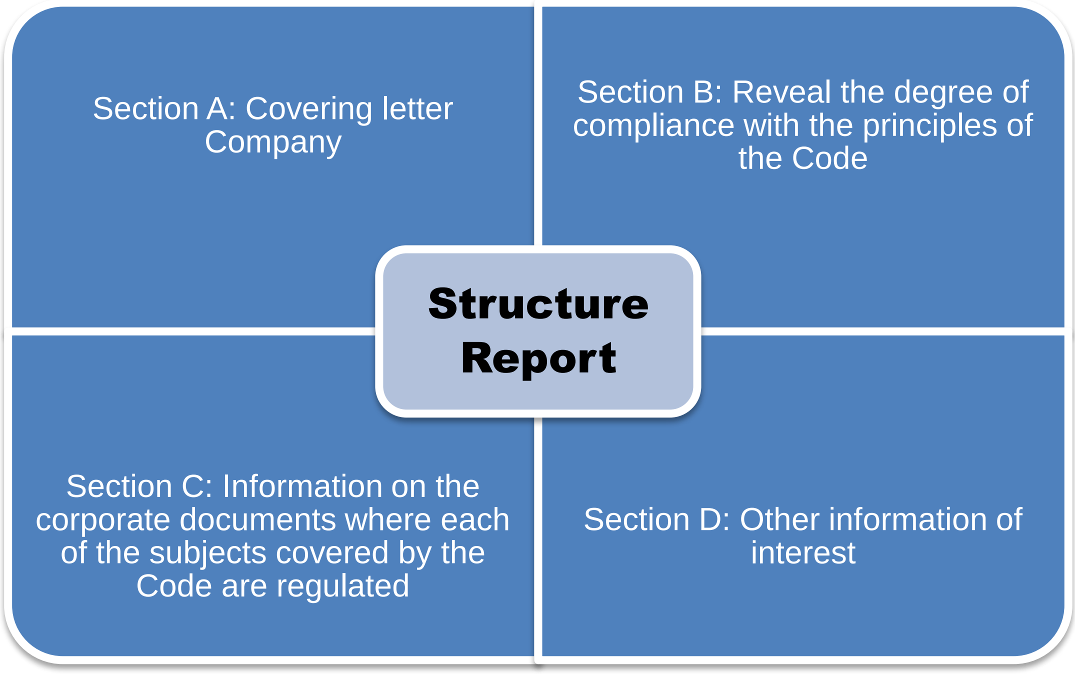
The new code develops in greater detail and accuracy the previous guidelines and takes into account the main advances registered internationally in terms of corporate governance, presenting a structure consistent with the needs and own characteristics of the Peruvian stock market, and in particular Peruvian companies, with an emphasis not only on the dynamics of the General Meeting of Shareholders (property), the Board (management and governance) and Senior Management (daily management), but also on the comprehensive risk management system and internal control, maintaining of course the last part of it for information transparency.



Source: Own elaboration

This Code, which as its precedent states adherence to its principles, is also voluntary; it is not only a benchmark for companies whose securities are object of public offering, but for the whole business sector. To the extent that companies, especially small and medium-sized with high growth potential who adhere to the Code, will be a great advance on the way to the adoption of sound business practices that promote greater corporate value for shareholders and investors participating in these companies, which will, in turn, that more of them are better able to access the public securities market.

Thus, the implementation of the practices contained in the Code must demonstrate as time goes by a clear ability to self-determination and self-regulation, promoting a culture of good corporate governance practices by filing it precisely the importance that these principles are the product of consensus, and are recognized and accepted



by diverse economic agents.

__Disclosure of good business practices: Report on Compliance with the Code of Good Corporate Governance for Peruvian Companies__

The issuance of the new Code also involves reviewing and updating the report that reveals the degree of adherence to these practices by issuers. Thus, in June 2014, the SMV approved the new "Report on Compliance with the Code of Good Corporate Governance for Peruvian Companies", by which, based on the principle "comply or explain", the issuers must disclose to the market their degree of compliance with the principles contained in the Code.

The report follows the structure of the Code, recognizes its voluntary adoption, but in turn the importance for the market that companies disclose their compliance, helping to create a true culture of corporate governance in Peru.

The report is organized into four sections under a scheme of questions YES or NO, in line with the principle internationally accepted of "comply or explain".

Source: Own elaboration

Thus, the report includes the following items in each section:

Section A: It is proposed that the company attaches a letter in which highlights the main developments in corporate governance achieved during the year.

Section B: the degree of compliance with the principles that make up the Code in accordance with the structure of this part is revealed. The assessment is based on a scheme of 87 yes or no questions seeking to reduce the degree of subjectivity of the responses, to disaggregate each of the principles, so that company can objectively assess compliance. Thus, companies that mark the "No" option, should explain the reasons why it has not met to adopt the principle or, if applicable, the developed actions to consider progress towards compliance or partial adoption, as applicable.

In addition, each principle has included a series of questions directly related to the principles that allow get more details of the degree of adherence to the Code of companies, reinforcing the assessment made by applying the "comply or explain" approach.

Section C: the company reports to investors the corporate documents governing each of the issues that the Code recommends that they should be in a corporate document.

Section D: the possibility is given to companies to include any additional information that has not been previously developed in the other sections and help complement the reaches that company can be achieved in terms of corporate governance.

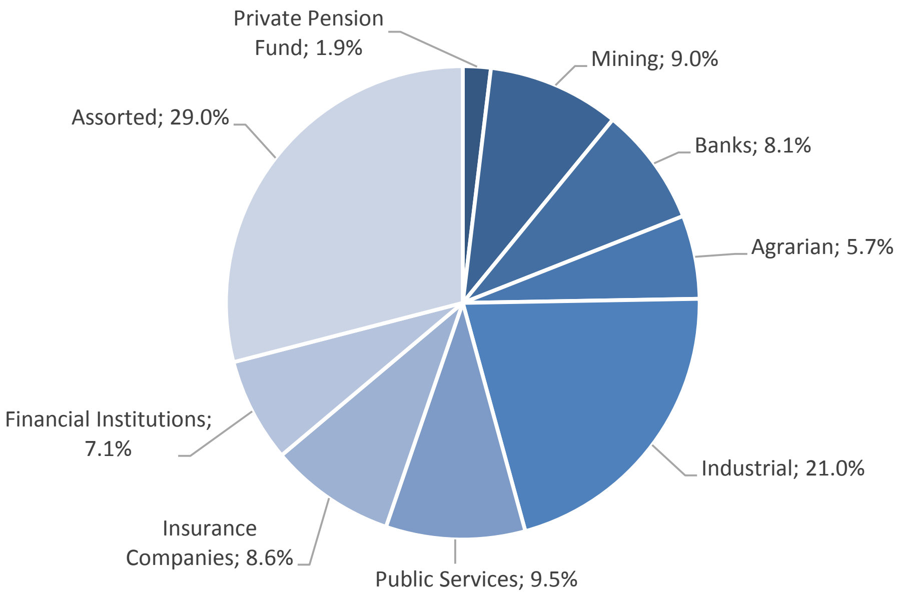
The report, rather than a quantitative increase in the information that issuers must provide to the market, seeks a qualitative improvement over the previous report. With the Report the aim is to achieve greater certainty and objectivity of the information required to the market, in line with the highest global standards, which will be reversed in favour of the issuer, to have a simple report to complete and in favour of investors, who may have clearer and more accurate information for decision making.

The fact that both the Code and the report are the result of joint work and consensus, gives institutional and necessary force for them to be recognized as a reference by all companies in the country, considering that their adherence is in voluntary basis, thereby contributing to the formation of a culture of good corporate governance practices in Peru.

Main results of the presentation of the Report on compliance with the Code of Good Corporate Governance 2014

Together with its Annual Report 2014, a total of 210 companies from various economic sectors with securities registered in the Securities Market Public Registry submitted during the first quarter of 2015 the Report on compliance with the Code of Good Corporate Governance, which allows us to know how the largest companies in the country are complying with the principles of good governance set out in the Code.

Companies that submitted its Annual Report 2014, by economic sector



Source: Own elaboration on with information of Peruvian securities market portal (www.smv.gob.pe)

With respect to Pillar 1 "Shareholder Rights", the vast majority of companies under analysis recognize equal treatment for all shareholders and to promote only the existence of shares with voting rights.

Regarding the second pillar "General Shareholders Meeting", only a low percentage of companies indicate that they have a General Shareholders Meeting Regulation as a corporate document.

Regarding the third pillar "Directors and Senior Management", more than 50% have not revealed Audit Committee; while more than 80% do not have a Nominating and Remuneration Committee. Likewise, only almost 50% of companies indicated that its Board consists of at least one third of Independent Directors, highlighting their compliance banking (65%) and financial (60%) companies.

Regarding the fourth pillar "Risk and Compliance" is evidence that most issuers (more than 75%) have an internal and external control system; however, only 57% say that the internal auditor reports directly to the audit committee, when international standards suggest that this is a widespread practice.

Finally, the fifth pillar on "Transparency of Information", 68% of companies claimed a policy of information, which is a good sign of transparency and openness in the information of most companies. Additionally, 61% of companies say they have not revealed the standards adopted in the field of corporate governance in the annual report, highlighting the need to continue to promote not only compliance with good practices but also their active dissemination.

Corporate Sustainability Report

By the end of 2015, the SMV approved a rule that incorporates the Corporate Sustainability Report as an additional annex to the Annual Report, considering it is of special importance that companies with securities registered in the Securities Market Public Registry –in the SMV- disclose relevant information to the market regarding their activities and risk management related to environmental and social aspects, so that they complement the information that according to the Code they submit with respect to their degree of adherence to the principles of good corporate governance.

The objective of this rule is that investors and other market participants can have more information about a particular issuer and know the activities, policies, standards and actions that issuers are implementing to ensure sustainability, creating long-term value.

To me this is a very important aspect to be considered as a main support for Corporate Governance Codes and to make investors and potential investors able to know more of the companies and the issuers. Thus, they can take an investment decision having the information they need to know. The main topics are without no doubt, Sustainability, Ethics and Environmental Governance.

Let us think more on Corporate Sustainability. Sustainable development has been defined in many ways, but the most frequently quoted definition is from "Our Common Future, also known as the Brundtland Report, and it says: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

Andrew Beattie[7] reaffirming said quote assures "There are three main pillars: economic, environmental and social. These three pillars are informally referred to as people, planet and profits…" "The environmental pillar often gets the most attention when it comes to sustainability. Companies are focusing on reducing their carbon footprints, packaging waste, water usage and their overall impact on the planet. Companies have found that many of the environmental wins can also have a positive financial impact…" and follows… "The social pillar ties back into another poorly defined concept-social license. A sustainable business should have the support and approval of its employees, stakeholders and the community it operates in…." "The economic pillar of sustainability is where most businesses feel they are on firm ground. To be sustainable, a business must be profitable. That said, profit cannot trump the other two pillars. In fact, profit at any cost is not at all what the economic pillar is about. Activities that fit under the economic pillar include compliance, proper governance and risk management. These are table stakes for most North American companies, but this is not true globally."

The author's findings suggest that in the last years reporting has made an enormous progress. However, we can say that it would be more than necessary, especially in countries like Peru to find some way of enforcement on these aspects.

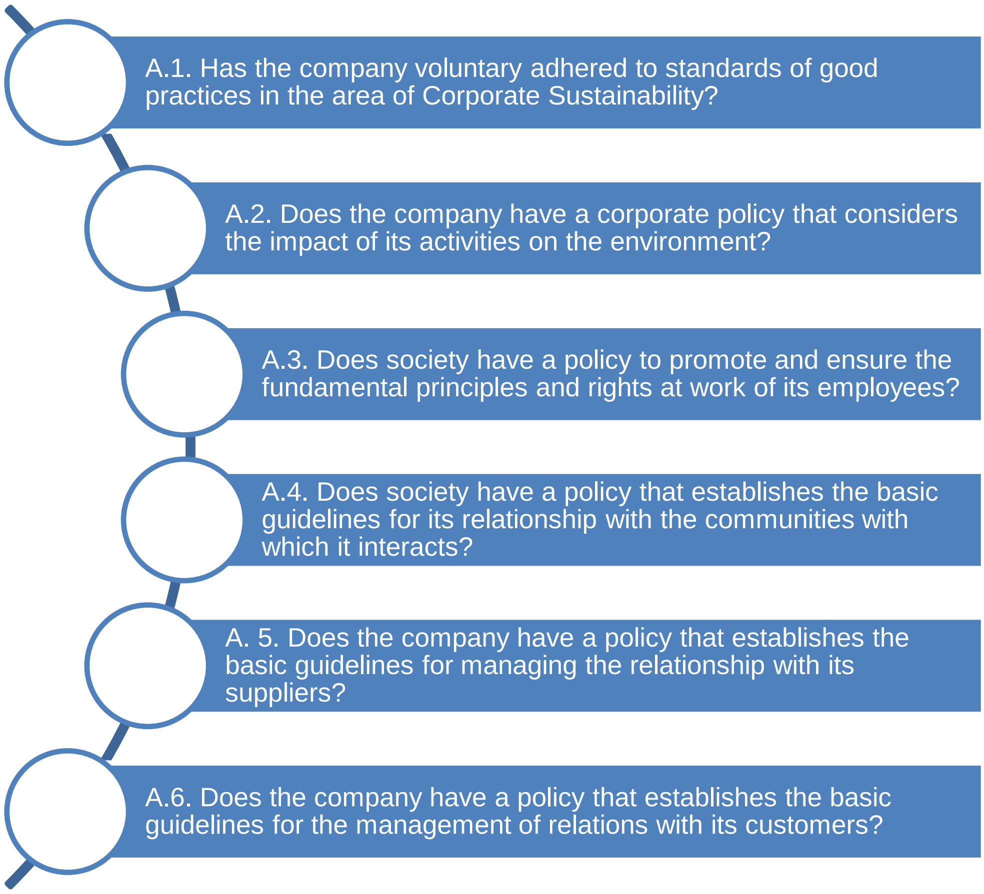
[7] The Three Pillars of Corporate Sustainability by Andrew Beattie, October 5, 2015, Investopedia

But what it is Corporate Sustainability? It is a business approach that creates long tern shareholders value by embracing opportunities and managing risks deriving from economic, environmental and social development.[8]

Corporate Sustainability Report in Peru

The SMV approved in 2015 a rule on the Corporate Sustainability report and it should include, as we said before, information of the issuers dully registered in the Securities Market Public Registry regarding their activities that can have an impact on the environment, social welfare and economic development, adding much more information than the one rendered for Corporate Governance transparency according to the Peruvian referred current Code.

[8] See RobecoSAN Sustainability Investing web page, founded 1995 as an investment specialist focused on Sustainability investing; www.sustainability-indices.com/sustainbility-assessment/corporate-sustainability.jsp



Questions of the Peruvian Corporate Sustainability Report

Source: Own elaboration

I should point that according to the Report on Compliance with the Code of Good Corporate Governance for Peruvian Companies, it does not include aspects related to social welfare, or matters in relation to the environment.

The main objective was to give more information and transparency to the market and its participants so that they can have a better idea of the company's performance and its relation with the environment and the communities around its productive activities and core business. Finally, the investors and potential investors can also have a better knowledge in order to make a decision on investing in such securities or not.

The adherence of good practices on Corporate Sustainability is also voluntary, but it brings to the market a positive impact because it creates a better image of the companies, the issuers, and can reach long term and sustainable investments and brings also the implementation of social and environmental standards, thus investors and potential investors start to invest more and more in responsible investments.

But what are responsible investments? The approach of responsible investments is different from the traditional approach in two fundamental aspects. The objective of the responsible investment is to generate long-term responsible investment's returns and includes investors' concerns not only on the good practices in corporate governance but also social and environmental concerns.

It should be said that bringing the responsible investment criteria to the process of the investment decision is a big challenge but where it has taken place it has brought good results for the investors (more confidence among investors and also among stakeholders) and for the issuers (promoting a long term vision).

It also promotes a better transparency of information in the market. To have more information regarding the companies, their activities, and their impact in the environment and the social field highlight an atmosphere of respect and confidence, generating more value for the companies and bringing liquidity and depth for the securities market and the economic development for the country.

There are various global initiatives in the same direction. Sustainable Stock Exchanges (The Lima Stock Exchange is part of it) the Global Reporting Initiative, GRI, (2011), ISO 26000 (2010), the United Nations Global Compact, UNGC (1999 and 2014), European Nations Commission (1999), and Ethos (2011).

Thus, the Sustainability Reports are documents that provides information to the stakeholders regarding the impact of the company and its operations on the environment, social field and economic area and they are render for identify, measure and manage the positive and negative impacts (opportunities and risks) of their activities on the environment, the social welfare and the economic development. They are also useful to engage in dialogue with the stakeholders around the opportunities and risks in the sustainable development and to communicate achievements made and challenges, as well as to plan the business and evaluate its permanence and keep dully informed the stakeholders regarding the sustainable development.

Having in mind that sustainability and social and environmental responsibility of a company have effects on its feasibility and permanence with its activities along the time and also having in mind the need to align its activities with the international standards, the SMV decided that the issuers should inform the corporate sustainability standards and practices that they are developing.

Through a rule, it was decided that a new Annex (Annex IV) would be attached to the issuers' Annual Report. It was called Report on Corporate Sustainability.

The rule refers too that those companies that for their activities have been reporting sustainability voluntarily or following any specific regulation, they will send such information to the SMV in the manner that they have been informing and not following the new Annex.

According to the last reforms in corporate governance and to non-generate additional charges to the companies, the Report follows the principle of Comply or Explain and only a few add questions should be answered by them. This report has two sections. Section A in which the company explains how it has developed in six areas i) voluntary adherence to standards of good practices in corporate sustainability, ii) impact on the environment, iii) good labour and fundamental rights practices, iv) relations with the surrounding communities, v) management with the suppliers and vi) management with the customers. And in section B the issuers should include information regarding their implemented activities and a detail of the stakeholders of the company.

As an example, the questionnaire report asks if the company has a corporate policy regarding the impact of its activities in the environment and the issuer should respond: Yes in case it has it. However, if it has not that policy, an explanation should be included stating the reasons of non-implementing it or explaining the situation of the company regarding that field.

In addition and to complement the question there are some other questions on which the issuer should explain if in those policies -if it is the case- are included in a corporate document and which level of approval it has.

Even when the compliance of social and environmental aspects depends on the company, all the stakeholders could have a more accurate information and could identify the main risks and opportunities of said company. There is no doubt that this information is very useful for the market and for the investors and potential investors too.

Further considerations

How can emerging markets from emerging countries improve faster and better its economic growth trying to use tools coming from the Corporate Governance field, but also and precisely from the Corporate Sustainability side?

In the first pages of this paper I have used a definition of Corporate Sustainability, but now, let us see another approach to same concept. Corporate Sustainability can be viewed as a new evolving corporate management paradigm.[9] Wilson's theory establishes that … the term paradigm is used for him deliberately,…" that corporate sustainability is an alternative to the traditional growth and profit-maximization model. While corporate sustainability recognizes that corporate growth and profitability are important, it also requires the corporation to pursue societal goals, specifically those relating to sustainable development- environmental protection, social justice and equity, and economic development."[10]

[9] Corporate Sustainability: What is it and where does it come from?, Mel Wilson, in Business (https://iveybusinessjourna.coml/author/mwilson/) (https://iveybusinessjournal.com) March-April 2003

[10] Op. Cit.

Wilson also suggests that "...the concept of corporate sustainability borrows elements from our more established concepts: 1) sustainable development, 2) corporate social responsibility, 3) stakeholders theory, and 4) corporate accountability theory"[11]

Let us go one by one. ***Sustainable Development*** "… is a broad concept in that it combines economics, social justice, environmental science and management, business management, politics and law. It is a dialectical concept in that, like justice, democracy, fairness and other important societal concepts, it defies a concise analytical definition..." ***Corporate Social Responsibility***,..." Deals with the role of business in society. Its basic premise is that corporate managers have an ethical obligation to consider and address the needs of society, not just to act solely in the interests of the shareholders or their own self-interest." ***Stakeholders Theory***, "… the basic premise is that the stronger your relationships are with other external parties, the easier it will be. Strong relationships with stakeholders are those based on trust, respect, and cooperation…The goal of stakeholders theory is to help corporations strengthen relationships with external groups in order to develop a competitive advantage." ***Corporate Accountability***, "…is the legal or ethical responsibility to provide an account or reckoning of the actions for which one is held responsible.[12]

I agree with Wilson's approach to this matter. And what if we try to look at any real case for example in my country? to draw the situation and see if those four elements are present?

Conga Project, it was a gold mining and a copper mining project in Cajamarca, northern part of Peru. The Conga mine was a project of Minera Yanacocha, a company owned by Newmont Mining Corporation and Buenaventura, a Peruvian mining company, and the International Finance Corporation, IFC. It was expected to yield 680,000 ounces of gold and 235,000 pounds of copper per year for the first five years. The Conga Environmental Impact Assessment was approved in 2010–it is a legal requirement to have this kind of document issued before starting the project-. But afterwards as farmers protested against the project because of risks on the ecosystem and water resources, the project was stopped and finally the community opposition forced Newmont to abandon Conga project in Peru.

How can we look at this real problem having in mind those four elements established by Wilson? The project had its Environmental Impact Assessment, I am not going to judge if that study was well done or not. The fact is that it existed previously to the starting of the project. Was or was not a duty of the investors to give to the community every explanation and every single detail they need to know or want to know in advance? Was the population conscious of the advantages and disadvantages of said project for them, for Cajamarca's development? For the country? How close was the relation between the mining company and the community? Was it good? How was the relations between the company and Regional

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[11] Op. Cit.
[12] Op. Cit.

Government Authorities? And what about the Central Government authorities? Did it exist? Was the mining company well appreciated by the community? And by the Municipality authorities? As this particular case in Peru brought too many different positions adopted for politicians of different parties, journalists and others and this paper is not a political analysis but a Corporate Governance and Corporate Sustainability one, I just ask but I am not going to answer the questions up here. But we can see how some elements were not present and with that in mind can we say that it as a sustainable project? Was the corporate sustainability present those days on which population were willing to fight against the project?

United Nations Global Compact about Corporate Sustainability

As I have referred before, there are various guidelines generated by international organizations that envision the importance of promoting these practices in the world, such as the United Nations Global Compact and all of them have been and still are showing the path to be followed in this field.

Having said that, it should be necessary to have a new look according to the United Nations Global Compact about Corporate Sustainability[13] According to this document, " …Corporate Sustainability is imperative for business today – essential to long-term corporate success and for ensuring that markets deliver value across society. To be sustainable, companies must do five things: Foremost, they must operate responsibly in alignment with universal principles and take actions that support the society around them. Then, to push sustainability deep into the corporate DNA, companies must commit at the highest level, report annually on their efforts, and engage locally where they have a presence". And once more, we can identify lack of various elements when we were thinking on the Peruvian case above.

And UNGC added: Investors are pushing companies to act and report on sustainability[14]. But this United Nation's document brings us new elements further what we have analysed up to here.

Yes, The Principles of the United Nations Global Compact go further than we have been analysing. It states Principles regarding to Human Rights, Labour, Environment and Anti- Corruption. Among these principles and for the purpose of this paper we will focus on environmental matters.

Among the Ten Principles of the United Nations Global Compact[15] we should highlight three of them, the one that establishes that business should support a precautionary approach to environmental challenges.

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[13] Guide to Corporate Sustainability, United Nations Global Compact, Shaping a Sustainable Future (https://www.unglobalcompact.org/library/1151) December 2014
[14] Op Cit
[15] Op Cit.

Second, Initiatives should be undertaken to promote greater environmental responsibility.

And, finally, the third one establishes that it is necessary to encourage the development and diffusion of environmentally friendly technologies.

These three main ideas are in line with what we have been analysing before and what de United Nations points out is that "… the world today is facing unprecedented, interconnected environmental challenges in areas including climate change, water, energy, biodiversity and agriculture. With business relying on natural resources directly and via supply chains, new corporate efforts are needed to address environmental responsibilities, value natural capital, and better understand the linkages between resources. To prepare for this increasingly challenging landscape, the Global Compact's Environmental Stewardship Strategy is designed to help companies develop a holistic and comprehensive strategy. It recognizes the growing linkages among various environmental issues as well as their connections to social and development priorities. The Global Compact pushes companies to move beyond traditional approaches based largely on compliance and narrow risk assessments. We ask business to actively address environmental risks and opportunities, and have major efforts underway with business in the areas of climate, water and food. As a result, we are seeing businesses around the world preparing for a more sustainable future and becoming part of the solution".[16]

The Guide to Corporate Sustainability [17] points that it lays out five defining features of corporate sustainability, which the Global Compact asks businesses to strive towards – looking at why each element is essential, how business can move forward and what the Global Compact is doing to help. "Principled Business states that for any company seeking to be sustainable, it begins with operating with integrity – respecting fundamental responsibilities in the areas of human rights, labour, environment and anticorruption. The Global Compact's Ten Principles provide a universal language for corporate responsibility and a framework to guide all businesses regardless of size, complexity or location. Respecting principles in business operations and supply chains is a baseline for corporate sustainability. Yet, principles are about far more than compliance. They provide common ground for partners, a moral code for employees, an accountability measure for critics. A growing number of companies are seeing beyond risk, finding real value in actively addressing social, environmental and governance issues. Sustainable companies look beyond their own walls and take actions to support the societies around them… With business activity, investments and supply chains reaching all corners of the earth, companies are choosing to be active stakeholders in societies for the long run, knowing that they cannot thrive when the world around them is deteriorating. Companies are aligning core business activities, philanthropy and advocacy campaigns with UN goals and issues.

[16] Op.Cit.
[17] Op. Cit.

The Global Reporting Initiative (GRI)

Let us now add one more concept "Sustainability Reporting", which according to the Global Reporting Initiative is a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities. A sustainability report also presents the organization values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy.

Sustainability reporting can help organizations to measure, understand and communicate their economic, environmental, social and governance performance and then set goals and manage change more effectively. A sustainable report is the key platform for communicating sustainability, performance and impacts –whether positive or negative[18].

Some other countries

As we can see, this is a matter of concern to all the countries, both developed and emerging, to the international organizations, the universities, research centres. It also helps mainly to companies –from the private sector or state owned enterprises- to be more efficient, to grow and much better to be prepared to jump into de capital market, thus to access to cheaper financing resources and to develop faster and better.

But what if we try to explore what happens in other markets, in other countries. We have seen before some interesting developments occurred in Peru in relation to Corporate Governance and Corporate Sustainability good practices and how Peruvian companies recognize the importance of this good practices and how they help them to grow and to be more efficient.

Let us now explore what happen in other countries. I have randomly chosen Australia, Switzerland, Mexico and South Africa.

Let us start with Australia. According to Klettner, Clarke and Boersma,[19] "The huge body of literature on corporate responsibility includes much on why companies should voluntarily adopt a responsible approach to business but very little on how this might be achieved in practice… This is partly because of the difficulty in defying corporate responsibility in a practical sense –its meaning can be different depending on a company's size, industry and location-…" And the authors add "… However with the development, and widespread voluntary uptake, of international standards and frameworks for corporate responsibility, such as the United Nations Global Compact (UNGC) and Global Reporting Initiative (GRI) research into effective implementation is becoming more and more important…"

[18] See The Global Reporting Initiative in https://globalreporting.org

[19] Springer Link, Kletter,A. Clarke,T. Boersna,M. JBus Ethics (2014) Springer, Netherlands

Their number one conclusion says, [20] "The research presented in this paper provides a snapshot of some of the practices currently being employed in large Australian companies to govern and manage their sustainability strategies. This information can be used to better understand the state of play of corporate responsibility and inform the debate on whether stronger regulation would be of value in this area. The research provides empirical evidence of developing norms in the area of corporate sustainability and the influence of international soft law on corporate behaviour…"

If we look at Switzerland,[21] Bohrer assures that "Corporate Social responsibility is a broad term and concept. The Swiss Federal Council defines CSR as the responsibility of companies for the effects of their activities on society and the environment, and as the contribution of companies to sustainable development. More generally, CSR can be translated into responsible business conduct, which includes (1) compliance with applicable laws, regulations and standards, (2) sustainable management, i.e. socially/environmentally/economically responsible conduct in the company's core business, and (3) corporate citizenship, i.e. societal engagement beyond the core business."

And if I may be allowed to paraphrase Bohrer in its conclusions, I would express, CSR is based on global soft law standards and the voluntary conduct by companies, this allows them to engage beyond the legally required actions, this the future of successful CSR depends on the companies and their willingness and ability to pursue responsible conduct as a voluntary strategic objective and a competitive advantage, always in line with their business strategy.[22]

If we look at Mexico[23] Garza concluded that "If we consider the total number of Mexican-based companies, which is around 247,000 (considering only SMEs, MNEs, and large companies and excluding around 4.8 million micro-enterprises), only around 1.6 percent are seeking to abide by national regulations thru PROFEPA, and only around 0.3 percent seek to obtain CEMEFI's recognition, not to mention those publishing to GRIs sustainability disclosure database."

For her, "These figures give a strong indication that there is still a very long way to go for Mexico in terms of sustainable representation. Despite governmental, academic, and organizational initiatives in place, a truly strong launching pad for sustainability in this country is necessary. A lot of education is needed regarding the benefits of undertaking such initiatives including reduced risks, efficiency in the use of resources, better competitiveness, and investment stimulation. The advent of integrated reporting, supported through GRI's guidance, is expected to provide a real boost to the sustainability that is to follow."

[20] Op. Cit.
[21] Corporate Social Responsibility, Chances, success factors and new challenges of CSR, Andreas Bohrer, march 2016, in GesKR
[22] Op. Cit.
[23] State of CSR in Mexico; Humble Beginnings, Promising Future, Cristina Garza, Mexico City, July 2013 in Triple Pundit (People, Planet, Profit)

Now let us see the case of South Africa. Corporate Social Responsibility (CSR), according to Johannes' thesis, [24] "is not a new issue. There has and will always be the need for organizations to make profits and the needs of society. CSR has been considered more strongly than ever since the early 1990's, building on a trend that had been growing since the start of the 20th century. CSR broadly refers to all of an organization's impacts on society and the need to deal responsibly with the impacts on each group of stakeholders. The King IV Report on Governance for South Africa 2016 encapsulates the idiosyncratic South African context of CSR."

And also he states. [25]"Ever since the publication of the King Reports on Corporate Governance, South African businesses have sharpened their focus on their commitment to the 'triple-bottom-line'. It is impossible for organizations to ignore the impact of social, ethical and environmental issues on their business and the economy and the cost of neglecting these issues will be high. CSR has gained increasing prominence as a result of increased stakeholder demands, limitations of government and civil society to address complex societal issues, and the realization by most businesses that their sustained success depends on their ability to address local sustainable development challenges. Corporate sustainable development, despite not being a business' core responsibility, is doubtful to be achieved without the support of other businesses as they represent the productive resources of the economy. Although there is consensus that businesses have a vital role to play in addressing sustainable development challenges, companies still have a responsibility to more traditional elements of what constitutes business success. In this regard companies have to meet somewhat conflicting expectations of markets and stakeholders, the economic bottom line being a dominant factor in decision making. Companies therefore may not be able to meet the level of resources essential to achieve the scale and impact so as to address the challenges of these competing priorities. For business to effectively move the sustainability agenda forward, there is a need for a systemic approach, as sustainability cannot succeed in an unsustainable system. In order to achieve the scale, speed and impact necessary, an integrated approach that leverages key role players is critical to drive change and support sustainability…."

2030 Agenda

As Marie-Luise Abshagen assures in "The plan for a better world: The G20 and the 2030 Agenda for Sustainable Development" (https:www.boell.de/en/2016/11/30/plan-better-world-g20-and-2030-agenda-sustainable-develpoment), ..."Over the course of three years, heads of state and government of all UN member states negotiated in the most comprehensive consultation process of the UN's history so far, about the following questions the

[24] Corporate Social responsibility in South Africa: how corporate partnerships Can advance the sustainability agenda, Johannes Jonathan, 2016, Thesis, University of Western Cape

[25] Op. Cit.

future“: among others, ... How do we tackle the concerning ongoing and increasing environmental destruction and the intensifying climate change? What consequences does the world community draw from the financial, economic and food crises? In order to address these challenges, 17 goals were agreed that should be implemented by 2030, hence the name “2030 Agenda”.

The author emphasised, that the UN negotiations aimed to identify solutions to the major challenges of our times that take into consideration their social, environmental and economic aspects and formulate concrete goals relevant to all states.... The 2030 Agenda comprises 17 Sustainable Development Goals (SDGs), ways and means for their implementation, indicators for measuring progress as well as review mechanisms. The SDGs include a broad spectrum of important policy issues, ranging from the eradication of poverty to health and educational policy, environmental protection as well as the creation and maintenance of peace.

The 2030 Agenda for Sustainable Development

Source: Own elaboration on with information of United Nation Web (http://www.un.org/sustainabledevelopment/development-agenda/)

The SDGs replace the Millennium Development Goals, which only applied to developing countries. The SDG paradigm is a transformative shift insofar as the goals apply to all countries, including rich industrial nations such as Germany. To this end, the SDGs should be translated into national goals. This important step is now due. The nations have to carefully scrutinize their respective national policies in order to assess whether these are in conflict with the SDGs and whether they have to be supplemented by additional policies. The SDGs' greatest handicap is that they are not coherent – that is, economic growth policies may undermine protection of natural resources, such as water, land and climate. Moreover states can focus on certain goals while more or less ignoring others. Finally, the biggest problem is that the 2030 Agenda is not legally binding and its implementation is not enforceable by international law. Although the agenda is based on a wide consensus of the UN member states, each country sets its own priorities for implementation and reports these to a UN forum set up for this purpose.

Even when these recommendations are not binding for all countries, it is easy to understand and share the G20 concerns regarding the social, economic and environmental issues that are threatening the healthy growth of all countries. In that sense I believe that teachers, students, officials, representatives, professionals, politician and journalists have to try to put together their basic concerns regarding economic, social and environmental matters in order to work for the development of their own countries.

It should be also highlighted what Mrs. Gabriela Micchetti, Argentina´s Vice President said at the Financing 2030 Agenda, High Level Event, The Role of the UUNN (September 2017).

In my own translation, she said: My country will assume G20 Presidency next year and this represents a great opportunity for the G20 Agenda to be viewed from a refreshed perspective, taking into account the emerging markets´ needs. For Mrs. Micchetti it is crucial that the G20 work continues inspired on an integrated world, in which all countries collaborate, in which the economies link with equity and in which international affairs´ governance would be achieved multilaterally.

Final remarks

- The adoption of good corporate governance and corporate sustainability practices reverse in favour of developing and strengthening the country´s corporate world and its capital market, allow creating a culture of respect and promoting equal treatment of the rights of shareholders, investors and finally citizens bringing growth to the countries. Its compliance by companies creates value, soundness and efficiency in management; it enables better risk management; increases the confidence of potential investors and facilitates access to capital markets.

- In this line, it should be highlighted the role to be assumed in Peru by institutional investors in promoting best practices of good corporate governance and corporate sustainability. The main institutional investors (pension funds, insurance, mutual funds and banks) have a significant share ownership of some companies whose securities are listed in the Peruvian market. In addition, their relevance is based not only in the fact that those investors channel financial resources to the main issuers, but also in the fact that if they acquire a portion of the capital of companies, they are entitled to participate in the control and management of them, contributing to institutional investors in fulfilling their fiduciary duty to pay particular attention to the adoption of best corporate governance practices by companies to thereby ensure responsible management of its investments and with it economic growth for the country.

- Good corporate governance and corporate sustainability are becoming more and more important at the both global and local level due to its appreciation as a valuable mean of achieving more reliable and efficient markets, recognizing the direct and significant impact that the implementation of such practices has on the value, soundness and efficiency of companies, and therefore economic development.
- In this context, one of the biggest challenges is to entrench a culture of corporate governance and to follow the goals of global corporate sustainability, for which, dissemination and adoption of the new Code and its information through its Report and also the Report on Corporate Sustainability should constitute a fundamental tools for our country growth.
- Next G20 meeting will be in Argentina and perhaps it is a very good moment to try to get close those developed countries matters included in the 2030 Agenda to the individual agendas of emerging countries, such ours.