UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

INTERNATIONAL ACCOUNTING and REPORTING ISSUES

2017 Review

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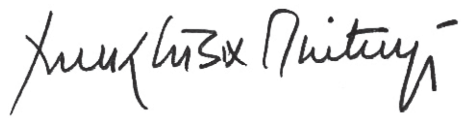
PREFACE

For over three decades, the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting has been providing an open and neutral forum with a view to promoting high-quality financial and non-financial reporting by enterprises worldwide. The Intergovernmental Working Group of Experts plays an important role in improving the global financial architecture, transparency and good governance; facilitating sustainable investment flows; and promoting responsible business practices and financial inclusion. Investment-related decision-making, by both domestic and international financial market participants, is significantly facilitated when disclosures of the financial and non-financial performance of enterprises are prepared in accordance with globally recognized standards, codes and good practices.

In 2015, Member States of the United Nations unanimously adopted the 2030 Agenda for Sustainable Development and its Sustainable Development Goals. The Goals are time-bound; the international community has committed to achieving them by 2030. When considered together, the Goals promote, among others, the optimal allocation and rational use of human, natural, economic and financial resources across enterprises worldwide to achieve a sustainable way of life and ensure intergenerational equity. Sound decisions of this nature and effective risk mitigation strategies, including in such critical areas as climate change-related risks, require more meaningful and consistent financial and non-financial reporting by enterprises worldwide. Achieving global goals such as the Sustainable Development Goals logically requires globally comparable reporting and monitoring indicators.

It gives me great pleasure to present the 2017 volume of International Accounting and Reporting Issues, which provides practical illustrations of how enterprises may report on their performance in achieving the Goals, by applying a core set of indicators to major topics, including on economic, environmental, social and institutional aspects.



Mukhisa Kituyi

Secretary-General of UNCTAD

INTRODUCTION

The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting was established by the Economic and Social Council of the United Nations in 1982 to promote reliable and comparable reporting on financial and non-financial aspects of the performance of enterprises worldwide. In the years preceding its establishment, Member States were engaged in extensive deliberations on the economic contribution and impact of multinational corporations. Member States had clearly articulated the need for the meaningful disclosure of the financial and non-financial performance of enterprises. Interest in the performance of business enterprises worldwide has grown and the stakeholder base of businesses has been widening.

The Intergovernmental Working Group of Experts has responded to this need in a variety of ways. In addition to providing guidance on the minimum disclosure required of the financial aspects of the performance of entities, it has made efforts, many times in a pioneering manner, to issue guidance on the environmental, social and governance-related aspects of enterprises. The Intergovernmental Working Group of Experts embarked on the area of environmental accounting and reporting much earlier than other institutions. Its ongoing work on this topic addressed accounting and reporting on environmental costs and liabilities. This was followed by work on integrating financial and environmental reporting and eco-efficiency indicators. The Intergovernmental Working Group of Experts has also published specific guidance addressing the disclosure of the corporate governance aspects of enterprises. Similar work was conducted and guidance issued on reporting on the corporate responsibility of enterprises.

In September 2015, Member States adopted the Sustainable Development Goals, and the global community has committed to achieving the Goals by 2030. The contribution of the private sector in achieving the Goals will be significant. In addition, the periodic monitoring of progress towards achieving the Goals is essential. In view of this important development, the Intergovernmental Working Group of Experts has begun consolidating the work discussed above with a view to articulating a single set of core indicators to allow entities to provide reliable and comparable reports on the economic, environmental, social and governance-related aspects of their performance. Its last three sessions progressively aimed at achieving this objective. The thirty-fourth session in November 2017 deliberated on a set of suggested indicators intended to facilitate reporting on progress towards achieving the Goals.

This volume of International Accounting and Reporting Issues is dedicated to a discussion of interrelated topics with regard to enhancing the role of reporting by entities on progress towards achieving the Goals. Chapter I discusses the role of reporting in monitoring implementation of the 2030 Agenda for Sustainable Development and how it may be further enhanced by improving the quality, consistency, comparability and usefulness of sustainability reporting. It reviews indicator selection principles and criteria and presents a set of core indicators for further consideration, which cover economic, environmental, social and governance-related aspects, providing a baseline framework for integrating financial and sustainability information at the company level and for aligning corporate reporting with the monitoring mechanism for the Goals and the metadata guidance on sustainability reporting. A summary of the discussions on this topic at the thirty-fourth session is included, and provides the context for chapters II and III. Chapter II presents an overview of the company case study research methodology developed by UNCTAD. Chapter III contains a case study of Itaú Unibanco that includes a detailed discussion of its sustainability reporting, which applies a set of indicators suggested by the Intergovernmental Working Group of Experts; and that provides practical ways of preparing sustainability reports to measure progress towards achieving the Goals.

CHAPTER I
ENHANCING THE COMPARABILITY OF SUSTAINABILITY REPORTING

One of the two main items on the agenda of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting at its thirty-fourth session was "Enhancing the comparability of sustainability reporting: Selection of core indicators for company reporting on the contribution towards the attainment of the Sustainable Development Goals". This chapter details the background information that facilitated the deliberations of the Intergovernmental Working Group of Experts on this topic and provides a summary of the discussions conducted at the session.

A. INTRODUCTION

Experts at the thirty-third session of the Intergovernmental Working Group of Experts underscored the importance of the private sector's contribution to the achievement of the Sustainable Development Goals and the critical role of high-quality financial and non-financial reporting in monitoring implementation of the Goals, enhancing financial stability, strengthening an enabling investment climate, facilitating transparency and promoting good governance. They noted the evolving trend of an increasing role of sustainability reporting in the accounting and reporting agenda and a need to adapt corporate reporting environments to the new demands created by the 2030 Agenda for Sustainable Development. The Intergovernmental Working Group of Experts agreed that the 2030 Agenda and its monitoring framework could play an enabling role in fostering an integrated approach towards corporate reporting, in improving and harmonizing sustainability reporting, enhancing its usefulness for decision-making and assessing companies' contributions towards implementation of the Goals. The agreed conclusions of the session called on UNCTAD to advance its work, in collaboration with the consultative group on corporate reporting and the Sustainable Development Goals, on the selection of a limited number of relevant core reporting indicators to facilitate harmonization of sustainability reporting in alignment with the Goals monitoring framework and This information in the first part of this chapter was prepared by the UNCTAD secretariat to facilitate the discussion on selecting core Goals-related indicators at the thirty-fourth session of the Intergovernmental Working Group of Experts. It was prepared in coordination with the consultative group, which met in April 2017, and incorporates comments provided by the experts.[1] The background information builds on previous discussions by the Intergovernmental Working Group of Experts on enhancing the role of reporting in attaining the Goals. At its thirty-second and thirty-third sessions, the Intergovernmental Working Group of Experts discussed the rationale, principles and overall framework for establishing a set of core company indicators.[2] This background information also considers recent developments in the area of sustainability and Goals-related reporting since the thirty-third session of the Intergovernmental Working Group of Experts in 2016. This includes recommendations from the final report of the Task Force on Climate-related Financial Disclosures of the Group of 20 Financial Stability Board (June 2017) and Guidelines on non-financial reporting (methodology for reporting non-financial information) (2017/C215/01) issued by the European Commission in July 2017, as a follow-up to Directive 2014/95/EU amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups of 2014.[3] The Task Force and the Directive both have the potential to become significant drivers of a change in reporting practices at both the country and company levels.

The Task Force report provides recommendations on climate-related financial disclosures. It states that there is a growing demand for decision-useful,

[1] Comments and inputs were provided by experts from the following entities: Association of Chartered Certified Accountants; Blue Orchard; CDP; Climate Disclosure Standards Board; Corporate Register; Department of Economic and Social Affairs, United Nations Statistics Division; Federal Statistical Office of Germany; Global Reporting Initiative; Institute of Chartered Accountants of Scotland; International Accounting Standards Board; International Labour Organization; KPMG Switzerland; Ministry of the Environment of Brazil; Netherlands Institute of Chartered Accountants; Statistics Netherlands; UNCTAD, independent consultancy; United Nations Environment Programme; World Bank; and World Business Council for Sustainable Development. Note: Comments provided by the experts do not necessarily imply the endorsement of suggested indicators.

[2] TD/B/CII./ISAR/75 and TD/B/C.II/ISAR/78.

[3] Available at https://www.fsb-tcfd.org and http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014L0095.

climate-related information, while inconsistencies in disclosure practices, lack of context for information and use of boilerplate and non-comparable reporting are major obstacles faced by participants in financial markets in making decisions. Inadequate information about risks can lead to mispricing of assets and misallocation of capital and may give rise to concerns about financial stability. The report provides a number of recommendations on how to facilitate disclosures on climate-related issues, including by considering metrics on climate-related risks associated with water, energy, land use and waste management, where relevant and applicable.

The Guidelines of the European Commission provide a methodology for reporting non-financial information. The document outlines the key principles of reporting non-financial information – materiality, comparability and consistency, among others. It also discusses key performance indicators as a tool for enhancing the usefulness of non-financial reporting. It states that "users of information tend to greatly appreciate quantitative information as it helps them measure progress, check consistency over time and draw comparisons". The document provides a number of illustrative key performance indicators and encourages companies to disclose key material performance indicators, both general and sectoral, as well as key company-specific performance indicators. Appropriate narratives explaining such indicators are a practical addition to non-financial statements.

Another important development that took place during the intersessional period was the release of the final draft of a publication entitled "Business reporting on the Sustainable Development Goals: An analysis of the Goals and targets", made available in July 2017.[4] The report is produced by the Global Reporting Initiative and the United Nations Global Compact, with the support of PricewaterhouseCoopers. It facilitates further consolidation of different initiatives in the area of Goals-related reporting by companies, as it provides a comprehensive compilation of business disclosures aligned with Goals-related targets and indicators, and analyses potential disclosure gaps. The report is the outcome of broad consultations, including through a multi-stakeholder advisory committee established by the Global Reporting Initiative and the United Nations Global Compact. The UNCTAD secretariat contributed to this work with a view to ensuring consistency and synergies between the two initiatives. While the project of the Global Reporting Initiative and the consultative group on developing Sustainable Development Goal indicators aims to facilitate companies' reporting on their contribution to the achievement of the Goals in relevant aspects of their performance, UNCTAD work focuses on selecting a limited number of core quantitative indicators that would be universal and comparable. These core indicators form the baseline metrics for reporting, drawing on existing guidelines to foster the enhanced comparability of sustainability reporting across enterprises, industries and geographies.

The main purpose of this chapter is to bring the core indicators project in alignment with the joint work of UNCTAD and the United Nations Environment Programme on developing metadata guidance on sustainability reporting with regard to the implementation of the Goals. The objective of the guidance is to provide Member States of the United Nations with a methodology for measuring the number of companies that publish sustainability reports, a requirement of the Goals monitoring framework. The guidance provides a new context for the selection of core indicators, as they can play an important role in assisting key stakeholders in building a consensus on the minimum requirements that should be met by a reporting entity to qualify the data provided as sustainability reporting.

The main points in the draft metadata guidance as outlined in this chapter served as a basis for discussion by the Intergovernmental Working Group of Experts on further refinement of the guidance. The remainder of the chapter is divided into the following sections: a review of key considerations in selecting core Goals-related indicators for companies, suggestions of core indicators and an approach to their measurement and a summary of the deliberations on this topic at the thirty-fourth session of the Intergovernmental Working Group of Experts.

B. METADATA GUIDANCE ON THE SUSTAINABLE DEVELOPMENT GOAL INDICATOR ON THE NUMBER OF COMPANIES PUBLISHING SUSTAINABILITY REPORTS

In 2015, Member States of the United Nations adopted the 2030 Agenda for Sustainable Development, which contains 17 Goals and 169 targets. In its resolution 70/1, the General Assembly requested that the Goals

[4] Available at https://www.unglobalcompact.org/docs/publications/Final_Draft_An_Analysis_of_the_Goals_and_Targets_July_2017.pdf.

and targets be followed up on and reviewed using a set of global indicators focused on measurable outcomes. Consequently, the Inter-Agency and Expert Group on Sustainable Development Goal Indicators was established to work towards developing a global indicator framework to monitor the implementation of the 2030 Agenda. Member States should develop their national indicators in line with the principles of the 2030 Agenda, according to which targets are defined as aspirational and global, with each Government setting its own national targets guided by the global level of ambition but taking into account national circumstances.[5] Developing the Goals-related indicators, including preparing metadata guidance on the measurement of these indicators, is a work in progress.

Goal 12.6 explicitly encourages companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycles; indicator 12.6.1 requires reporting on the number of companies that publish sustainability reports. UNCTAD and the United Nations Environment Programme have been working on developing metadata guidance on indicator 12.6.1. The objective of this work is to enable countries to report on this indicator and collect data on companies' sustainability performance and impacts in a comparable and consistent manner. The guidance is expected to provide the following information:

(a) Definition of sustainability reporting;

(b) Method of computation (key criteria to be met by a report in order to be computed as sustainability reporting of an entity);

(c) Rationale and interpretation;

(d) Sources and data collection;

(e) Disaggregation requirements;

(f) Global monitoring data;

(g) Other.

1. Definition of sustainability reporting and its key criteria

The current draft of the metadata guidance on indicator 12.6.1 defines sustainability reporting and its key criteria. Corporate sustainability reporting communicates information that is relevant for understanding a company's long-term economic value and contribution towards a sustainable global economy by taking account of its economic, environmental, social and governance-related performance and impacts. Such information is provided in the form of quantitative and qualitative data as part of a company's reporting process. Key performance indicators comprise the quantitative data; an example of qualitative data can be found in the description of a company's sustainability strategies and reporting policies.

For the purpose of measuring indicator 12.6.1, sustainability reports must meet minimum reporting requirements. Such reports must contain the following information to be computed:

(a) A clear description of the approach followed by the organization concerned to determine the content of the report;

(b) Information on the company's performance and position and the impact of its activity on sustainable development over time, tracking annual progress made to meet the company's strategy and means of implementation, possible challenges to improve performance and any other relevant information to support strategic decision-making processes; such information should also include economic, environmental, social and corporate governance-related or institutional matters;

(c) A statement of assurance (under discussion).

Sustainability reports can be published as stand-alone documents or integrated within an organization's annual report.

2. Data collection and disaggregation

The draft guidance offers suggestions on data availability, collection and disaggregation.

With regard to data collection, initial findings of the mapping of data sources and data collection systems indicate that a robust system would need to be developed to integrate the aforementioned sustainability reporting requirements. Additional research focusing on data collection systems at the national level will be carried out, in particular on the following points:

5 E/CN.3/2016/2.

(a) National repositories of sustainability reports. Examples include the portal of the Government of France (info-financiere.fr), the database of the Corporate Social Responsibility Centre of Pakistan (www.csrcp.com) and the Netherlands-focused website, International Portal for Sustainability Reporting (sustainability-reports.com). The German Sustainability Code Database houses companies' declarations of conformity with the German Sustainability Code, some of which provide direct links to their sustainability reports;

(b) Sector-specific initiatives (national, regional or international), including by industry and business associations. Industry-specific examples include the sustainability reports of member companies of the Cement Sustainability Initiative and the International Petroleum Industry Environmental Conservation Association;

(c) National statistical offices that collect data from companies on environmental issues and labour-related statistics;

(d) Financial market authorities or other monitoring authorities that require companies to provide them with annual reports on a regular basis, which could also include sustainability information.

With regard to disaggregation, national data collection systems should disaggregate indicators by economic sector and type and size of reporting organization. With regard to the former, it is recommended that the definition of economic sectors by the International Standard Industrial Classification of All Economic Activities be applied. With regard to the latter, it is recommended that a distinction be made between listed companies, public interest companies, non-listed companies and small and medium-sized enterprises. At the national level, categorization of companies by size is also recommended.

The draft guidance refers to a number of challenges concerning data availability and limitations of existing systems that collect information on corporate sustainability reporting. These include limited quality control, irregular geographic representation and lack of comparability.

In this regard, the following issues should be addressed for further refinement of the metadata guidance on sustainability reporting:

(a) Is the definition of sustainability reporting acceptable?

(b) Should there be any additional requirements to be met for data to be computed as sustainability reporting?

(c) Should reference be made to minimum core indicators to facilitate the comparability and quality of sustainability reporting by companies?[6]

(d) What issues should be addressed in developing national and global data collections systems on sustainability reporting?

(e) What reliable sources can be used to collect data on companies' sustainability performance and impacts?

C. CORE SUSTAINABLE DEVELOPMENT GOAL INDICATORS FOR COMPANY REPORTING

1. Selecting core Sustainable Development Goal indicators: Key considerations

Key considerations in selecting core Goals-related indicators were discussed at sessions of the Intergovernmental Working Group of Experts in 2015 and 2016, as described below. The selection of indicators is based on existing sustainability reporting initiatives, requirements and company practices. The objective is not to propose new requirements, but to encourage the use of existing approaches and methodologies in a consistent and comparable manner.

The initiative aims to identify a limited number of core Goals-related reporting indicators that will be universal – relevant to all corporations and single companies, regardless of their type of business, industry or geography. This is a challenging task, given the diversity of the 2030 Agenda and related company activities.

[6] For example, the European Union Guidelines on non-financial reporting state that material information on certain categories, explicitly reflected in Directive 2014/95/EU, should be a minimum disclosure requirement. Such information includes issues related to the environment, society, employees, respect for human rights, anti-corruption and bribery. The document also provides specific key performance indicators as examples.

However, the Goals monitoring framework and its indicators reflect a consensus reached by Member States of the United Nations on what constitutes universal requirements for sustainable development; this could be a good starting point for identifying relevant universal sustainability indicators in company reports. While this chapter focuses on the indicators as a quantitative benchmark and their consistent methods of measurement, it also acknowledges that the contextual or narrative information would be needed to enhance their usefulness for stakeholders; other industry- and company-specific disclosures will be important as well.

The selection of core indicators is based on common needs of the main users of Goals-related reporting, such as investors, Governments and civil society. In addition, such a selection provides a framework that enables consensus-building in this specific area. This rationale reflects the context of financial reports, for which different users share common needs.

In this regard, a key consideration is the application of the materiality principle. As discussed during the thirty-third session of the Intergovernmental Working Group of Experts, materiality has taken on a new dimension in the context of Goals-related reporting. As noted in a recent report, "where sustainability matters are concerned, everything is material to someone, which begs the question: From whose perspective should materiality be identified?"[7]

The adoption of the 2030 Agenda required multi-stakeholder consultations, where all parties agreed that certain aspects of economic, environment and social activities were most essential to them. For example, all companies use scarce natural resources, such as water, air, energy, materials and land, which affects the availability of these resources for future generations. The use of human resources and development of human capital is another key concern. Therefore, stakeholders should be informed about progress in achieving a rational utilization of such resources.

In this regard, the Task Force states in its recommendations on climate-related financial disclosures[8] that "it recognizes that most information included in financial filings is subject to a materiality assessment; however, because climate-related risk is a non-diversifiable risk that affects nearly all industries, many investors believe it requires special attention". It recommends that preparers of climate change-related disclosures provide such disclosures in their mainstream (public) annual financial filings. Some companies with a threshold of over $1 billion of annual revenue should consider disclosing such information in other reports when information is not deemed material and not included in financial filings. Furthermore, organizations should provide key metrics used to measure and manage climate-related risks and opportunities, and should consider including metrics on climate-related risks associated with water, energy, land use and waste management, where relevant and applicable. Metrics should be provided for historical periods to allow trend analysis. In addition, where not apparent, organizations should provide a description of the methodology used to calculate or estimate climate-related metrics. Directive 2014/95/EU, article 1(1), introduces a new factor to be taken into account when assessing the materiality of non-financial information by referring to information "for an understanding of the undertaking's development, performance, position and impact of its activity". Furthermore, the European Commission Guidelines state that the materiality assessment should take into account internal and external factors.

Another key consideration is the issue of (in)consistency between financial reporting and sustainability reporting, including the applicability of financial reporting principles to sustainability reporting, integration of sustainability information into financial reporting and convergence of the two areas. Increasingly, efforts are being made towards such a conversion. This includes an interim report by the High-level Expert Group on Sustainable Finance of the European Union.[9] The report states that to make further progress in the convergence of financial and non-financial reporting, the European Commission could invite the European Financial Reporting Advisory Group to ask the International Integrated Reporting Council to study how sustainability factors can be captured in dedicated accounting standards, in addition to those for financial reporting. The statement was welcomed by the Advisory Group.

7 Association of Chartered Certified Accountants and Climate Disclosure Standards Board, 2016, *Mapping the Sustainability Reporting Landscape: Lost in the Right Direction* (London).

8 Available at https://www.fsb-tcfd.org.

9 European Commission, 2017, Financing a sustainable European economy, available at https://ec.europa.eu/info/sites/info/files/170713-sustainable-finance-report_en.pdf.

The suggested core indicators are considered suitable for both consolidated accounts and legal entity reporting. During the intersessional period, discussion continued on whether sustainability reporting and core indicators should be used at a corporate consolidated level or at a legal entity level. Given that the impact of companies is realized at the local level, some experts argue that data should be provided by a legal entity of a home country. However, it is also important to consider that group-level consolidated sustainability reporting is critical as a means to align corporate behaviour and business models with the 2030 Agenda. Consolidated reporting is also a basis for financial decision-making by investors.

Some argue that data required for reporting on core indicators are not available at the legal entity level or that information regarding a company's performance and impact on environment and labour issues is already being collected directly by national statistical offices. Others contend that company reporting would not provide new or useful information that would be sufficient or that providing consolidated data broken down for purposes of country-by-country corporate sustainability reporting is costly, arbitrary and impractical. Yet others maintain that the necessary data are indeed available at a legal entity level because the use of resources is part of an entity's cost and management accounting. Moreover, if data are provided to national statistical offices, it should not be difficult to make them publicly available in company reports. The reliability of such information and its consistency with financial reporting could be a challenge. Another issue is whether sustainability reporting should be considered a burden or rather a tool to be used to improve efficiency and cut costs. For example, according to a recent publication, there is growing evidence of organizations having successfully reduced operating costs by improving efficiency, in particular energy efficiency, and in broader areas such as water and waste management.[10]

The suggested methodology intends to facilitate the alignment of core Goals-related indicators for companies with such indicators at the national and global levels. Goals-related corporate reporting, like accounting and sustainability reporting, is novel and evolving. Therefore, there is a momentum to develop a coordinated approach based on an accounting–statistic nexus to facilitate the usefulness of these indicators for a broader range of stakeholders. According to the System of National Accounts, the principles underlying International Financial Reporting Standards are in most cases consistent with its principles, providing a comprehensive, consistent and flexible set of macroeconomic accounts.[11] The System of National Accounts states that there could be areas of difference between the two systems; however, cooperation would be useful with a view to showing a reconciliation between the two positions.

2. Selected indicators and their measurement

Suggested core indicators cover the economic, environmental, social and governance-related areas of company performance (see table I.1). The following indicator selection criteria would apply:[12]

(a) Indicators should be relevant to at least one Goals monitoring indicator;

(b) Indicators should be based on existing key initiatives or reporting frameworks and/or should be found in corporate reports;

(c) Indicators should be universal (applicable to all reporting enterprises);

(d) Indicators should facilitate comparability across industries;

(e) Indicators should address issues over which a company has control and for which it gathers data (incremental approach);

(f) Indicators should facilitate the convergence of financial and non-financial reporting principles and data;

(g) Indicators should be capable of consistent measurement;

(h) Indicators should be suitable for consolidated reporting and legal entity reporting.

[10] United Nations Environment Programme and Copenhagen Centre on Energy Efficiency, 2016, Best Practices and Case Studies for Industrial Energy Efficiency Improvement: An Introduction for Policymakers, 2016 (United Nations Environment Programme and Technical University of Denmark Partnership, Copenhagen).

[11] European Communities, International Monetary Fund, Organization for Economic Cooperation and Development, United Nations and World Bank, 2009, System of National Accounts 2008, (United Nations, New York).

[12] For more details, see TD/B/C.II/ISAR/78.

Table I.1
Selected core Sustainable Development Goal indicators

	Area	Indicators	Measurements	Relevant Goals-related indicator(s)
A	Economic			
A.1	Revenue and/or (net) value added	A.1.1: revenue	International Financial Reporting Standard 18	8.2.1
		A.1.2: value added	Revenue minus cost of goods and services purchased	8.2.1, 9.b and 9.4.1
		A.1.3: net value added	Revenue minus purchase of goods and services minus depreciation	8.2.1 and 9.b
A.2	Payments to the Government	A.2.1: taxes and other payments to the Government	Total taxes paid and payable for reporting period, including tax penalties; royalties, licence fees and other payments to government, not including payments for government assets and penalties for non-compliance unrelated to tax payments	17.1.2
A.3	New investments and expenditures	A.3.1: green investments/ products	To be determined	7.b.1
		A.3.2: community investment	See D.2.	17.17.1
		A.3.3: total expenditures on research and development	International Accounting Standard 38	9.5.1
A.4	Total local supplier and purchasing programmes	A.4.1: percentage of local procurement	Total amount of local purchasing presented as absolute figure and as percentage of total purchasing. Percentages must be based on invoices or commitments made during reporting period, using accruals accounting	9.3.1
B	Environmental			
B.1	Sustainable use of water	B.1.1: water recycling	Total volume of water recycled and reused as percentage of total water withdrawal	6.3.1
		B.1.2: water use efficiency	Change in water consumption per net value added in reporting period	6.4.1
		B.1.3: water stress	Water withdrawn with breakdown by sources as proportion of available freshwater resources	6.4.2
		B.1.4: integrated water resources management	Degree of integrated water resources management implementation	6.5.1
B.2	Waste management	B.2.1: reduction of waste generation	Change in waste generated per net value added	12.5
		B.2.2: waste recycling	Percentage of recycled input materials used to manufacture organization’s primary products and services	12.5.1
		B.2.3: hazardous waste	Total weight of hazardous waste and proportion of hazardous waste treated	12.4.2
B.3	Greenhouse gas emissions	B.3.1: greenhouse gas emissions (scope 1)	Scope 1 contribution per unit of (net) value added[a]	9.4.1
		B.3.2: greenhouse gas emissions (scopes 1 and 2)	Scope 2 contribution per unit of (net) value added	9.4.1
B.4	Chemicals, including pesticides and ozone-depleting substances		See B.2.3.	12.4.2
B.5	Energy consumption	B.5.1: renewable energy	Renewable energy consumption as percentage of final energy consumption	7.2.1
		B.5.2: energy efficiency	Energy consumption per net value added	7.3.1
C	Social			

Table I.1
Selected core Sustainable Development Goal indicators

	Area	Indicators	Measurements	Relevant Goals-related indicator(s)
C.1	Gender equality	C.1.1: proportion of women in managerial positions	Number of women in managerial positions compared with total number of employees	5.5.2
C.2	Research and development	C.2.1: expenditure on research and development	International Accounting Standard 38	9.5.1
C.3	Human capital	C.3.1: average hours of training per year per employee broken down by employee category	Average number of hours of training per employee per year per category as total hours of training per year per category divided by total employees per category	4.3.1
		C.3.2: expenditure on employee training per year per employee broken down by employee category	Direct and indirect costs of training, including costs such as trainers' fees, training facilities, training equipment and related travel costs	4.3.1
		C.3.3: employee wages and benefits with breakdown by employment type and gender	Wages calculated as total costs of employee workforce; benefits (International Accounting Standard 19)	8.5.1 and 10.4.1
C.4	Employee health and safety	C.4.1: expenditures on employee health and safety	Total cost of occupational safety and health-related programmes, plus direct cost of company health-care activities, plus costs of related working environment issues	3.8
		C.4.2: frequency rates/ incident rates of occupational injuries	Frequency rates: number of new injury cases by total number of hours worked by workers; incident rates: number of new cases divided by average number of workers	8.8.1
C.5	Collective agreements	C.5.1: percentage of employees covered by collective agreements	Number of employees covered by collective agreements compared with total number of employees	8.8.2
D	Institutional			
D.1	Corporate governance disclosures[b]	D.1.1: number of board meetings and attendance rate	Number of board meetings during reporting period	16.6
		D.1.2: number and percentage of women board members	Proportion of women board members to total board members	5.5.2
		D.1.3: board members by age range	Average age of board members	16.7.1
		D.1.4: number of meetings of audit committee and attendance rate	Number of board meetings during reporting period	16.6
		D.1.5: compensation – total compensation and compensation per board member and executive	International Accounting Standard 24	16.6
D.2	Donations (unspecified) and donations to community projects	D.2.1: expenditures on charitable donations	Actual expenditures on charitable donations and investments of funds in broader community where target beneficiaries are external to company, itemized on accrual basis	17.17.1
D.3	Anti-corruption practices	D.3.1: amount of fines paid or payable due to convictions	Total number of convictions; total amount of fines paid or payable for violation of corruption-related laws and regulations	16.5.2.

[a] *Metadata guidance 9.4.1 suggests carbon dioxide emissions per unit of value added. See https://unstats.un.org/sdgs/metadata/files/Metadata-09-04-01.pdf.*

[b] *These indicators are not universal, but are relevant to publicly listed companies, which are responsible for using a high proportion of human and natural resources. Given the impact of such companies, these indicators are included as core indicators.*

Therefore, indicators are selected from existing key sustainability reporting initiatives.[13] This includes previous work by UNCTAD on environmental reporting and eco-efficiency indicators, which also provides a methodology for the integration of environmental and financial performance at the enterprise level,[14] corporate social responsibility[15] and corporate governance disclosures.[16]

D. CONCLUSION AND THE WAY FORWARD

This chapter discusses a limited number of core indicators for corporate reporting on contributions to the achievement of the Goals. It is expected that these indicators will be refined, in accordance with the evolution of the Goals monitoring framework, as well as of initiatives by sustainability reporting stakeholders. As such, they form a living document and a baseline for sustainability reporting and measurement of indicator 12.6.1 on the number of companies publishing sustainability reports.

E. THIRTY-FOURTH SESSION OF THE INTERGOVERNMENTAL WORKING GROUP OF EXPERTS: SUMMARY OF DISCUSSIONS

The UNCTAD secretariat highlighted a set of core indicators for company reporting on contributions to the achievement of the Goals and presented issues for the deliberations of the Intergovernmental Working Group of Experts and the background information in this chapter.

In the first of two panel discussions under the agenda item, panellists represented the Global Reporting Initiative, International Integrated Reporting Council, Organization for Economic Cooperation and Development, International Labour Organization and Adec Innovations.

Some panellists presented the Global Reporting Initiative standards and the integrated reporting approach of the International Integrated Reporting Council and discussed their links to the Goals. The Global Reporting Initiative standards represented a set of interrelated reporting standards, which enabled organizations to report on their economic, environmental and social impacts and contributions towards achieving the Goals. By focusing on multi-capitals, strategy, the business model and value creation, integrated reporting could help organizations enhance their contributions to achieving the Goals through integrated thinking and the use of integrated reports to communicate this.

One panellist presented Organization for Economic Cooperation and Development work on measuring distance to the targets under the Goals and the related issue of reporting by businesses on their contributions to well-being. Another panellist emphasized the importance of decent work for the Goals as well as for the contribution of business to achieving the Goals. The International Labour Organization's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy set out guidance on how companies could and should contribute to sustainable development. Sustainable reporting should look at this global instrument, which covered various aspects of decent work, and adopt relevant indicators accordingly. Additional indicators on social issues should be considered, such as a wage-related indicator and indicators on work conditions.

Several panellists recognized that mandatory disclosure might not be feasible in some cases, that improvement of corporate behaviour was an important objective and that the principles-based approach was useful. They also discussed the growing importance of data and opportunities and challenges related to digitalization.

In the discussions that followed, several delegates mentioned issues such as the need for clarification between the concepts of sustainability reporting and Goals-related reporting, for harmonization among existing frameworks and for supporting developing countries, as well as the essential reliability of sustainability reporting and the role of monitoring and the implications for Government and regulation.

[13] See https://www.unglobalcompact.org/docs/publications/Final_Draft_An_Analysis_of_the_Goals_and_Targets_July_2017.pdf.

[14] UNCTAD, 2000, Integrating Environmental and Financial Performance at the Enterprise Level: A Methodology for Standardizing Eco-Efficiency Indicators (United Nations publication, Sales No. E.00.II.D.28, New York and Geneva); UNCTAD, 2004, A Manual for the Preparers and Users of Eco-efficiency Indicators (United Nations publication, Sales No. E.04.II.D.13, New York and Geneva).

[15] UNCTAD, 2008, Guidance on Corporate Responsibility Indicators in Annual Reports (United Nations publication, Sales No. 08.II.D.8, New York and Geneva).

[16] UNCTAD, 2006, Guidance on Good Practices in Corporate Governance Disclosure (United Nations publication, Sales No. E.06.II.D.12, New York and Geneva).

Overall, the panellists and the delegates emphasized the importance of the comparability of sustainability reporting and welcomed the UNCTAD secretariat's efforts in developing the set of selected core indicators. They asked UNCTAD to advance its work on facilitating the harmonization of sustainability reporting and to develop guidance, and thus assist member States in their efforts to enhance the role of corporate reporting in the Goals monitoring mechanism and facilitate data aggregation, from the organizational level to the national and global levels.

In the second panel discussion under the agenda item, six panellists were invited to provide the perspectives of companies, the accounting profession and investors, spanning a range of preparers and users of reports on sustainability information.

One panellist provided insights into how company-specific materiality assessments could be conducted while taking stock of the Goals and of existing sustainability reporting frameworks. The goals of improving profitability through product differentiation, minimizing environmental impact and fostering sustainable development in communities where companies operated were achievable. This required reporting on a range of sustainability indicators, including landfilled waste, carbon dioxide-equivalent emissions and intensity of use of freshwater resources.

Another panellist stressed the importance of international standards and guidelines of accounting and reporting, including integrated reporting, the Goals Compass and the recommendations of the Task Force on Climate-related Financial Disclosures launched by the Financial Stability Board. He stated that the core indicators proposed by UNCTAD could play an important role in ensuring that companies had access to appropriate, consistent and comparable metrics for sustainability reporting. Access to high-quality sustainability information produced by companies was necessary in a context of demographic change, shifting work patterns, technological disruption and new perspectives on the meaning of value creation.

From the perspective of accounting and other professional services firms, another panellist highlighted the emergence of new stakeholder demands in the financial services industry, thereby calling for innovation in incorporating sustainability into company strategy and reporting. For instance, financial services could play a critical role in closing the financing gap for the Goals, while the latter could represent business opportunities in products such as green bonds or climate change-related insurance. While the Goals were universal and not restricted to any single industry, some companies could have more significant impacts on specific areas covered by the Goals (e.g. energy use for manufacturing companies). This called for further discussion of the way companies conducted materiality assessments.

In the discussions that followed, several delegates and participants raised issues such as the need for clarification between the concepts of sustainability reporting and Goals-related reporting and for harmonization among existing frameworks, as well as the essential reliability of sustainability reporting and the role of monitoring for compliance and enforcement. Several delegates stressed the need to build supporting capacity in developing countries in sustainability reporting, so that their Governments could harness the private sector's contribution to sustainable development. Another delegate mentioned the need to ensure that high-level political commitments, such as the Goals, were properly translated into policy and technical spheres, for instance in accounting regulation.

As part of efforts to ensure that companies provided high-quality information on sustainability, another panellist indicated that consumption and procurement practices could generate incentives for better reporting on environmental, social and governance-related matters. Financial literacy and education could foster responsible investment, consumption and production. Narrative information from companies, whether presented in reports or in other sources of information (e.g. the media), played a particularly important role in that regard. He presented research that suggested that sustainability-oriented investment indices might outperform market benchmarks, while issues related to corporate governance and ethics increasingly constituted reasons for the dismissal of company executives.

The next panellist stressed that integrated reporting could help break silos between financial and non-financial information at the company level, and integrate sustainability into companies' long-term strategic thinking. He described the case study of Itaú Unibanco as an example drawn from the financial services industry in a developing country, and in particular the bank's efforts in financial education, transparency and risk assessment as well as environmental and social matters. The bank had devised a matrix based on the Goals as part of its integrated report to provide information on value creation for all stakeholders. The matrix helped embed sustainability concerns and opportunities in the bank's data collection and decision-making processes.

The last panellist stated that, beyond discussions on the methodology for sustainability reporting, it was also important to consider companies' performance and concrete outcomes. The core indicators proposed by UNCTAD represented a baseline for reporting focused on basic and common reporting areas, across companies, geographies and operational contexts. UNCTAD research, involving empirical analysis of companies' existing reporting practices, served as evidence that companies often already had resources and provided reports on such core indicators. Echoing the discussion on materiality, he indicated that materiality assessments would sit beyond the existing basic threshold. He referred to a case study prepared for UNCTAD, focusing on the experience of a medium-sized company for which board engagement and a clear business case were key elements to achieving high-quality reporting on sustainability matters.

One delegate stressed that UNCTAD recommendations on sustainability reporting should be non-binding and accommodative of countries' different national accounting infrastructures. He noted that some of the core indicators might require additional discussion and that adopting a principles-based approach would be welcome to ensure that sustainability reporting was meaningful for all stakeholders.

Finally, the panellists and some delegates raised other issues including the role of internal control and assurance and of small and medium-sized enterprises in sustainability reporting, the universality of UNCTAD core indicators and the implications for regulation and policymaking.

CHAPTER II
COMPANY CASE STUDY RESEARCH METHODOLOGY

A. PURPOSE OF CASE STUDIES

The planned series of UNCTAD case studies is intended to demonstrate how companies are contributing to the achievement of the Sustainable Development Goals. The studies are principally directed at individuals within companies with responsibility for corporate reporting. They are also likely to be relevant for all those involved in the reporting supply chain and may be instructive for policymakers considering how best to respond to the challenges posed in measuring progress towards achieving the Goals.

The case studies are intended to offer insights as to how companies have incorporated the Goals into their business models to make sustainability integral to their operations. Specifically, the case studies consider the ways in which companies measure their contributions to achieving the Goals. As discussed in chapter I, the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting has developed a tentative set of core indicators for corporate reporting. These proposed indicators are intended to serve as a baseline for companies interested in measuring their contributions to achieving the Goals and broader drivers of value. Company case studies assess the ability of a diverse range of companies to report against those measures and some of the practical issues encountered in measuring progress towards achieving the Goals.

Many of the proposed measures are metrics that many public interest entities already report on and, to the extent possible, the approach is to leverage existing data that companies collect and report on, in an effort to minimize the reporting burden. Numerous studies on sustainability reporting have noted that companies are at different levels of maturity with regard to integrating sustainability into their business-related decision-making, performance and risk management. The World Business Council for Sustainable Development, in a study on the assurance of sustainability reporting, identified that the focus and usefulness of reporting improved as companies put in place the necessary systems to capture, understand and respond to sustainability issues.[17]

The proposed indicators are intended to collate some baseline readings from a company. As with any set of metrics, they can only be properly understood when considered within the broader context of the business. As a precondition for being able to measure Goals-related aspects, businesses need effective systems of data collection and control to integrate the resulting information into decision-making and to develop strategies and measure performance. It is increasingly accepted that non-financial information should possess the same qualities as financial information with regard to relevance, reliability and comparability.[18]

The Goals will have a direct impact on the ability of a business to create and capture value. For the companies included in this series, the creation of wealth and the fulfilment of social purpose are not viewed as a trade-off but as inextricably linked to longer term viability and performance.

B. METHODOLOGY

The case studies included in this series are developed by UNCTAD with the cooperation of the respective companies. The selection of companies includes considerations such as willingness to assist in the development of a case study. Additional criteria applied include the following:

(a) Commitment to contributing to the achievement of the Goals;

(b) An approach to sustainability that considers all relevant Goals and is not limited to environmental factors;

(c) Sustainability integrated into the business model;

(d) External recognition of material sustainability activities.

The aim is to select a sufficiently diverse group of companies to demonstrate the application of the Goals to different business models and in different geographies. The material for the case studies is drawn

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[17] World Business Council for Sustainable Development, 2016, *Assurance: Generating Value from External Assurance of Sustainability Reporting* (Geneva).

[18] See, for example, the recommendations of the Task Force on Climate-related Financial Disclosures, available at https://www.fsb-tcfd.org/publications/.

from published reports produced by companies. Other material is drawn from interviews with senior company staff. Each company is provided an opportunity to review the final draft to ensure the accuracy of the content. The case studies are intended to be detailed and to provide sufficient background and context to help the reader understand how sustainability has been embedded into the business to enable it to report on how it contributes to the achievement of the Goals.

Reporting against the Goals is a recent phenomenon and, as such, is still in a process of evolution. For this reason, the case studies are not intended to be definitive nor representative of how the Goals are being incorporated by companies globally. They serve as examples to help companies and policymakers reflect on the role business can play in moving the global community closer to achieving the Goals. Clearly, there is no single response as to how businesses should incorporate the Goals and each business needs to think creatively about how it can develop the best approach for its purpose.

C. WHY THE SUSTAINABLE DEVELOPMENT GOALS ARE IMPORTANT FOR BUSINESSES

Businesses are increasingly recognizing the importance of having a wider purpose beyond generating short-term returns for shareholders. This is not necessarily a new phenomenon and many businesses that have enjoyed longer term success have recognized the importance of engaging their employees, respecting the environment and supporting the communities in which they operate. The advent of integrated reporting has led to a greater understanding of what constitutes value and the fact that traditional forms of financial and manufactured capital, as represented in a company's balance sheet, only provide a partial view of all the resources employed in creating and capturing value within a business. The balance sheet typically does not recognize human, environmental, intellectual and social and relationship capitals. However, the International Integrated Reporting Council notes that these are essential to value creation and increasingly account for the majority of a company's value, and that company business models are adapting and responding to the importance of stewardship over all resources beyond those represented in the balance sheet.[19] Blackrock, a major global investor, highlights the importance of a focus on long-term value as follows: "Environmental, social, and governance factors relevant to a company's business can provide essential insights into management effectiveness and thus a company's long-term prospects. We look to see that a company is attuned to the key factors that contribute to long-term growth: sustainability of the business model and its operations, attention to external and environmental factors that could impact the company and recognition of the company's role as a member of the communities in which it operates."[20]

Governments worldwide have acknowledged that improving economic, environmental and social outcomes are not challenges that they can address on their own and that partnership with other economic actors is essential. Businesses wishing to report against broader drivers of value[21] face the challenge of identifying appropriate measures, beyond traditional financial measures, that are relevant in understanding performance and outcomes.

D. THE SUSTAINABLE DEVELOPMENT GOALS

The 17 Goals provide a framework aimed at improving living standards worldwide. The Goals underscore the need to find local solutions to global problems. They provide an opportunity for businesses to work in partnership with Governments to improve outcomes. UNCTAD work on a set of core indicators for corporate reporting by companies is intended to provide a baseline for measuring impacts across the Goals. The indicators represent measures typically found in existing reporting and are intended to serve as a foundation for more detailed and specific ways in which the activities of companies affect the achievement of the Goals.[22]

There are many ways in which businesses can contribute to achieving the Goals, from offering decent working conditions and equal opportunities for women, generating wealth for society by contributing to economic growth and providing training and educational opportunities, to improving environmental outcomes. The relevance of specific Goals to a

[19] See http://integratedreporting.org/resource/international-ir-framework.

[20] Fink, L. (2017) Annual Letter to CEOs, available at http://uk.businessinsider.com/blackrock-ceo-larry-fink-letter-to-ceos-2017-1?r=US&IR=T.

[21] See the intangibles reporting framework guidance issued by the World Intellectual Capital Initiative, available at http://www.wici-global.com/useful_resorces_publications.

[22] TD/B/C.II/ISAR/78.

company depends on the nature of its activities and business model. A considerable amount of work is under way to consider the Goals that are the most relevant for specific industries.[23] As noted in the chief executive officer guide to the Goals developed by the World Business Council for Sustainable Development,[24] it is important for companies to identify the Goals that are material to their business. The experience of Itaú Unibanco shows that the boards of companies consider sustainability closely, and the findings of a number of studies have highlighted that the effective governance of sustainability matters requires engagement by boards.[25]

There is a growing paradox in that businesses increasingly wish to contribute to the achievement of broader goals but are becoming increasingly frustrated with the complex and at times confusing sustainability reporting landscape.[26] The Goals provide an understandable and coherent narrative for businesses to internalize the needs of the communities in which they operate and to report on how they actively contribute to making a difference. Not all businesses may wish to play a leadership role in driving forward this agenda, yet there are a number that are already making significant progress.

The question of why business should contribute to society beyond being efficient and generating profits remains to be considered. In classical economics, Governments are responsible for intervening and minimizing externalities; this paradigm remained prevalent through the greater part of the twentieth century with the rise of capitalism and modern corporations. Globalization has increasingly made it apparent that there is growing interdependence between nations and that satisfying the needs of people and the planet requires greater collaboration between Governments, businesses and civil society. There is a high level of research that has suggested that businesses that enjoy longer term success are those that embrace sustainability in its broadest sense.[27] The guide to the Goals Compass[28] states that the Goals can help to connect business strategies with global priorities and that companies can use the Goals "as an overarching framework to shape, steer, communicate and report their strategies, goals and activities, allowing them to capitalize on a range of benefits".

Not every business sees the value of contributing to achieving the Goals; for other businesses, it reflects how they have always operated. The case study presented in this volume may provide businesses that are interested with practical ways in which they can contribute to achieving the Goals and approaches to communicating their performance to a wide range of stakeholders.

23 See, for example, the *[Chief Executive Officer] Guide to the Sustainable Development Goals*, available at http://sdghub.com/ceo-guide/.

24 Available at http://www.wbcsd.org/Overview/Resources/General/CEO-Guide-to-the-SDGs.

25 See, for example, Galbreath J, 2012, Are boards on board? A model of corporate board influence on sustainability performance, *Journal of Management and Organization*, 18(4):445–460.

26 Association of Chartered Certified Accountants and Climate Disclosure Standards Board, 2016, *Mapping the Sustainability Reporting Landscape: Lost in the Right Direction* (London).

27 See, for example, University of Oxford and Arabesque Partners, 2015, *From the Stockholder to the Stakeholder: How Sustainability Can Drive Financial Outperformance*, available at https://insights.arabesque.com/research/.

28 Available at https://sdgcompass.org/download-guide/.

CHAPTER III
CASE STUDY OF ITAÚ UNIBANCO

A. ABOUT THE COMPANY

Itaú Unibanco is a publicly held financial holding with shares traded on B3 and the New York Stock Exchange, that operates with all its bank activities authorized by competent bodies, both in Brazil and abroad. Itaú Unibanco's vision is to be a leading bank in sustainable performance and client satisfaction, while promoting positive changes in people's lives and for society. Guided by these aims, Itaú Unibanco offers products and services that meet different customer needs including, among others, current accounts, investment and pension plans, insurance and credit cards, as well as financing, asset management, brokerage and consortium services.

Itaú Unibanco has been in operation for 92 years and is present in the following 19 countries: Argentina, Brazil, Chile, China, Colombia, France, Germany, Japan, Mexico, Panama, Paraguay, Peru, Portugal, Spain, Switzerland, the United Arab Emirates, the United Kingdom of Great Britain and Northern Ireland, the United States of America and Uruguay. The organization has more than 5,000 branches and service centres and approximately 46,000 automated teller machines in operation, most of which are in Brazil. Itaú Unibanco has 95,000 employees, of which 60 per cent are women and 40 per cent are men, and over 55 million clients.

In 2016, Itaú Unibanco closed the year with a recurring net income of $6.68 billion and a return on net equity of 20.1 per cent. The company's capital soundness was represented by a Basel ratio of 19.1 per cent; the average short-term liquidity ratio was 212.8 per cent, both compliant with regulatory requirements set by the Central Bank of Brazil at 10.5 per cent and 70 per cent, respectively.[29] In 2016, the total assets of Itaú Unibanco amounted to $397.28 billion, accounting for 16.2 per cent of assets of the banking system in Brazil, which totalled $2.458 trillion. Through its operations, the bank seeks to create value for its main stakeholders, namely employees, clients, shareholders and society. At the end of 2016, the value added to the economy of Brazil and distributed among the company's capitals amounted to $20 billion.

Currently, Itaú Unibanco is the largest private bank in Latin America and the most valued brand in Brazil; in 2016, according to an brand-related ranking, it was valued at an estimated $7.94 billion.[30] The bank is also among the 20 largest financial institutions in market value in the world, with an estimated amount of $67.30 billion in December 2016, according to its fourth quarter management discussion and analysis and complete financial statements.[31]

B. APPROACH TO SUSTAINABILITY

1. Business case for sustainability

Throughout its history, Itaú Unibanco has sought to conduct business while taking into account the communities of which it is a part. The company's stated purpose is to continue performing this role, contributing to the empowerment of people and companies, to transform their lives and the environment. The bank's contribution to sustainability involves identifying opportunities to contribute to society with regard to significant issues, such as urban mobility and incentives for improving reading skills, in response to which Itaú Unibanco has created initiatives such as Bike Itaú, a bicycle-sharing system, and a reading to children programme.

In addition to identifying internal and external gaps, sustainability assessments can help the company to explore emerging opportunities. For instance, since 2013, Itaú Unibanco has been supporting a programme for women entrepreneurs that qualifies women and promotes women's entrepreneurship while helping the bank to assess the relationship of women with financial institutions. By encouraging women's business and empowerment, Itaú Unibanco

[29] The Basel capital ratio is the ratio of a financial institution's reference equity to the value of risk-weighted assists. It is also known as the solvency or solvency index of a financial institution. For more information about Basel III and banks in Brazil, see http://www.bcb.gov.br/fis/supervisao/basileia.asp.

[30] See http://www.rankingmarcas.com.br/2016/ranking2016.html.

[31] Available at https://www.itau.com.br/_arquivosestaticos/RI/pdf/en/IRR31122016_ing.pdf?title=Management%20Discussion%20&%20Analysis%20and%20Complete%20Financial%20Statements%20(BRGAAP)%20-%204Q2016.

invests in its own growth since, according to the Brazil Institute of Geography and Statistics, almost half of households and small enterprises in Brazil are run by women.[32] The bank is therefore able to respond to changes in society while taking into account issues in innovation, as well as impacts on its brand and reputation.

Itaú Unibanco operates in a market that is highly regulated by domestic and international standards and is therefore required to ensure that its processes, products and services fully adhere to such standards. This includes environmental and social risk management, which addresses topics deemed highly relevant by the bank's stakeholders. In the credit assessment of a company or project, the bank analyses environmental, social and governance-related matters, in addition to financial matters, that may affect both the fulfilment of obligations by the client and the image of Itaú Unibanco, thereby aiming to avoid monetary losses and damage to the bank's reputation. With regard to its clients, the main demands relate to attention to and the resolution of issues in the bank's customer relationship channels. Client satisfaction affects the sustainability of the bank's business and its capacity to generate value over time, since satisfied clients may conduct more business and remain with the bank for a longer term. Employees play an essential role in this process, and the bank's human resources policy includes monetary and non-monetary recognition in addition to a professional development plan.

2. Business model

The vision of the Itaú Unibanco business model is for the bank to be a leading company in sustainable performance and client satisfaction. Aligned with its management strategy, values and organizational culture, the bank's model aims to transform capitals in products and services made available to clients through three major operating segments, namely retail banking; wholesale banking; and activities with the market and corporation. To ensure efficiency in the allocation of funds in these activities, the bank uses tools and processes to control risks, manages business development and defines strategies, with a long-term vision. By properly allocating its capitals, the bank aims to create and share value with its stakeholders over time while increasing its own capitals. Itaú Unibanco discloses its capitals in its annual reports based on the international integrated reporting framework of the International Integrated Reporting Council, involving six capitals that constitute a wide range of inputs related to raising, financing and managing client funds, as follows:[33]

(a) Financial capital: composed of the financial resources available and allocated to the bank's businesses, including from third parties, obtained in the form of products and services provided to clients, such as loan operations, financial investments, deposits and funding, investments and operations involving insurance, pension and capitalization funds such as premium bonds;

(b) Social capital: composed of the bank's ethical and transparent relationship with its clients, stakeholders, investors and suppliers and with the Government, regulatory agencies and society, including the ability to share value with its stakeholders to enhance individual and collective well-being;

(c) Human capital: composed of the bank's employees and their skills and experiences, as well as their motivations to innovate and develop better products and services, in an ethical and responsible way, by means of their capabilities for management, leadership and cooperation;

(d) Intellectual capital: composed of the reputation obtained by the bank's brand, technical knowledge and intellectual property and by the ability to develop new technologies, products and services for the sustainability of the business;

(e) Manufactured capital: composed of the equipment and physical installations, such as branches, automated teller machines, applications and systems, used by the bank in the provision of products and services;

(f) Natural capital: composed of the renewable and non-renewable environmental resources consumed or affected by the bank, such as water, soil, ores, forests and biodiversity.

[32] See http://www.brasil.gov.br/cidadania-e-justica/2015/05/mulheres-comandam-40-dos-lares-brasileiros.

[33] Available at http://integratedreporting.org/resource/international-ir-framework.

To measure the wealth generated and the distribution among the capitals, Itaú Unibanco uses the concept of an added value statement. In 2016, the value added to its capitals reached $20 billion and was distributed as follows:

(a) Financial capital, 31.7 per cent;

(b) Social capital, 35.2 per cent;

(c) Human capital, 29.0 per cent;

(d) Intellectual capital, 2.4 per cent;

(e) Manufactured capital, 1.1 per cent;

(f) Natural capital, 0.6 per cent.

The stated goal of Itaú Unibanco of creating value is related to obtaining sustainable results in an ethical and responsible way that meet the needs of its stakeholders, while stimulating the development of people, society and the countries in which the bank operates. In 2016, for example, the bank completed a study on externalities, adopting the Utopies Local Footprint methodology, which measures its contribution to the economy of Brazil; the study suggested that for each job maintained directly by Itaú Unibanco, the bank contributed to the maintenance of 64 jobs in Brazil, thereby impacting 5.3 million jobs, equivalent to 6 per cent of the working population in the country, and that the impact on the gross domestic product of Brazil was $84.2 billion, or about 5 per cent of the total.[34]

3. Linkages between corporate and sustainability strategies

As a bank, Itaú Unibanco can facilitate the allocation of financial resources to support economic and social development. The bank's strategic vision, disseminated to employees in 2017 through workshops, an intranet portal and meetings, acknowledges this role and aims to empower people to become agents of their own transformation. Such dissemination preceded the review of the bank's sustainability strategy in 2017.

Itaú Unibanco was formed through the merger of two large banks in Brazil, namely Itaú and Unibanco. In 2011, following the integration, Itaú Unibanco launched its sustainability strategy based on the three pillars of financial education; dialogue and transparency; and environmental and social risks and opportunities. In 2016, the need to review the related guidelines became apparent due to new developments in the way the bank addressed sustainability issues. For example, with regard to modelling environmental and social risk, activities had been conducted by a team from the bank's sustainability department; currently, this practice is integrated with risk management in different departments. The same process has taken place with regard to issues such as transparency and financial education, which have become part of the work routines of the product development and marketing departments.

The bank's sustainability strategy is connected to its established priorities for business, as follows: focus on the client; digital transformation; risk management; profitability; people management; and internationalization. In planning its digital transformation process, for example, the bank considered the impacts in terms of dismissal of employees, use of energy and other costs. With regard to internationalization, the implementation of each unit abroad follows a basic guide featuring sustainability questions. This means that business and sustainability strategies are increasingly intertwined, although this process remains a challenge in certain areas, given that the sustainability strategy of Itaú Unibanco was launched in 2011 and is still being gradually incorporated into day-to-day business operations.

4. Materiality

Itaú Unibanco considers material any issue that may affect the creation of value for its priority stakeholders in the short, medium and long terms. In order to make this assessment, the company uses the Global Reporting Initiative materiality principle, the Accountability AA1000 series of standards and external assurance. In 2015, the bank evaluated its material themes and aimed to adjust them to the current business context. In this process, for example, environmental and social risk assessment was integrated into risk and capital management, which more accurately reflects the bank's management. In 2016, the integrated report of Itaú Unibanco presented the 22 most relevant themes for bank and stakeholders, with respective management indicators, the capitals most implicated under each theme, the main impacts and their relation to the Sustainable Development Goals.

[34] This methodology simulates socioeconomic impacts based on data collected within a company corresponding to the financial flows injected into the economy and local production. It enables the measurement of economic contribution, expressed in terms of jobs maintained and value added generated, translated into gross domestic product.

The bank faces the challenge of advancing in the establishment of goals and compensation linked to each material theme, as well as disseminating the integrated management of these themes throughout the organization. Discussions on this topic were included in the review of its materiality assessment in 2017, in light of the review of its sustainability strategy.

5. Mapping against the Sustainable Development Goals

Itaú Unibanco has been involved in Goals-related processes since 2015. The bank was elected vice-president of the Brazil committee of the United Nations Global Compact and, in August 2017, took over the presidency of the Brazil network of the Global Compact. The bank has also coordinated a thematic group on the Goals, which acts to disseminate the 2030 Agenda for Sustainable Development by encouraging alliances between the public and private sectors and contributing to the bank's progress in the achievement of the Goals. In this context, Itaú Unibanco has implemented the five steps of the Goals Compass. The company mapped the 17 Goals and 169 targets in order to evaluate those on which the bank and its projects could have an impact. The bank cross-matched this data with its materiality matrix, the Global Reporting Initiative indicators and the Global Compact principles. The final map correlates the Goals, material themes, the capitals most implicated under each theme and the most affected stakeholders.

In the second quarter of 2017, Itaú Unibanco began to prioritize the Goals on an integrated basis, with the review of its materiality and sustainability strategies. This prioritization mainly considers the relevance of the Goals to the bank's vision, purposes and business strategy. The prioritization process is expected to lead to the establishment of goals and indicators to measure its contribution to the Goals and to national goals in Brazil.

6. Governance of sustainability

Sustainability permeates the corporate governance of Itaú Unibanco, encompassing, among others, the compensation of executives, policies for employees and suppliers, the management of voluntary commitments to which the bank adheres and the provision of products and services. Before placement on the market, the impacts of products and services are analysed on a comprehensive basis, including with regard to environmental and social issues. Sustainability also permeates the decisions of forums and committees at all organizational levels, meetings of which determine the inclusion of environmental and social issues in the organization's day-to-day activities.

At the operational level, the bank has a number of working groups that decide on projects and budgetary allocation. The Superior Ethics and Sustainability Committee aligns the working group projects of the following three major departments: Institutes and Foundations, responsible for the management of social private investments and educational and cultural initiatives; Environmental and Social Risk, responsible for suggesting positions and monitoring compliance with environmental and social risk management; and Integrity and Ethics, involving committees that debate the integrity of and ethics in each business. The projects defined in the working groups are submitted to the Sustainability Committee, which is composed of directors, officers and one vice-president as the sponsor, and addresses the main sustainability issues in the bank's governance. The most relevant issues are presented to the Executive Committee and the Board of Directors. The Board has eight committees to advise it on decisions, including the Strategy Committee, which is responsible for leading discussions on sustainability challenges and trends that may pose a reputational risk to the bank with regard to environmental and social impacts.

This governance structure has the potential to enable the organization to add value and advance in the use of integrated thinking in decision-making and the bank's business.

C. MEASUREMENT AND REPORTING

1. Reporting framework

The first integrated report of Itaú Unibanco was disclosed in 2014 for fiscal year 2013, concurrently with the adoption of a consolidated annual report that unified the content of the main reports prepared annually by the bank, such as its annual report, form 20-F of the Securities and Exchange Commission of the United States and the Luxembourg Stock Exchange medium-term note base prospectus. The financial statements follow the International Financial Reporting Standards issued by the International Accounting Standards Board. In 2016, the integrated report consolidated the most significant information for its audience in 75 pages and the consolidated annual report comprised 475 pages. The trend is that, eventually, Itaú Unibanco will have only one communication vehicle with stakeholders and the market.

The publication of a sustainability report is not a regulatory requirement, but an initiative that the bank voluntarily decided to adopt. Prior to 2014, the bank published a report in accordance with the Global Reporting Initiative framework and, since that time, has followed the International Integrated Reporting Council guidelines. In 2016, Itaú Unibanco prepared a report in accordance with the new Global Reporting Initiative standards. However, as the sector disclosures for financial services standards have not changed, the bank continued to report on sector studies in accordance with the G4 Guidelines financial services sector disclosures standard. In its integrated report, the bank incorporates integrated thinking into the organization, connecting information and management in order to translate how the creation of value takes place in the financial sector, to gain efficiency in the allocation of its capitals and to have a market comparability mechanism.

The bank determined that it was important to connect departments that did not have frequent contacts within the corporate structure, to strengthen the reporting framework. To this end a reporting committee was established, comprising staff from the finance, sustainability, communications and investor relations departments. The committee is annual and meets periodically to align strategic information and matters to be reported. It plays an essential role in consolidating the process of information collecting, regardless of the type of information or the target stakeholder of the content, including reports drawing on, among others, the Goals, the Global Reporting Initiative, integrated reporting and financial regulatory requirements.

In total, Itaú Unibanco reports approximately 250 indicators in the economic, environmental, social and institutional dimensions, and approximately 40 per cent of this is not mandatory information, but rather information that the bank considers relevant to its stakeholders since these indicators are in conformity with the bank's materiality matrix. Among the mandatory indicators that the company reports on are consolidated financial statements that meet International Financial Reporting Standards requirements. In addition, the bank reports on general economic indicators that help to understand the context and how it affects its results, such as, among others, interest rates, inflation and foreign exchange rates, the Basel ratio, performance, strategy, governance and risk management.

Companies listed on B3 are required, under the Report or Explain Programme, to annually report their sustainability or integrated reports, taking the Goals into consideration. If a company does not report on the Goals, it must provide a reason for not doing so. Itaú Unibanco further reports information that may exceed requirements, such as its market position compared with competitors for the main banking products in the different countries in which it operates. With regard to governance, together with macroeconomic, business and regulatory risks, the bank monitors and communicates its presence in specialized portfolios, such as the Dow Jones sustainability index and the B3 corporate sustainability index. Itaú Unibanco has participated in these portfolios since their establishment.

The bank also monitors and reports on sustainability-specific key performance indicators that are non-mandatory, clarifying the results of private social investment programmes supported by the Itaú foundations focused on, among others, education and culture, the training and development of employees and the diversity of its internal audience. Another important group of non-mandatory indicators is related to eco-efficiency and climate change. The company reports on its environmental investments, use of energy, water and transportation, waste disposal and greenhouse gas emissions, as well as targets related to these topics.

2. Assurance

Itaú Unibanco has a complex business structure and managing this structure requires accurate information control and assurance systems. For internal assurance, the bank has adopted a governance structure that comprises the Reporting Committee, Disclosure Committee, Audit Committee and Board of Directors. Assurance is based on two frameworks, namely the internal control models of the Committee of Sponsoring Organizations of the Treadway Commission and the three lines of defence of the Institute of Internal Auditors, a methodology for risk management and process control. First line assurance is carried out by the department manager responsible for the controls of each vice-presidency. Second line assurance is carried out by the department of internal controls, which supervises and verifies the effectiveness of the controls of different departments. Third line assurance is carried out by the department of internal audits.

Under this system, the work of the department of internal controls is procedural; it maps activities, verifies implemented controls and works with the department of internal audits to observe compliance with financial market regulations, including the Sarbanes-Oxley Act, which regulates publicly held companies with shares traded on the New York Stock Exchange. The purpose is to map, among others, financial, macroeconomic, environmental, social and operational risks that may affect the bank's business, as well as those related to liquidity, credit, branding and the market, and to ensure the integrity of information generated within the organization.

Limited external assurance is provided by PricewaterhouseCoopers, based on the AA1000 standards with regard to the stakeholder engagement process and materiality definition, as well as on the Federal Council of Accounting of Brazil NBC TO3000 standard on assurance engagements other than audits or reviews of historical information. Such assurance is performed in cooperation with the departments that provide information. The bank performs external assurance because it provides an independent view of the processes and risks involved in the generation of information, which can provide additional credibility and enhance the quality of reporting processes.

3. Key performance indicators

Itaú Unibanco's sustainability metrics are part of the key performance indicators on which the company reports externally and which are presented in the integrated report under the following topics: economic context; competition; bank industry; global operation of the bank; creation of shared value for different audiences; results and impacts related to each capital; business management; risk and capital management; sustainability, including environmental, social and governance-related issues; material themes; business, product and service strategy; results and externalities.

Itaú Unibanco has established a variable compensation plan that annually attributes to each employee a base value for variable compensation, granted based on performance evaluations that consider not only results with regard to goals and projects but also the way results are delivered. The bank thereby articulates issues that are key to its development and promotes alignment on its values.

The final amount of executive payment is calculated by multiplying a base value by performance indicators combined from financial results, namely recurring net income and value created during a given period, measured by multiplying the cost of capital with allocated capital and the allocated capital budget. Cost targets also form part of the calculation. With regard to Board of Directors and Board of Officers members, performance measurements are based on financial and non-financial metrics, at 80 and 20 per cent, respectively, taking into consideration the median of values of indicators from across the commercial areas of the bank. In support departments, measurements for executive goals are also based on financial and non-financial metrics, at 25 and 75 per cent (median), respectively. The goals of commercial departments involve, in particular, managerial operating results, which are similar to net income; banking products; costs; and the results of a client satisfaction survey. For back-office employees, metrics are mainly related to the client satisfaction survey and costs. Metrics are determined according to department and position. The executive in charge of the sustainability area, for example, has goals directly related to the bank's continued listing on the Dow Jones sustainability index and the B3 corporate sustainability index. Performance in eco-efficiency influences at least 10 per cent of the variable compensation of executive officers. Metrics of external perception also affect such compensation, such as the client satisfaction survey, complaint rates lodged with the Central Bank of Brazil, rankings of consumer protection agencies, reputational indices such as the Rep Trak Deep Dive System and the quality of media exposure.

The determination of key performance indicators is a continuously evolving process. Based on the study of externalities presented in the integrated report in 2016, for example, Itaú Unibanco can measure the impact of certain credit products on the economy and gross domestic product of Brazil. Based on the results obtained, new indicators are generated to support the implementation of policies aligned with the bank's value chain, strengthening its commitment to its main stakeholders and to sustainable performance and local development. Some of the mandatory and voluntary key performance indicators monitored and reported on are as follows:

(a) Mandatory:

(i) Real gross domestic product performance in Latin America;

(ii) Inflation rate;

(iii) Exchange rate variation of the Brazilian real and the United States dollar;

(iv) Economic forecast;

(v) Net income attributed to shareholders;

(vi) Banking products;

(vii) Non-interest income;

(viii) Return on investment, current and recurring;

(ix) Return on equity, current and recurring;

(x) Earnings before interest, taxes, depreciation and amortization;

(xi) Efficiency ratio and risk-adjusted efficiency ratio;

(xii) Liquidity coverage ratio;

(xiii) Share of profit or loss in subsidiaries and affiliates;

(xiv) Private social investment;

(xv) Valuation of share price;

(xvi) Total number of employees by region, gender and education and hierarchical level;

(xvii) Compensation and benefits;

(xviii) Fees and services of independent auditors;

(xix) Global vector autoregressive breakdown by risk factor group;

(xx) Performance evaluations of the Board of Directors;

(xxi) Environmental investments and expenses;

(xxii) Sensitivity analysis and exposure to risk factors;

(xxiii) Taxes and contribution rates by operation;

(xxiv) Number of meetings with investors;

(xxv) Main sources of funding;

(xxvi) Main risk factors;

(xxvii) Basel III regulatory capital;

(b) Voluntary:

(i) Statement of added value;

(ii) Attraction, retention and development of employees;

(iii) Health, safety and well-being;

(iv) Turnover and absenteeism levels;

(v) Cases reported to the ombudsperson;

(vi) Transactions through digital channels compared with physical channels;

(vii) Current account openings by digital means;

(viii) Market position and competitors;

(ix) Transactions using credit and debit cards;

(x) Brand value;

(xi) Awards and recognition;

(xii) Relationships in social networks;

(xiii) Download volume of mobile applications;

(xiv) Countries of presence and operation by region;

(xv) Competitive strengths;

(xvi) Financial education and inclusion;

(xvii) Statement of added value;

(xviii) Environmental and social report and client analysis;

(xix) Client satisfaction survey;

(xx) Client complaint management;

(xxi) Purchase process for goods and services;

(xxii) Administrative evaluations of suppliers.

Table III.1
Relationship with core Sustainable Development Goal indicators proposed by UNCTAD

Suggested indicator	Key performance indicator status	Goal	Target	Elements reported on by Itaú Unibanco	Comments
Economic					
A.1: revenue and/ or value added	Mandatory	8: promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	8.2: achieve higher level of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors	Itaú Unibanco reports in management comments on its total net income, controller and shareholder equity and return on equity on shareholder equity, in accordance with the International Financial Reporting Standards and Generally Accepted Accounting Principles of Brazil. It also reports on the results of its financial assets, other assets, financial investments and loan operations (the four main operations of its financial capital) in the last five years. All information published is subject to external audit	Itaú Unibanco, currently operating in 19 countries, is undergoing geographical expansion. Its business is concentrated in Brazil (84 per cent) and it therefore focuses on information about its performance in and contribution to Brazil. Economic performance is a key performance indicator and influences employee and executive compensation according to their level of responsibility for results
A.2.1: taxes and other payments to the Government	Voluntary	17: strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development	17.1: strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection	Itaú Unibanco reports on the total amount added to the economy of Brazil, with 35 per cent related to share and relationship capital. Of this total, a significant portion (24 per cent) is related to tax payments	In 2016, Itaú Unibanco reported on the results of an externality study, using the Utopies Local Footprint methodology, which analysed 10 products representative of its portfolio. Based on the financial flows injected into the economy and local production, direct impacts, including tax generation, indirect impacts and those induced by its activities were simulated
A.3: New investments and expenditures	Voluntary	1: end poverty in all its forms everywhere	1.b: create sound policy frameworks at the national, regional and international levels, based on pro-poor and gender-sensitive development strategies, to support accelerated investment in poverty eradication actions	Itaú Unibanco has two initiatives focused on this Goal, namely guided and productive microcredit and a programme for women entrepreneurs, which were created to ensure that the poorest and most vulnerable segments of the population have access to financial services, together with financial guidance and training	Private social investment, made through the Itaú Social Foundation and the Unibanco Institute, is focused on education, health, sports, culture and urban mobility needs, in particular of the poorest and most vulnerable populations
A.4: total local supplier and purchasing programmes	Voluntary	9: build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	9.3: increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets	The purchasing process of Itaú Unibanco consists of three stages, namely pre-purchase (study, analysis and supplier visits), purchase (negotiation and contract) and post-purchase (monitoring, control, risk monitoring and implementation of actions). Suppliers are distributed in all regions of Brazil, with greater concentration in the southeast region. Approximately 97 per cent of purchases are made with local suppliers, defined as Brazilian companies and/or company subsidiaries in Brazil, based on the percentage of expenses incurred in Brazil, which conduct 75 per cent of purchases with companies in the same state of Brazil	The purchasing model is aligned with the most appropriate strategy for each type of business. Itaú Unibanco works on its relationship with suppliers, aiming for transparency, continuity and the construction of shared value. Partnerships aim to minimize environmental, financial, operational and legal impacts, and seek to develop the regions in which the bank operates

Table III.1
Relationship with core Sustainable Development Goal indicators proposed by UNCTAD

Suggested indicator	Key performance indicator status	Goal	Target	Elements reported on by Itaú Unibanco	Comments
Environmental					
B.1.2: water use efficiency	Voluntary	6: ensure availability and sustainable management of water and sanitation for all	6.4: by 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity	Itaú Unibanco has adopted measures of efficient consumption, water reuse, consumption reduction and use of alternative sources of water supply such as artesian wells and rainwater. In 2016, the bank reported a 4 per cent reduction in water consumption and a 32 per cent increase in water reuse	Since 2014, Itaú Unibanco has had an emergency response plan to ensure supply and business continuity, simulating actions, establishing strategies and monitoring water management in its operations. In addition to internal factors, water scarcity is a risk factor for business and it is considered in the analysis of environmental and social risk prior to granting credit to companies or projects
B.2.1: reduction of waste generation	Mandatory	12: ensure sustainable consumption and production patterns	12.5: by 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	Itaú Unibanco reports on volumes of hazardous waste, such as light bulbs and information technology equipment, and non-hazardous waste, such as paper and organic waste, discarded in the bank's facilities, including quantities sent to landfills and for recycling and composting. In Brazil, this issue is regulated by the national policy on solid waste	In 2012–2020, Itaú Unibanco aims to reduce by 32 per cent the volume of waste sent from administrative units to landfills. In 2016, the bank achieved a reduction of 24 per cent, compared with 2015. The action plans resulting from such projects are focused on programmes to evaluate suppliers and on efficient selective waste collection processes
B.3: greenhouse gas emissions	Mandatory	9	9.4: by 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities	Itaú Unibanco reports on its scope 1, 2 and 3 emissions and the results obtained from the goal of reducing, in 2012–2020, scope 2 emissions by 34 per cent for $300,000 worth of banking products. This key performance indicator influences a portion of the variable compensation of executives	Itaú Unibanco is a signatory of the Carbon Disclosure Project and a leader for transparency under the Project, in accordance with the global scoring methodology applied in the 2016 edition of the Climate Change Report. The management of greenhouse gas emissions is relevant to guarantee its continuity in the portfolios of the Dow Jones sustainability index and the B3 corporate sustainability index
B.4: chemicals, including pesticides and ozone-depleting substances	Mandatory	12	12.4: by 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment	Itaú Unibanco communicates its environmental and social risk policy and its results. With regard to project financing, a project's environmental and social analysis begins with a preliminary categorization, considering the impact on the environment and on social aspects, and based on an analysis of the performance standards of the International Finance Corporation and the Environmental, Health and Safety Guidelines of the World Bank. During the process, additional information may be requested, and conferences and meetings may be held with clients to confirm the categorization.	In the financial sector, Goal 12 is exclusively related to the bank's capacity to influence its clients in the adoption of cleaner and more sustainable production methods. The bank applies environmental and social risk analysis and makes recommendations for its clients to adopt better practices, monitoring improvements and, in certain cases, subjecting the granting of credit to required practices

Table III.1
Relationship with core Sustainable Development Goal indicators proposed by UNCTAD

Suggested indicator	Key performance indicator status	Goal	Target	Elements reported on by Itaú Unibanco	Comments
				Projects may be categorized as A, B or C, for high, medium and low risk, respectively, and arrangements related to the analysis are made based on the categorization. The Equator Principles are also observed. With regard to real estate financing, a prior environmental analysis is required and, should signs of contamination be found, a technical appraisal of the land is required	
B.5: energy consumption	Mandatory	7: ensure access to affordable, reliable, sustainable and modern energy for all	7.3: by 2030, double the global rate of improvement in energy efficiency.	Itaú Unibanco reports on its results towards its goal of reducing, in 2012–2020, energy consumption by 34 per cent for $300,000 worth of banking products, reaching a power use effectiveness ratio of 1.60 by 2020, or 19 per cent lower than in 2015. The bank also aims to purchase 96 per cent of electricity for its administrative buildings from renewable sources, or 55 per cent more than in 2012. This goal is a key performance indicator and influences a portion of executive compensation	A significant part of the bank's operations depends on the availability of electricity. Accordingly, the bank focuses on the management and reduction of consumption, making use of efficient light bulbs and information technology equipment. In 2016, there was an 8 per cent reduction in energy consumption, and 89 per cent of the electricity consumed in administrative buildings comes from renewable sources such as hydroelectric, wind and solar power plants. The goal is to reach 96 per cent
Social					
C.1: gender equality	Voluntary	5: achieve gender equality and empower all women and girls	5.5: ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life	Itaú Unibanco presents data on population within the organization, including the number of women on staff and the total number of women in leadership positions, that is, management and the Executive Committee. It also reports on the programme for women entrepreneurs, designed to strengthen businesses run by women, and on the allocation of funds to small and medium-sized enterprises led by women. In 2016, for example, such enterprises accounted for 39 per cent of its corporate client base in the small and medium-sized enterprise segment with an annual revenue of up to $350,000; 34 per cent of small and medium-sized enterprise clients with annual revenues of up to $2.4 million; and 30 per cent of small and medium-sized enterprise clients with annual revenues of up to $9 million	Diversity is a recurring topic on the agenda of the personnel committee, the highest decision-making level that influences actions focused on diversity, equity and inclusion. Externally, the bank takes part in forums on gender inclusion and is represented on the board of the Global Banking Alliance for Women and the Women of Brazil Group, thereby contributing to strengthening diversity and gender equity in the corporate sector in Brazil

Table III.1
Relationship with core Sustainable Development Goal indicators proposed by UNCTAD

Suggested indicator	Key performance indicator status	Goal	Target	Elements reported on by Itaú Unibanco	Comments
C.2.1: expenditure on research and development	Voluntary	9	9.5: enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending	Itaú Unibanco reports on investments to improve its infrastructure, technology centres and digital innovation processes, in addition to client adhesion to innovations implemented, including transaction volumes in channels such as Internet banking, mobile banking and banking through applications. Another group of indicators is related to building internal capacity for innovation through the training of employees and to initiatives such as the Cubo incubator, a technology entrepreneurship centre that promotes connections to leverage the businesses, ideas and initiatives of a new generation of entrepreneurs and digital start-ups	In 2016, the bank entered into a partnership with r3, an international innovation start-up that brings together 70 financial institutions worldwide to contribute to the development and implementation of solutions based on shared technologies such as blockchain. Big data management is also in effect at Itaú Unibanco, making it possible to gain efficiency in the segmentation and distribution of financial products
C.3: human capital	Mandatory	8	8.5: by 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	Itaú Unibanco reports on its diversity profile, including the number of women and persons with disabilities on staff. Externally, an important focus is investment in education, through the Itaú Social Foundation and the Unibanco Institute. It also advises in its integrated report of actions and investments in financial education, focused on the empowerment of people in their relationships with banks, particularly low-income populations recently included in the banking sector	In Brazil, legislation mandates that large companies ensure that at least 5 per cent of employees are persons with disabilities. Another relevant issue is the low level of education in Brazil, which is reflected in fewer employment and income opportunities. According to the 2016 edition of Education at a Glance of the Organization for Economic Cooperation and Development, adults with secondary education receive significantly less pay than those who have attended university
C.3.1: average hours of training per year per employee, broken down by employee category	Voluntary	4: ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	4.3: by 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university	Education indicators are grouped into two areas, namely internal and external investment. Itaú Unibanco reports on total training hours by employee, segmented by functional level and gender, and on incentive payments granted for the education of employees. For example, in 2016, 7,276 incentive payments were granted for university courses. Externally, the focus is on contributions for the improvement of elementary public school education in Brazil, through the Itaú Social Foundation, which organizes a volunteer programme to improve the quality of education in public schools, and the Unibanco Institute, which aims to improve the quality of education, with a focus on secondary education	Brazil has significant education-related requirements. In a ranking of 70 countries assessed by the Programme for International Student Assessment of the Organization for Economic Cooperation and Development, Brazil ranks 63 in sciences, 59 in reading and 66 in mathematics. For this reason, Itaú Unibanco focuses on elementary education as the starting point for the educational development of children and young people

Suggested indicator	Key performance indicator status	Goal	Target	Elements reported on by Itaú Unibanco	Comments
C.4: employee health and safety	Voluntary	3: ensure healthy lives and promote well-being for all at all ages	3.8: achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all	Itaú Unibanco health-care programmes cover both employees and family members and, whenever possible, communities around administrative centres. The main indicators reported are, among others, nutritional services, fitness centres, check-up services, support services for mothers and pregnant employees, the women's health programme, influenza vaccinations and 60 additional days of maternity leave. Another set of indicators refers to occupational health and safety	Itaú Unibanco has internal policies and procedures known by all employees and institutional guidelines involving safety and occupational medicine. In the area of health, its actions and programmes focused on education are devised to prevent diseases and provide advice on the adoption of a healthier and more balanced lifestyle
C.5.1: percentage of employees covered by collective agreements	Voluntary	8	8.8: protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment	The terms agreed in collective bargaining agreements with Brazil-based units are applied to 100 per cent of the employees of Itaú Unibanco, including wage floors, variable compensations and benefits, such as health-care plans, dental care plans, subsidized transportation and meals. Data are reported in the integrated report. Another indicator used is the number of lawsuits filed for labour claims	Labour claims refer to contingencies arising from lawsuits with regard to alleged labour rights, specific to a professional category, such as, among others, overtime, salary equalization, reinstatement, transfer allowance and supplementary retirement pay. The number of complaints is reported regardless of the judgment result
Institutional					
D.1.1: number of board meetings and attendance rate	Mandatory	16: promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	16.7: ensure responsive, inclusive, participatory and representative decision-making at all levels	Itaú Unibanco reports on the composition of the Board of Directors, the Executive Committee and internal committees, including their duties and the number of meetings each year. It also reports on the methods for evaluating these bodies	
D.1.2: number and percentage of women board members	Voluntary	5	5.5	Itaú Unibanco data on the participation of women at the managerial level (15.5 per cent of total) and on the Executive Committee (0.12 per cent) show that the proportion of women among total staff members (59.96 per cent) is an aspect that needs to be strengthened internally. There are no women on the Board of Directors. The bank has addressed these issues in forums within the organization.	The bank has a policy to support pregnant employees that comprises internal rules, procedures and benefits offered to employees during pregnancy and upon return from maternity leave. Another initiative is the women's health programme, focused on the promotion of preventive, behavioural and reproductive health

Suggested indicator	Key performance indicator status	Goal	Target	Elements reported on by Itaú Unibanco	Comments
D.1.3: board members by age range	Voluntary	16	16.7	Itaú Unibanco diversity indicators reflect the age range of staff within the organization as follows: up to 30 years, 36.71 per cent; 30–50 years, 53.91 per cent; and over 50 years, 9.38 per cent. The data also show a correlation between functional level and position. Among Executive Committee members, for example, 21.50 per cent are over 50 years of age	
D.1.4: number of meetings of audit committee and attendance rate	Mandatory	16	16.6: develop effective, accountable and transparent institutions at all levels	In addition to the role of the audit committee, Itaú Unibanco reports on the frequency of meetings and the main assessment rules adopted by the committee. In 2016, 191 meetings were held over 58 days	The audit committee is a statutory body responsible for supervising the quality and integrity of the bank's financial statements, compliance with legal and regulatory requirements, performance and independence and the quality of services provided by independent auditors and internal auditors. It also oversees the efficiency of internal controls and risk management systems, in line with guidelines issued by the Central Bank of Brazil and the Superintendence of Private Insurance
D.1.5: compensation – total compensation and compensation per board member and executive	Not applicable	16	16.6	Itaú Unibanco does not disclose the compensation amounts of executives in its reports, but reports on the way compensation is assigned, that is, by considering business strategic purposes	
D.2: donations (unspecified) and donations to community projects	Voluntary	Applicable to most Goals depending on purpose and target audience needs		Itaú Unibanco discloses the rules of its policy on donations to political campaigns and, if any, the amounts donated to beneficiary parties. It also reports on the rules for donations of funds, services or goods and the amounts of donations for which there is reciprocity of tax incentives from the Government of Brazil	Donations can be designated for non-profit organizations, public bodies and private organizations that seek to strengthen initiatives that promote culture, education, sports and urban mobility, among other actions that generate value to society
D.3: anti-corruption practices	Voluntary	16	16.5: substantially reduce corruption and bribery in all their forms	Itaú Unibanco reports on complaints of possible acts of corruption between private and public agents, together with certifications of its grounds and the punitive measures adopted when complaints are reasonable, such as the dismissal of employees and closing of current accounts held by clients that have been indicted. It also reports on its practices to mitigate risk, diagnose, reprimand and tackle unlawful conduct and the number of employees that have undergone anti-corruption training	The bank's corporate policy against corruption aims to strengthen its commitment to proactively cooperate with national and international initiatives to prevent and tackle corruption. This document is available to all employees on the intranet and to its external audience on its investor relations website

D. LESSONS LEARNED AND CONCLUSION

The Itaú Unibanco departments planning the preparation of the first integrated report expected that the process would generate higher costs and greater efforts within the organization than those for previous sustainability reports. However, implementation showed the opposite. The 90 years of experience of the bank and its activities in the areas of sustainable performance and client satisfaction had provided a basis for integrated thinking within the organization. Itaú Unibanco has sought to tie all threads together under the International Integrated Reporting Council framework. From an early stage, its strategy posited that this arrangement would not be possible without including departments that had previously functioned more or less independently. As a result, Itaú Unibanco created a multidisciplinary reporting committee, comprising staff from the finance, sustainability, communications and investor relations departments.

The integrated report brought to the fore discussions on value creation and interrelations between its six capitals. This process has continued to permit staff to acquire deeper knowledge about the organization and how it affects society, giving rise to a change in the internal culture. The challenge is to integrate the bank's reports into a single, integrated document. Another aspect that favoured the implementation of an integrated report at Itaú Unibanco is that the bank uses accounting standards with measured and audited data. Itaú Unibanco worked with its external auditors, who were not technically prepared to deal with an integrated vision, to develop an audit model that takes into account the complexity of the integrated report. During the process, the involvement of upper management and the main stakeholders was important to establish the material themes of Itaú Unibanco and ensure an integrated reporting process.

Currently, Itaú Unibanco has observed that internal departments have begun to produce new indicators or correlate existing indicators in order that information may be more readily understood by specific stakeholders. The challenge is to continue this process, transposing the integrated vision to management practice in order that its key performance indicators align incentives paid to employees and executives. Another lesson learned is that the integrated report has proven more relevant than initially expected. The integrated report is downloaded from the bank's website more often than the consolidated annual report, creating a new source of international brand exposure and specifically targeting investors who are more concerned with environmental, social and governance-related issues. Finally, simpler and more concise language has made it possible to reach a larger number of users.

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