UNCTAD-ISAR Workshop on the Future Direction of the Corporate Reporting Model

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Workshop material:

*Issues, good practices and main challenges of preparing reports on sustainable development issues*

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The future direction of the corporate reporting model

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UNCTAD-ISAR technical workshop, Geneva
October 13, 2014
Complicated World
Ecological Footprint = 1,5
Scaling up requires 3 key elements

Today

Collaboration

Business Solutions

Improve Business Case

ACTION2020

PRIORITY AREAS

TO REACH SOCIETAL MUST-HAVES

wbcasd
IMPROVE THE BUSINESS CASE
Long-term vision

Traditional management

True cost, True value management

Financial Capital

Natural Capital

Social Capital
Transformation Needed

The pathway to Vision 2050

ACTION2020

PRIORITY AREAS

TO REACH SOCIETAL MUST-HAVES

Business Solutions

Collaboration

Today

Improve Business Case
Cost of Risk
Changing the rules of the game
Capital Market Valuations
TRENDS in CORPORATE REPORTING
Reporting is a **dynamic process**

Not a goal in itself, but an instrument to:

1. improve the effectiveness of corporate investments in sustainability
2. trigger internal changes towards integrated decision-making and performance management

Key role to play in accelerating transition towards true value
State of corporate practice

- Less than 12% of reports reviewed reflect those sustainability issues considered to be material to the business.
- 80% of WBCSD members produce a stand-alone sustainability report with the rest developing self-declared integrated reports.
- 75% use the GRI Guidelines with an upward trend to combine the use of several frameworks.
- 60% of total reports reviewed have some form of assurance on their sustainability disclosures with limited level as the dominant form.
- Average time period between year-end and the publication date is approximately six months reflecting a disconnect between sustainability and financial reporting cycles.
Evolution: dependencies on capitals beyond finance
Key challenges

1. **Metrics and measurements.**
   How to select the right KPIs, ensure consistent data quality and create an efficient process for data collection

2. **Explicit connection to business value.**
   How to show returns from corporate sustainability investments on the bottom line (role of <IR>)

3. **Comparability of disclosed performance information.**
   Low across companies, even within sectors and for one single entity over time

4. **Capital markets need to empower sustainable companies.**
   Low demand beyond long term investors (compliance-driven)

5. **Harmonized approaches.**
   Inconsistent use of key terms, fragmented regulatory landscape
INTEGRATED VALUATION

INTEGRATED REPORTING

- Financial Accounts
- Accounting Principles - GAAP -
- Management Accounts

Meaningful transparency
Comparability & Materiality
Better informed decisions

Non-Financial Reporting
Non-Financial Principles - GASP -

FINANCIAL CAPITAL

EP&L and other methodologies
Natural Capital Protocol

Natural Capital

SP&L and other methodologies
Social Capital Protocol

Social Capital

NATURAL CAPITAL

wbcasd redefining value
Internal decision-making → External disclosure
Management tools → Reporting frameworks
Natural and Social Capital Protocol Components

Protocol Frameworks
Purpose > Principles > Scope & boundaries > Overview of Components

Practical Methodologies & Guidelines
Approaches to measurement & valuation, e.g. S P&L; E P&L; others

Metrics
Key Performance Indicators > Units of Measurement, incl. from SASB; GRI

Top-down Elements

Bottom-up Elements
Measurement & Valuation of Action 2020 Priority Areas
Minimum standards > best practice > methodologies > KPIs

Human Rights  Skills & Employment  Inclusive Business  Rural Livelihoods  Sustainable Lifestyles  Climate & Energy  Water  Ecosystems & Land Use

Sector Initiatives
standardized metrics / methodologies by sector
Chemicals  Forests  Mobility  Cement